

**INTERIM REPORT 中期報告
2021**

HYPEBEAST

—

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

—

**於開曼群島
註冊成立的有限公司**

—

**STOCK CODE
00150**

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**股份代號
00150**

CONTENTS

INTERIM RESULTS	2
MANAGEMENT DISCUSSION AND ANALYSIS	2
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	14
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	19
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	20
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	21
DISCLOSURE OF INTERESTS	50
COMPETING AND CONFLICT OF INTERESTS	54
PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY	54
CORPORATE GOVERNANCE PRACTICE	55
DIRECTORS' SECURITIES TRANSACTIONS	55
SHARE OPTION SCHEMES	56
REVIEW BY AUDIT COMMITTEE AND AUDITORS	58
EVENTS AFTER THE REPORTING PERIOD	58

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2020, as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a digital media company primarily engaged in (i) the provision of creative advertising services and online advertising for global brands (the “**Media Segment**”); and (ii) the sale of goods through its online and offline retail platform (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 online retail of footwear, apparel, accessories, homeware and lifestyle goods under its HBX E-Commerce platform and retail shop. The HBX E-Commerce platform focuses on delivering the latest, trend-setting apparel, accessories and lifestyle products to its customers, curating and creating fashion-forward pieces and collaborations to include in its merchandise portfolio. Combining the Group’s unique insight into street-wear and 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 online shoppers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECT

- 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 recovered to pre-COVID-19 levels. The Group expects the demand for offline campaigns and activations to resume and grow 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 properties. Notably, in the 1H2022, the Group was able to launch the food and beverage destination HYPEBEANS cafe property in South Korea as a physical element to amplify its user base in the region. The Group continues to explore similar opportunities by establishing various offline channels and touchpoints in order to drive the Group's brand awareness and bring its online presence to the offline world. This strategy is further reinforced by the HYPEBEAST building in New York City in the United States of America (the "US") to be opened in 2022, which will integrate the Group's flagship retail store, provide a coveted venue for regional cultural events and Media Segment sales campaigns, as well as host the Group's US East Coast office;
- In 1H2022, the Group continues to place a strong emphasis on 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 continued enhancements to our platform allows 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW

Media Segment

The Media Segment emerged strongly in the current financial year ending 31 March 2022 (“FY2022”) as results demonstrated a complete recovery from the COVID-19 pandemic. Revenue and gross profit of the Media Segment for 1H2022, 1H2021 and the six months ended 30 September 2019 (“1H2020”), which represent the period of post-COVID-19 pandemic recovery, periods during and prior to the COVID-19 pandemic respectively, are as follows:

	Post-COVID-19 pandemic recovery 1H2022 HK\$'000 (Unaudited)	COVID-19 pandemic 1H2021 HK\$'000 (Unaudited)	Pre-COVID-19 pandemic 1H2020 HK\$'000 (Unaudited)
Revenue	326,901	172,637	262,429
Gross Profit	207,360	86,936	125,129

- The Media Segment experienced robust strength in recovery with revenue increasing by HK\$154.3 million in 1H2022, representing a significant rise of 89.4% from HK\$172.6 million in 1H2021. Although part of the increase is due to softer comparatives for 1H2021, revenue recorded in 1H2022 also indicates an increase of HK\$64.5 million, or 24.6%, as compared to pre-COVID-19 pandemic revenues recorded in 1H2020, reflecting robust growth versus the pre-COVID-19 pandemic baseline. The Group expects such increases to continue and accelerate throughout the remainder of FY2022.
- 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) which represents an increase of 54.4% as compared to 1H2021. The notable increase was mainly driven by the expansion of the media and agency client base in the Group’s core markets (US, United Kingdom, China, Hong Kong and South Korea) which, combined, represents a period-on-period growth in total signed contract value of 148.1% in 1H2022 versus 1H2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Media Segment (Continued)

- The Group effectively adjusted its production strategies so as to adapt to the post-COVID-19 pandemic environment. Campaign productions were more streamlined and cost-optimised and such adjustments resulted in a significant improvement in profitability. Gross profit soared in 1H2022 and reached a record high of HK\$207.4 million, representing an increase of HK\$120.4 million, or 138.5%, versus 1H2021 (roughly, the period during COVID-19 pandemic) and 65.7% versus 1H2020 (pre-COVID-19 pandemic). The Group recorded a notable rise in gross profit margin in 1H2022, an increase of 13.0 percentage points to 63.4% in 1H2022 from 50.4% in 1H2021 or 15.7 percentage points from 47.7% in 1H2020.
- 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 in the second half of FY2022.

