

**INTERIM REPORT 中期報告
2022**

HYPEBEAST

—

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

—

**於開曼群島
註冊成立的有限公司**

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**STOCK CODE
00150**

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**股份代號
00150**

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INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (“**1H2023**”), together with the unaudited comparative figures for the six months ended 30 September 2021 (“**1H2022**”), 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 advertising spaces 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 retail of footwear, apparel, accessories, homeware and lifestyle goods under its HBX E-commerce platform and retail shop. The HBX E-commerce platform focuses on delivering the latest, trend-setting apparel, accessories and lifestyle products to its customers, curating and creating fashion-forward pieces and collaborations to include in its merchandise portfolio. Combining the Group’s unique insight into youth culture, and its longstanding reputation in the industry as a community and cultural leader, the Group is able to source and curate products most desired by its target demographic, thereby generating growing popularity and usage amongst shoppers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECT AND FUTURE DEVELOPMENTS

- As COVID-19 related restrictions have largely ceased in Europe and North America, the Group has noted increasing demand for events production and offline partnerships under the Media Segment in these regions, and the momentum for growth in these regions remains strongly positive. The impact of continuing COVID-19 related closures in Mainland China and slow emergence from lock-down precautions in the rest of APAC affected its media and agency business in the APAC region in the first half of the current fiscal year. As COVID-19 restrictions begin to ease across APAC in countries like Japan, Korea and those within Southeast Asia, the Group will shift additional focus on sales momentum associated with the region's reopening, while remaining cautiously optimistic around the eventual normalization of business activities in Mainland China;
- Although broader macroeconomic headwinds may put pressure on brand advertising dollars and have near-term impact on the Group's business, the COVID-19 pandemic also 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 with an increase in the number and size of media contracts over the long term. The Group's value proposition around immersive media campaigns incorporating in-real-life, omnichannel experiences alongside digital amplification and digital-native communities continues to appeal to global brand partners, and the Group continues to see sales growth and new opportunities with clients in expanding categories and industries, such as alcohol, automobile, travel and financial services;
- The Group aims to attract and reach a wider user-customer base through its development of new editorial properties. The Group will continue to explore similar opportunities by establishing various offline channels and touchpoints in order to drive the Group's brand awareness and increase engagement with new and existing users and customers;
- The Group's HYPEBEAST building in New York City in the United States of America (the "US") opened in June 2022. The flagship location hosts the Group's US East Coast office, as well as an HBX's retail store, a Hypebeans café and multifunctional spaces to host cultural activations, events and Media Segment sales campaigns. The space will be a strong accelerator for the Company's growth in North America and serve as a core point of marketing for the E-commerce and Retail Segment and an attractive venue for Media brand partnership executions. Several high profile sales and cultural events and campaigns were hosted at the space during 1H2023, as the Group continues realize its strategy of omnichannel and immersive experiences interwoven with its retail execution at the New York flagship location;

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS PROSPECT AND FUTURE DEVELOPMENTS (CONTINUED)

- The Group priority remains focussed 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 Group continued to upgrade and invest on the HBX's platform and various back-end platforms to enhance the user journey with the ultimate aim to allow the Group's loyal community of readers to enjoy a seamless shopping experience on an integrated site and mobile app. The Group remains focussed on value-added, return-on-investment focussed upgrades to its E-commerce capabilities which broadens its reach and base of customers and enhances revenue and margin over time; 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

Revenue and gross profit of the Media Segment for 1H2023 and 1H2022, are as follows:

	1H2023 HK\$'000 (Unaudited)	1H2022 HK\$'000 (Unaudited)
Revenue	301,564	326,901
Gross Profit	175,795	207,360

- Revenue from the Media Segment amounted to HK\$301.6 million in 1H2023, 7.8% less against a strong comparative of HK\$326.9 million in 1H2022 due to the combined effect of (i) a surge in campaign executions post-COVID in 1H2022 as pandemic-related restrictions continue to ease; and (ii) the impact of continuing COVID-19 related closures in Mainland China and slow emergence from precautions in the rest of Asia Pacific region affecting its media and agency business in the 1H2023.
- The Group maintained a stable position, despite the broader macroeconomic headwinds which may put pressure on brand advertising dollars and have near-term impact on the Group's business in the Media Segment, as indicated by stable total signed contract value (a key operating measure defined as the total dollar value of media contracts signed within a period) and number of signed contracts (a key operating measure defined as the total number of signed media contracts within a period).
- The Group is and continues to be geographically and strategically well-positioned to capture significant growth opportunities in its key operating regions, through leveraging the Group's brand popularity and high-profile networks, particularly, in the US and EMEA regions. As a highlight in 1H2023, the Group recorded strong growth in Europe, Middle East and Africa ("EMEA") regions, with media revenue increased by 282.9% in Germany, 145.0% in the Netherlands and 112.5% in France.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Media Segment (Continued)

- Gross profit of the Media Segment amounted to HK\$175.8 million, representing a decrease of HK\$31.6 million, or 15.2%, versus 1H2022. Gross profit margin decreased from 63.4% in 1H2022 to 58.3% in 1H2023. The difference was mainly due to decrease in campaign cost being offset by increase in staff headcounts in editorial and creative teams who are key assets to the Company. The Group expects the pace of increase in headcount related cost would slow down in the remaining of the year.
- 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 in the US and EMEA, while remaining cautious optimistic around the re-opening of the APAC region.
- The Company continues to focus on on-going business development and sales opportunities in pursuit of overall profitable growth of its digital media segment, with expectations on media campaign execution and delivery focusing on the traditional peak season falling within the remainder of the fiscal year.