E-Commerce and Retail Segment

- The E-Commerce and Retail Segment revenue increased steadily from HK\$112.8 million in 1H2021 to HK\$113.9 million in 1H2022, or an increase of 1.0%. Gross profit amounted to HK\$51.0 million in 1H2022, representing an increase of HK\$10.0 million, or 24.5%, as compared to 1H2021. Such increases were mainly driven by the increase in proportion of full price items and the improvements in sell-through rates.
- The Group continues to improve and refine its product offerings on HBX.com. The average retail price of products sold increased from approximately HK\$969 in 1H2021 to HK\$1,050 in 1H2022, whilst the average order value increased by 8.1% from approximately HK\$1,784 in 1H2021 to HK\$1,929 in 1H2022, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

E-Commerce and Retail Segment (Continued)

- In order to boost the Group's presence and brand awareness in China, the Group recently launched its HBX online flagship store on TMall Global in September 2021. The online flagship store has been very well-received by local customers and gained approximately 40,000 fans in less than two months since its launch. The Group anticipates customers to be converted to HBX.com as product offering expands.
- 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.
- The HBX physical retail shop located in Central, Hong Kong and the HYPEBEANS coffee shops remain a strong marketing window and attraction point to introduce new customers to the world of culture. In particular, store and cafe revenues in 1H2022 increased by 35.1% and 168.5% compared to 1H2021 respectively.

Cost of Revenue

The Group's cost of revenue increased from approximately HK\$157.6 million for 1H2021 to approximately HK\$182.5 million for 1H2022, representing an increase of approximately 15.8%. The increase was mainly attributable to the resume of productions and strong performance in Media Segment in 1H2022 which led to the increase in campaign production costs.

Gross Profit Margin

Gross profit of the Group increased from approximately HK\$127.9 million for 1H2021 to approximately HK\$258.4 million for 1H2022, representing an increase of approximately 102.0%. The increase was mainly caused by the increase in revenue for 1H2022 as discussed above. The overall gross profit margin increased from approximately 44.8% for 1H2021 to approximately 58.6% for 1H2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Other Gains and Losses

Other gains of the Group primarily consisted of (i) exchange gains of approximately HK\$1.4 million for 1H2022, compared to exchange losses of approximately HK\$2.1 million for 1H2021; and (ii) surcharges on customers for overdue settlement of approximately HK\$0.5 million during 1H2022, compared to surcharges on customers of approximately HK\$0.9 million for 1H2021.

During 1H2022, 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 1H2022, that the HK dollar to US dollar foreign exchange rate as at 30 September 2020 was HKD1:USD0.1290 compared to HKD1:USD0.1284 as at 30 September 2021; while the HK dollar to Euro foreign exchange rate as at 30 September 2020 was HKD1:EUR0.1100 compared to HKD1:EUR0.1108 as at 30 September 2021; and the HK dollar to RMB foreign exchange rate as at 30 September 2020 was HKD1:RMB0.8767 compared to HKD1:RMB0.8286 as at 30 September 2021.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 43.7% from HK\$49.7 million in 1H2021 to HK\$71.4 million in 1H2022 and, correspondingly as a percentage of revenue, decreased from 17.4% in 1H2021 to 16.2% in 1H2022. 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; (ii) variable commission paid for the respective size of our contracts and the level of production within our contractual pipeline for the relevant period; and (iii) spending in the Group's social media marketing and advertising for digital and e-commerce platforms.

Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by 74.4% from HK\$53.6 million in 1H2021 to HK\$93.5 million in 1H2022 and correspondingly as a percentage of revenue, increased from 18.8% in 1H2021 to 21.2% in 1H2022. The overall increase was mainly led by more favourable prior year comparatives from government subsidies and other management led cost-savings measures employed during the COVID-19 pandemic in 1H2021.

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\$9.1 million on amount due from a joint venture was provided by the Group in 1H2022.

Income Tax Expense

Income tax expense of the Group increased from approximately HK\$6.2 million in 1H2021 to approximately HK\$16.6 million in 1H2022, representing an increase of 167.7%. The increase was mainly due to the increase in profit for tax.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income increased from approximately HK\$20.9 million in 1H2021 to approximately HK\$63.0 million in 1H2022, representing an increase of 201.5%. The increase translated to an improvement of net profit margin by 7.0 percentage points, resulting in the increase from 7.3% in 1H2021 to 14.3% in 1H2022. The increase was primarily attributable to the recovery from the impact of COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had total assets of approximately HK\$682.8 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\$247.3 million (31 March 2021: approximately HK\$220.4 million) and approximately HK\$435.5 million (31 March 2021: approximately HK\$361.2 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 30 September 2021 were approximately HK\$8.8 million (31 March 2021: approximately HK\$6.0 million), and current ratio remained at approximately 3.0 times as at 30 September 2021 and 31 March 2021. These bank borrowings were denominated in HK dollar and Pound Sterling, due within one year and the interest rates applied were primarily subject to floating rate terms. As at 30 September 2021, 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\$254.7 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 the first half of FY2022, which led to the overall health of the treasury position and working capital as of period 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\$54.3 million as at 30 September 2021. 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 26 November 2021, approximately HK\$6.2 million or approximately 11.4% of inventories as at 30 September 2021 had been sold.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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\$17.5 million from HK\$22.6 million in 1H2021 to HK\$40.1 million in 1H2022 was mainly due to renovation cost for the retail and office premises in the US, which is slated to open in 2022.

RIGHT OF USE ASSETS AND LEASE LIABILITIES

As at 30 September 2021 and 31 March 2021, the Group's rights of use assets amounted to approximately HK\$71.0 million and HK\$79.0 million, respectively, and the Group's lease liabilities amounted to approximately HK\$74.2 million and HK\$81.8 million, respectively.

During 1H2022, 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.

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 will mark Hypebeast's first physical presence in North America where much of its cultural roots originated from and will serve as a multi-purpose space, spanning across retail, cafe, physical activation space, production studio and office space, amongst others.

RENTAL DEPOSITS

As at 30 September 2021 and 31 March 2021, the Group's rental deposits amounted to approximately HK\$9.1 million and HK\$8.2 million, respectively. The increase of approximately HK\$0.9 million in rental deposits in 1H2022 was mainly due to the deposits paid for the new office in the UK and the new Hypebeans coffee shop in South Korea.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2021 was approximately 2.0% (31 March 2021: approximately 1.7%). The increase was due to the new bank borrowings during the first half of FY2022. The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the period ended.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TREASURY POLICY

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CHARGES ON GROUP ASSETS

As at 30 September 2021, 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 30 September 2021, the Group's bank borrowings with carrying amount of approximately HK\$8.8 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 30 September 2021, 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 22 to the unaudited condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other approved plans for material investments or capital assets as of 30 September 2021.

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 six months ended 30 September 2021.

CONTINGENT LIABILITIES

As at 30 September 2021, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group employed a total of 405 employees (30 September 2020: 348 employees). Staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the six months ended 30 September 2021 were approximately HK\$112.5 million (for the six months ended 30 September 2020: approximately HK\$63.7 million). The increase was mainly led by (i) the increase in headcounts in 1H2022 compared to 1H2021 and (ii) more favourable prior year comparatives from government subsidies and other management led cost-savings measures employed during the COVID-19 pandemic in 1H2021. As at 30 September 2021, 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 six months ended 30 September 2021.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF HYPEBEAST LIMITED

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Hypebeast Limited (the “**Company**”) and its subsidiaries set out on pages 16 to 49, which comprise the condensed consolidated statement of financial position as of 30 September 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” (“**HKSRE 2410**”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

TO THE SHAREHOLDERS OF HYPEBEAST LIMITED (CONTINUED)

(incorporated in Cayman Islands with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2020 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		For the six months ended 30 September	
		2021	2020
	NOTES	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	440,837	285,452
Cost of revenue		(182,475)	(157,556)
Gross profit		258,362	127,896
Other income, other gains and losses	5	219	3,597
Selling and marketing expenses		(71,427)	(49,695)
Administrative and operating expenses		(93,465)	(53,581)
Impairment losses under expected credit losses model, net of reversal	6	(11,870)	(162)
Finance costs		(2,281)	(921)
Profit before tax		79,538	27,134
Income tax expense	7	(16,564)	(6,245)
Profit for the period	9	62,974	20,889
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		901	47
Total comprehensive income for the period		63,875	20,936
Earnings per share	10		
– Basic (HK cents)		3.07	1.03
– Diluted (HK cents)		3.06	1.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	NOTES	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	40,105	22,590
Intangible assets		922	962
Right-of-use assets	12	71,032	78,951
Rental deposits	13	5,811	7,465
Interest in a joint venture		–	–
Financial assets at fair value through profit or loss	19	3,980	1,647
Amount due from a joint venture		–	9,101
Deferred tax assets		479	479
		122,329	121,195
Current assets			
Inventories		54,263	42,389
Trade and other receivables	13	236,054	196,942
Contract assets	14	5,429	1,484
Pledged bank deposits	15	10,000	10,000
Bank balances and cash	15	254,719	209,575
		560,465	460,390
Current liabilities			
Trade and other payables	16	136,857	117,886
Contract liabilities		14,260	9,020
Bank borrowings	17	8,787	5,996
Lease liabilities		13,986	15,763
Tax payables		13,227	5,661
		187,117	154,326
Net current assets		373,348	306,064
Total assets less current liabilities		495,677	427,259

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2021

	NOTES	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		60,167	66,016
		60,167	66,016
Net assets		435,510	361,243
Capital and reserves			
Share capital	18	20,533	20,459
Reserves		414,977	340,784
		435,510	361,243

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 April 2020 (audited)	20,231	29,579	(42)	8,524	216,903	275,195
Profit for the period	-	-	-	-	20,889	20,889
Exchange differences on translation of foreign operations	-	-	47	-	-	47
Total comprehensive income for the period	-	-	47	-	20,889	20,936
Exercise of share options	154	4,439	-	(1,946)	-	2,647
Recognition of equity-settled share-based payments	-	-	-	1,536	-	1,536
At 30 September 2020 (unaudited)	20,385	34,018	5	8,114	237,792	300,314
At 1 April 2021 (audited)	20,459	36,773	3,892	12,632	287,487	361,243
Profit for the period	-	-	-	-	62,974	62,974
Exchange differences on translation of foreign operations	-	-	901	-	-	901
Total comprehensive income for the period	-	-	901	-	62,974	63,875
Issuance of ordinary shares	65	6,855	-	-	-	6,920
Transaction costs attributable to issuance of new shares	-	(300)	-	-	-	(300)
Exercise of share options	9	927	-	(378)	-	558
Recognition of equity-settled share-based payments	-	-	-	3,214	-	3,214
At 30 September 2021 (unaudited)	20,533	44,255	4,793	15,468	350,461	435,510