E-Commerce and Retail Segment

- Revenue from the E-commerce and Retail Segment increased from HK\$113.9 million in 1H2022 to HK\$148.5 million in 1H2023, or an increase of 30.3%. Gross profit of the E-commerce and Retail Segment amounted to HK\$58.4 million in 1H2023, representing an increase of HK\$7.4 million, or 14.7%, as compared to 1H2022. Such increases were mainly driven by the increase in revenue as a result of the increased sales and promotional activity in 1H2023. The Company continues to focus on gross margins and a balanced view of investments in acquiring and engaging customers as the business enters peak season centred around global holidays and consumer activity during the remainder of the fiscal year.
- The HBX physical retail shop located in Central, Hong Kong remains a strong marketing window and attraction point for customers to participate in the Hypebeast ecosystem in offline. In addition, the Group's US flagship store opened in June 2022, spanning seven floors housing the US East Coast office, the US New York HBX flagship store, a Hypebeans café as well as event spaces. The New York flagship store will support execution and accelerate growth of our strong North American customer base and serve as a focused point of marketing for the E-commerce and Retail Segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

E-Commerce and Retail Segment (Continued)

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

Non-IFRS Measures and Their Adjustment

To supplement our condensed consolidated financial statements, which are presented in accordance with the IFRS, we also adopted certain non-IFRS measures such as EBITDA, adjusted EBITDA and adjusted (loss) profit for the period as additional financial measures, which is not required by, or presented in accordance with, the IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of, for example one-off professional fee related to the Merger, non-cash impairment losses on property, plant and equipment ("**PPE**"), right-of-use assets ("**ROU assets**") and intangible assets, gain on disposal of joint venture and impairment losses recognised on amount due from a joint venture ("**JV**"), that the Management do not consider to be indicative of the Company's operating performance. The Group believes these adjusted measures provide useful information to shareholders and potential investors in understanding and evaluating the Group's consolidated operating results in the same manner as the Group's management.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Non-IFRS Measures and Their Adjustment (Continued)

The following table sets forth the reconciliation from (loss) profit before tax to EBIT and EBITDA for the periods indicated:

	1H2023 HK\$'000 (Unaudited)	1H2022 HK\$'000 (Unaudited)
	<u> </u>	<u> </u>
(Loss) Profit Before Tax	(45,495)	79,538
Add:		
Interest Expense	<u>1,761</u>	<u>2,281</u>
EBIT	<u>(43,734)</u>	<u>81,819</u>
(Loss) Profit Before Tax	(45,495)	79,538
Add:		
Interest Expense	1,761	2,281
Depreciation Expense	15,931	13,427
Amortization Expense	<u>53</u>	<u>55</u>
EBITDA	<u>(27,750)</u>	<u>95,301</u>

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Non-IFRS Measures and Their Adjustment (Continued)

The following table sets forth the reconciliation between (loss) profit for the period to adjusted (loss) profit for the period, EBIT to Adjusted EBIT and EBITDA to Adjusted EBITDA for the period indicated:

	1H2023 HK\$'000 (Unaudited)	1H2022 HK\$'000 (Unaudited)
(Loss) Profit for the period	(64,693)	62,974
Add:		
Professional fee related to the Merger	54,555	–
Impairment loss recognised on amount due from a JV	–	8,677
Gain on disposal of a joint venture	(18,347)	–
Impairment loss recognised on PPE and ROU assets	3,915	–
Impairment loss recognised on intangible assets	9,409	–
Adjusted (Loss) Profit for the period	(15,161)	71,651
	1H2023 HK\$'000 (Unaudited)	1H2022 HK\$'000 (Unaudited)
EBIT	(43,734)	81,819
Add:		
Professional fee related to the Merger	54,555	–
Impairment loss recognised on amount due from a JV	–	8,677
Gain on disposal of a joint venture	(18,347)	–
Impairment loss recognised on PPE and ROU assets	3,915	–
Impairment loss recognised on intangible assets	9,409	–
Adjusted EBIT	5,798	90,496

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Non-IFRS Measures and Their Adjustment (Continued)

	1H2023 HK\$'000 (Unaudited)	1H2022 HK\$'000 (Unaudited)
EBITDA	(27,750)	95,301
Add:		
Professional fee related to the Merger	54,555	–
Impairment loss recognised on amount due from a JV	–	8,677
Gain on disposal of a joint venture	(18,347)	–
Impairment loss recognised on PPE and ROU assets	3,915	–
Impairment loss recognised on intangible assets	9,409	–
Adjusted EBITDA	21,782	103,978

Adjusted profit for the period decreased by 121.2% from HK\$71.7 million in 1H2022 to adjusted loss for the period of HK\$15.2 million in 1H2023, whilst adjusted EBITDA decreased by 79.1% from HK\$104.0 million in 1H2022 to HK\$21.8 million in 1H2023. Such decreases were mainly attributable to increase in operating expenses in headcounts and investments in long term development projects, from which the Company expects to build a foundation for long term business growth and expansion.