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	69,632	103,643
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,274)	(6,348)
Proceeds from disposal of property, plant and equipment	1,316	–
Payments of rental deposits	(1,219)	–
Refund of rental deposits	924	503
Investments in financial assets at fair value through profit or loss	(2,333)	–
Withdrawal of pledged bank deposits	–	5,603
Bank interest received	125	176
NET CASH USED IN INVESTING ACTIVITIES	(22,461)	(66)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	4,405	7,278
Repayments of bank borrowings	(1,614)	(26,564)
Interest paid for bank borrowings	(97)	(354)
Proceeds from issuance of ordinary shares upon exercise of share options	558	2,647
Proceeds from issuance of ordinary shares under a share subscription agreement	6,920	–
Payment of transaction costs attributable to issuance of new shares	(300)	–
Interest paid for lease liabilities	(2,184)	(566)
Repayments of lease liabilities	(10,416)	(9,077)
NET CASH USED IN FINANCING ACTIVITIES	(2,728)	(26,636)
NET INCREASE IN CASH AND CASH EQUIVALENTS	44,443	76,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	209,575	67,251
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	701	35
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	254,719	144,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

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 is 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

3. APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

The Group's turnover includes revenues from sales of goods through online retail platform, commission fee from consignment sales, provision of advertising spaces, provision of services for creative agency projects and publication of magazines.

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

- (i) Media segment
 - Provision of advertising spaces, provision of services for creative agency projects and publication of magazines

- (ii) E-Commerce and Retail segment
 - Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories and commission fee from consignment sales

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 September					
	Media		E-Commerce and Retail		Total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Types of goods or services:						
Sales of goods through online retail platform	-	-	111,393	111,586	111,393	111,586
Commission fee from consignment sales	-	-	2,543	1,229	2,543	1,229
Provision of advertising spaces	188,773	72,947	-	-	188,773	72,947
Provision of services for creative agency projects	138,128	99,456	-	-	138,128	99,456
Publication of magazines	-	234	-	-	-	234
Total revenue from contracts with customers	326,901	172,637	113,936	112,815	440,837	285,452
Geographical markets:						
Hong Kong	16,444	17,186	17,919	13,963	34,363	31,149
The People's Republic of China (the "PRC")	71,724	51,886	11,750	6,222	83,474	58,108
United States ("US")	117,804	34,996	28,819	34,601	146,623	69,597
Other countries	120,929	68,569	55,448	58,029	176,377	126,598
Total	326,901	172,637	113,936	112,815	440,837	285,452
Timing of revenue recognition:						
A point in time	113,181	66,675	113,936	112,815	227,117	179,490
Over time	213,720	105,962	-	-	213,720	105,962
Total	326,901	172,637	113,936	112,815	440,837	285,452

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Six months ended 30 September 2021

	Media HK\$'000 (Unaudited)	E-Commerce and Retail HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Total segment revenue	<u>326,901</u>	<u>113,936</u>	<u>440,837</u>
Segment results	<u>137,340</u>	<u>1,303</u>	<u>138,643</u>
Finance costs			(2,281)
Share-based payment expense			(3,214)
Unallocated expenses			<u>(53,610)</u>
Profit before tax			<u>79,538</u>

Six months ended 30 September 2020

	Media HK\$'000 (Unaudited)	E-Commerce and Retail HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Total segment revenue	<u>172,637</u>	<u>112,815</u>	<u>285,452</u>
Segment results	<u>48,934</u>	<u>2,212</u>	51,146
Finance costs			(921)
Share-based payment expense			(1,536)
Unallocated expenses			<u>(21,555)</u>
Profit before tax			<u>27,134</u>

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Reportable segment assets		
Media	234,782	209,155
E-Commerce and Retail	120,810	98,910
Total segment assets	355,592	308,065
Reconciliation of reportable segment total to group total:		
Segment assets	355,592	308,065
Unallocated assets:		
Property, plant and equipment	40,105	22,590
Intangible assets	16	16
Right-of-use assets	5,819	6,691
Financial assets at FVTPL	3,980	1,647
Amount due from a joint venture	–	9,101
Deferred tax assets	479	479
Deposits and other receivables	12,084	13,421
Pledged bank deposits	10,000	10,000
Bank balances and cash	254,719	209,575
Consolidated total assets	682,794	581,585
Reportable segment liabilities		
Media	150,644	138,249
E-Commerce and Retail	39,770	45,559
Total segment liabilities	190,414	183,808

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Reconciliation of reportable segment total to group total:		
Segment liabilities	190,414	183,808
Unallocated liabilities:		
Other payables and accrued expenses	31,529	18,285
Bank borrowings	8,787	5,996
Tax payables	13,227	5,661
Lease liabilities	3,327	6,592
Consolidated total liabilities	247,284	220,342

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

5. OTHER INCOME, OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net exchange (losses) gains	(1,420)	2,051
Gain (loss) on disposal of property, plant and equipment	676	(18)
Penalty on customers for overdue settlement	477	948
Bank interest income	125	176
Other income	361	440
	219	3,597

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSSES MODEL, NET OF REVERSAL

	For the six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Impairment losses, net of reversal, recognised on:		
– Trade and unbilled receivables	2,769	162
– Amount due from a joint venture (Note)	9,101	–
	11,870	162

Note: 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 by the management of the Group during the current interim period.

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
	<hr/>	<hr/>
Current tax:		
– Hong Kong Profits Tax	9,951	769
– The PRC Enterprise Income Tax	5,404	4,554
– Other jurisdictions	1,209	922
	<hr/>	<hr/>
	16,564	6,245
	<hr/>	<hr/>

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

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

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

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

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

8. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company (the “**Directors**”) have determined that no dividend will be paid in respect of the interim period.

9. PROFIT FOR THE PERIOD

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense (included in cost of revenue)	57,346	67,574
Depreciation of property, plant and equipment	3,085	3,337
Depreciation of right-of-use assets	10,342	9,801
Amortisation of intangible assets	55	53
Write-down of inventories	369	128

10. EARNINGS PER SHARE

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

	For the six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the period attributable to owners of the Company)	62,974	20,889

10. EARNINGS PER SHARE (CONTINUED)

	For the six months ended 30 September	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,052,315	2,027,971
Effect of dilutive potential ordinary shares:		
Share options	5,469	12,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,057,784	2,040,183
Earnings per share		
– Basic (HK cents)	3.07	1.03
– Diluted (HK cents)	3.06	1.02

The computation of diluted earnings per share for the six months ended 30 September 2021 and 2020 did not assume the exercise of certain share options granted by the Company because the adjusted exercise prices for the computation of diluted earnings per share of those share options were higher than the average market price for shares for the six months ended 30 September 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain office equipment and motor vehicles with an aggregate carrying amount of approximately HK\$640,000 (six months ended 30 September 2020: HK\$18,000) for proceeds of approximately HK\$1,316,000 (six months ended 30 September 2020: nil), resulting in a gain on disposal of approximately HK\$676,000 (six months ended 30 September 2020: loss on disposal of approximately HK\$18,000).

In addition, leasehold improvement under construction for a leased premises located in the US of HK\$19,003,000 (six months ended 30 September 2020: nil) and plant and equipment of HK\$2,271,000 (six months ended 30 September 2020: HK\$6,348,000) are recognised as the addition of property, plant and equipment during the current interim period.

12. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
	<u> </u>	<u> </u>	<u> </u>
As at 1 April 2021 (audited)			
Carrying amount	78,951	–	78,951
	<u> </u>	<u> </u>	<u> </u>
As at 30 September 2021 (unaudited)			
Carrying amount	71,032	–	71,032
	<u> </u>	<u> </u>	<u> </u>
For the six months ended 30 September 2020 (unaudited)			
Depreciation charge	9,607	194	9,801
	<u> </u>	<u> </u>	<u> </u>
For the six months ended 30 September 2021 (unaudited)			
Depreciation charge	10,342	–	10,342
	<u> </u>	<u> </u>	<u> </u>

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

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

During the current interim period, the Group entered into a new lease agreement with lease terms of 5 year. On lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK\$2,372,000 (six months ended 30 September 2020: HK\$52,349,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade receivables	166,836	83,793
Unbilled receivables (Note)	34,610	89,876
	201,446	173,669
Less: allowance for credit losses	(935)	(928)
	200,511	172,741
Trade and unbilled receivables (net carrying amount)		
Advance to staff	425	410
Rental and utilities deposits	10,165	9,101
Prepayments	30,764	21,284
Other receivables	–	871
	241,865	204,407
Analysed as:		
Current	236,054	196,942
Non-current	5,811	7,465
	241,865	204,407

Note: The amounts mainly represent the balances of unconditional right to the consideration for completed portion of contracts relating to provision of advertising spaces and provision of services for creative agency projects by the PRC subsidiaries but respective invoices have not been issued due to the quota limitation in invoice amount enforced by respective local tax bureau.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows credit periods ranging from 30 to 60 days to its trade customers derived from provision of advertising spaces and creative agency projects, whereas no credit period is granted to customers from online retail platform, 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:

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Within 60 days	159,152	75,238
61 – 90 days	5,760	2,785
91 – 180 days	1,683	4,608
181 – 365 days	131	762
Over 365 days	110	400
	166,836	83,793

14. CONTRACT ASSETS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Provision of advertising spaces	5,429	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 receivables upon the satisfaction of the target impression rate or click rate at the end of advertising period.

As at 30 September 2021 and 31 March 2021, all contract assets are expected to be settled within 1 year, and accordingly classified as current assets.

15. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group, which carry interest at prevailing market rates of 1.85% per annum as at 30 September 2021 (31 March 2021: 1.85%). Deposits amounting to HK\$10,000,000 as at 30 September 2021 (31 March 2021: HK\$10,000,000) have been pledged to secure a bank borrowing and the banking facilities.

Bank balances carry interest at prevailing market rates of 0.01% per annum as at 30 September 2021 and 31 March 2021.

16. TRADE AND OTHER PAYABLES

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Trade payables	22,415	18,669
Commission payable to staff	24,738	20,312
Accrual for campaign cost (Note)	58,249	61,880
Accrual for staff bonus	11,815	–
Other payables and accrued expenses	19,640	17,025
	136,857	117,886

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

16. TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Within 30 days	18,131	12,502
31 – 60 days	999	1,462
61 – 90 days	1,150	53
Over 90 days	2,135	4,652
	22,415	18,669

17. BANK BORROWINGS

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Bank loans, secured with variable rate	8,787	5,996
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	6,468	2,636
– In more than one year but not more than two years	2,137	2,100
– In more than two years but not more than five years	182	1,260
	8,787	5,996
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	8,787	5,996

As at 30 September 2021, the borrowings were secured by the pledge of the Group's bank deposits with carrying amount of HK\$10,000,000 (31 March 2021: HK\$10,000,000).

17. BANK BORROWINGS (CONTINUED)

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

	As at 30 September 2021 (Unaudited)	As at 31 March 2021 (Audited)
Effective interest rate (per annum):		
– variable-rate borrowings	1.36% to 3.73%	2.26% to 3.50%

18. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020 (Audited), 30 September 2020 (Unaudited), 1 April 2021 (Audited) and 30 September 2021 (Unaudited)	6,000,000	60,000
Issued:		
At 1 April 2020 (Audited)	2,023,063	20,231
Exercise of share options	15,396	154
At 30 September 2020 (Unaudited)	2,038,459	20,385
At 1 April 2021 (Audited)	2,045,929	20,459
Exercise of share options	900	9
Issuance of ordinary shares (Note)	6,533	65
At 30 September 2021 (Unaudited)	2,053,362	20,533

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.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The management of the Group reviews the appropriateness of the valuation techniques and inputs for fair value measurements regularly.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group will perform the valuation with reference to the valuation of external qualified valuers.

The fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements and valuation processes (Continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)			
Private equity investment at FVTPL	1,647	1,647	Level 3	Adjusted cost approach, based on market capitalisation (note a)	Market capitalisation: 0% (31 March 2021: 0%)
Convertible promissory note	2,333	N/A	Level 3	Scenario base approach with probability-weighted cash flow method (note b)	Probability of next round of preference equity financing: 70% in Q4 2021, 25% in Q1 2022 and 5% in Q2 2022, respectively. Discount rate: 0.04% to 0.07%. Time to maturity: 0.45 to 0.95 years

Notes:

- 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 bases on the concept of replacement, less depreciation from physical deterioration and functional obsolescence, as an indication of value.
- Scenario base approach with probability-weighted cash flow method is used to compare the net payoff receivables by note holder, i.e. the conversion payoff by note issuer with debt payoff by note issuer, and then estimating their present value in different scenarios.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements and valuation processes (Continued)

The financial assets amounting to HK\$1,647,000 (31 March 2021: HK\$1,647,000) represent the Group's equity interest in a private entity established in the US. This investment is not held for trading, instead, they are held for long-term strategic purposes. The fair value of the investment as at 30 September 2021 and 31 March 2021 were measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

The financial assets amounting to HK\$2,333,000 represent the Group's investment in convertible promissory note issued by an private entity established in the US. The fair value of the investment as at 30 September 2021 were measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

Reconciliation of Level 3 fair value measurements of financial assets

	Private equity investment at FVTPL HK\$'000	Convertible promissory note HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	1,647	–	1,647
Purchased	–	2,333	2,333
At 30 September 2021 (unaudited)	1,647	2,333	3,980

20. SHARE OPTION SCHEMES

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

(a) **Pre-IPO Scheme**

(i) **Purpose of the schemes**

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

(ii) **Participants of the schemes**

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

20. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

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

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

(iv) Maximum entitlement of each participant under the schemes

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

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

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

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

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

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

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

(viii) The basis of determining the exercise price

As determined by the Board.

20. 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 periods ended 30 September 2021 and 2020 are set out below:

Category of participants	Number of share options										Outstanding at 30 September 2020	Date of grant of share options	Exercise period	Share price at the date of grant of share options	Exercise price of share options HK\$	
	Outstanding at 1 April 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30 September 2021	Outstanding at 1 April 2020	Granted during the period	Exercised during the period	Lapsed during the period						Cancelled during the period
Under the Pre-IPO Scheme																
Employees ^{1,2}	750,000	-	-	-	-	750,000	750,000	-	-	-	-	750,000	18 March 2016	From 18 March 2019 to 17 March 2026	N/A	0.026
Employees ^{1,2}	500,000	-	-	-	-	500,000	500,000	-	-	-	-	500,000	18 March 2016	From 18 March 2019 to 17 March 2026	N/A	0.052
Total	1,250,000	-	-	-	-	1,250,000	1,250,000	-	-	-	-	1,250,000				
Share options exercisable at the end of respective years/periods	1,250,000					1,250,000	1,250,000					1,250,000				
Weighted average exercise price (HK\$)	0.04	-	-	-	-	0.04	0.04	-	-	-	-	0.04				

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- The share options granted on 18 March 2016 are divided into 4 tranches exercisable from 18 March 2018, 18 March 2019, 18 March 2019 and 18 March 2019 respectively to 17 March 2026. The outstanding share options for the periods ended 30 September 2021 and 2020 are exercisable from 18 March 2019 to 17 March 2026.

20. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme

(i) Purpose of the schemes

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

(ii) Participants of the schemes

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

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

110,862,500 shares (31 March 2021: 106,487,500 shares) (being 5.4% of the issued share capital as at the date of this interim 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.

20. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

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

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

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

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

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

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

(viii) The basis of determining the exercise price

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

20. 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 periods ended 30 September 2021 and 2020 are set out below:

Category of participants	Number of share options											Outstanding at 30 September 2020	Date of grant of share options	Exercise period	Share price at the date of grant of share options	Exercise price of share options HK\$
	Outstanding at 1 April 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding at 30 September 2021	Outstanding at 1 April 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
Directors ¹⁴	9,600,000	-	-	-	-	9,600,000	9,600,000	-	-	-	-	9,600,000	28 June 2019	From 28 June 2019 to 27 June 2029	1.04	1.04
Directors ¹⁵	9,600,000	-	-	-	-	9,600,000	-	-	-	-	-	-	8 December 2020	From 8 December 2024 to 7 December 2030	0.77	0.788
	19,200,000	-	-	-	-	19,200,000	9,600,000	-	-	-	-	9,600,000				
Employees ¹⁷	333,333	-	-	-	-	333,333	23,200,000	(15,366,667)	-	-	-	7,833,333	6 July 2017	From 6 July 2020 to 5 July 2027	0.198	0.198
Employees ¹⁸	9,600,000	(800,000)	(133,333)	-	-	8,566,667	9,733,333	-	(133,333)	-	-	9,600,000	10 August 2018	From 10 August 2021 to 9 August 2028	0.62	0.62
Employees ¹⁶	3,300,000	-	(533,334)	-	-	2,766,666	3,300,000	-	-	-	-	3,300,000	28 June 2019	From 28 June 2022 to 27 June 2029	1.04	1.04
Employees ¹⁴	13,600,000	-	(2,775,000)	-	-	10,825,000	14,500,000	-	(900,000)	-	-	13,600,000	28 June 2019	From 28 June 2023 to 27 June 2029	1.04	1.04
Employees ¹⁵	10,600,000	-	(1,800,000)	-	-	8,800,000	-	-	-	-	-	-	8 December 2020	From 8 December 2023 to 7 December 2030	0.77	0.788
Employees ¹⁵	8,200,000	-	-	-	-	8,200,000	-	-	-	-	-	-	8 December 2020	From 8 December 2024 to 7 December 2030	0.77	0.788
	45,633,333	(800,000)	(6,241,667)	-	-	39,491,666	50,733,333	(15,366,667)	(1,033,333)	-	-	34,333,333				
Total	64,833,333	(800,000)	(6,241,667)	-	-	58,691,666	60,333,333	(15,366,667)	(1,033,333)	-	-	43,833,333				
Share options exercisable at the end of respective years/periods	9,333,333					18,500,000	9,600,000					9,933,333				
Weighted average exercise price (HK\$)	0.86	-	0.82	0.94	-	0.86	0.64	-	0.20	0.99	-	0.80				

20. 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 are divided into 2 tranches exercisable from 6 July 2019 and 6 July 2020 respectively to 5 July 2027.
3. The share options granted on 10 August 2018 are exercisable from 10 August 2021 to 9 August 2028.
4. The share options granted on 28 June 2019 are divided into 3 tranches exercisable from 28 June 2019, 28 June 2022 and 28 June 2023 respectively to 27 June 2029.
5. The share options granted on 8 December 2020 are divided into 2 tranches exercisable from 8 December 2023 and 8 December 2024 respectively to 7 December 2030.

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

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

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 closing price of the Shares of the Company immediately before the date on which the options were granted was HK\$0.77.

20. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

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

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	28 June 2019
Share price at date of grant of share options	HK\$0.77	HK\$1.04
Exercise price	HK\$0.788	HK\$1.04
Expected life	5 - 6 years	4 years
Expected volatility	76.89%	81.11%
Expected dividend yield	0%	0%
Risk-free rate	0.33%	1.43%

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.

21. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the condensed consolidated statement of financial position and other details disclosed elsewhere in these condensed consolidated financial statements, the Group also entered into the following significant transactions with related parties during the period:

Name of related party	Nature of transactions	For the six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Mr. Lee Chung Ming and Ms. Chan Lai Kuen	Repayment of lease liabilities for Director's quarter	105	105
	Interest expense on lease liabilities for Director's quarter	6	3
	Lease liability for Director's quarter at period end	264	272

Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the period was HK\$3,030,000 (six months ended 30 September 2020: HK\$923,000).

22. 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 interim period, the remaining unpaid contract sum was US\$1,959,000 (equivalent to HK\$15,257,000) (31 March 2021: nil).

DISCLOSURE OF INTERESTS

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

As at 30 September 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

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

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of ordinary shares of the Company</u>	<u>Approximate percentage of the Company's total issued shares*</u>
Mr. Ma Pak Wing Kevin	Interest in a controlled corporation (Note 1)	1,485,000,000	72.32%
	Beneficial owner	780,000	0.04%
		<u>1,485,780,000</u>	<u>72.36%</u>
Ms. Lee Yuen Tung Janice	Interest of spouse (Note 2)	1,485,780,000	72.36%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 September 2021.

Notes:

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

DISCLOSURE OF INTERESTS (CONTINUED)

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

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

Share options – physically settled unlisted equity derivatives

<u>Name of Director</u>	<u>Nature of Interest</u>	<u>Number of underlying shares in respect of the share options granted</u>	<u>Approximate percentage of the Company's total issued shares*</u>
Mr. Ma Pak Wing Kevin	Beneficial owner	9,600,000	0.47%
	Interest of spouse (Note)	9,600,000	0.47%
		19,200,000	0.94%
Ms. Lee Yuen Tung Janice	Beneficial owner	9,600,000	0.47%
	Interest of spouse (Note)	9,600,000	0.47%
		19,200,000	0.94%

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

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2021.

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.

DISCLOSURE OF INTERESTS (CONTINUED)

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

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

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

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 30 September 2021.

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

Save as disclosed above, as at 30 September 2021, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 September 2021, the following parties (other than the Directors or the chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name of substantial 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)	1,485,000,000	72.32%
Fidelity China Special Situations PLC	Beneficial owner	121,030,000	5.89%
FIL Limited	Interest of controlled corporations (Note 2)	121,030,000	5.89%
Pandanus Partners L.P.	Interest of controlled corporations (Note 2)	121,030,000	5.89%
Pandanus Associates Inc.	Interest of controlled corporations (Note 2)	121,030,000	5.89%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 September 2021.

Notes: (1) 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".

(2) As the Company is aware, FIL Limited was deemed to be interested in 121,030,000 Shares held by its controlled entities/corporations. Pandanus Partners L.P. owned 37.01% of the equity interest in FIL Limited. Pandanus Partners L.P. is wholly owned by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. were also deemed to be interested in the aforesaid 121,030,000 Shares.

Save as disclosed above, as at 30 September 2021, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING AND CONFLICT OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Company and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2021.

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 the six months ended 30 September 2021, 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.

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**”) 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**”). Completion of the Subscription took place on 9 April 2021. 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.

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 six months ended 30 September 2021.

CORPORATE GOVERNANCE PRACTICE

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 six months ended 30 September 2021, save for the deviation from the code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that consolidation of these roles by Mr. Ma provides strong and consistent leadership to the Company which facilitates effective planning and efficient management of the Company. Furthermore, having considered Mr. Ma’s extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of the Group, the Board considers that it is beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

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 six months ended 30 September 2021.

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.

Details of the movements within the two share option schemes of the Company for the six months ended 30 September 2021 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 period	As at 30 September 2021
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				<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>

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 six months ended 30 September 2021.

SHARE OPTION SCHEMES (CONTINUED)

(2) Post-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options				
				As at 1 April 2021	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2021
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	-	(900,000)	(133,333)	8,566,667
	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	-	-	(1,800,000)	8,800,000
	8 December 2020	From 8 December 2024 to 7 December 2030	0.788	8,200,000	-	-	-	8,200,000
				45,633,333	-	(900,000)	(5,241,667)	39,491,666
Total				64,833,333	-	(900,000)	(5,241,667)	58,691,666

SHARE OPTION SCHEMES (CONTINUED)

(2) Post-IPO Scheme (continued)

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) No share options have been cancelled under the Post-IPO Scheme during the six months ended 30 September 2021.
- (3) The weighted average closing price of the shares immediately before the date of exercise is HK\$1.07 regarding the options exercised by the employee.

The Group recognised total expenses of approximately HK\$3,214,000 for the six months ended 30 September 2021 (for the six months ended 30 September 2020: HK\$1,536,000) in relation to the share options granted by the Company.

REVIEW BY AUDIT COMMITTEE AND AUDITORS

The interim results and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2021 have been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial information has also been reviewed by Deloitte Touche Tohmatsu, the Company's external auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certificated Public Accountants.

EVENTS AFTER THE REPORTING PERIOD

There have been no important events subsequent to 30 September 2021 and up to the date of this report, which would affect the Group's business operations in material aspects.

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

Hong Kong, 26 November 2021

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