Cost of Revenue

The Group's cost of revenue increased from approximately HK\$182.5 million for 1H2022 to approximately HK\$215.8 million for 1H2023, representing an increase of approximately 18.3%. The increase was mainly attributable to the increase in staff headcounts in editorial and creative teams in Media Segment and strong performance in E-Commerce and Retail Segment in 1H2023 which led to the increase in inventory related costs.

Gross Profit Margin

Gross profit of the Group decreased from approximately HK\$258.4 million for 1H2022 to approximately HK\$234.2 million for 1H2023, representing a decrease of approximately 9.3%. The decrease was mainly caused by the increase in cost of revenue for 1H2023 as discussed above. The overall gross profit margin decreased from approximately 58.6% for 1H2022 to approximately 52.0% for 1H2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Other income, other gains and losses

Other income, other gains and losses of the Group primarily consisted of (i) net exchange losses of approximately HK\$8.6 million for 1H2023, compared to net exchange losses of approximately HK\$1.4 million for 1H2022; (ii) project income from non-fungible token project of approximately HK\$7.2 million during 1H2023, compared to nil for 1H2022; and (iii) gain on disposal of a joint venture of approximately HK\$18.3 million during 1H2023, compared to nil for 1H2022.

During 1H2023, 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 2021 was HKD1:USD0.1284 compared to HKD1:USD0.1274 as at 30 September 2022; while the HK dollar to Euro foreign exchange rate as at 30 September 2021 was HKD1:EUR0.1108 compared to HKD1:EUR0.1301 as at 30 September 2022; and the HK dollar to RMB foreign exchange rate as at 30 September 2021 was HKD1:RMB0.8286 compared to HKD1:RMB0.9078 as at 30 September 2022.

The Group maintained a late payment fee policy on customers during the period. Surcharges were applied for overdue settlements with a determined rate over the overdue balances agreed by customers stated on the payment term. Management believes that such policy enhances the turnover of the Group’s trade receivables and hence financial liquidity.

The Group does not have any gain or loss on disposal of property, plant and equipment during the period, as compared to a gain on disposal of HK\$676,000 recognised in the prior period.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 46.1% from HK\$71.4 million in 1H2022 to HK\$104.4 million in 1H2023 and, correspondingly as a percentage of revenue, increased from 16.2% in 1H2022 to 23.2% in 1H2023. The Group’s recovery from the COVID-19 pandemic led to increase in revenue followed by increase in (i) the new headcounts within the Group’s sales and marketing team to drive current and future revenue and business growth; and (ii) spending in the Group’s social media marketing and advertising for digital and e-commerce platforms.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by 28.8% from HK\$93.5 million in 1H2022 to HK\$120.4 million in 1H2023 and correspondingly as a percentage of revenue, increased from 21.2% in 1H2022 to 26.8% in 1H2023. The overall increase was mainly led by (i) staff costs in support of headcount additions to meet increasing demand; and (ii) additional business trip and travel expenses in support of US related business development in 1H2023.

Professional Fee related to the Merger

In April 2022, the Company entered into the Merger Agreement (as amended by the Amendment No. 1 to Merger Agreement dated 12 August 2022 and Amendment No. 2 to Merger Agreement dated 11 November 2022) and the Merger (the “**Merger Agreement**”) with Iron Spark I Inc. (the “**Iron Spark**”). Upon completion of the Merger, the Company will, in addition to remaining as a company listed on the Stock Exchange, become the US-listed company and qualify as a foreign private issuer with its Consolidated Shares listed for trading on Nasdaq. Accordingly, there was approximately HK\$54.6 million of one-time legal and professional fee incurred for the Merger recorded for the period while no such cost was recognised for 1H2022. Please refer to all the relevant announcements during the period up to this interim report date for details.

Impairment Loss Under Expected Credit Loss Model, Net of Reversal and Gain on Disposal of Joint Venture

On 30 September 2022, Hypebeast, Inc., an indirectly wholly-owned subsidiary of the Company, entered into a membership interest transfer agreement (the “**Agreement**”) with an independent third party, to dispose of its entire equity interest of its joint venture, The Berrics Company LLC (the “**Berrics**”) and settle the outstanding loan owed by the Company to the Berrics, at an aggregate cash consideration of approximately US\$2,503,000 (equivalent to approximately HK\$19,645,000) (the “**Consideration**”), payable in 2 installments. The disposal was completed on 30 September 2022 and HK\$11,787,000 has been received on the same date. During the six months ended 30 September 2022, the Company has advanced an aggregate amount to the Berrics of HK\$1,298,000. Upon settlement of this outstanding amount, the Group recognised the remaining consideration of HK\$18,347,000 as the gain on disposal of a joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

Impairment Assessment of the Property, Plant and Equipment and Right-of-use Assets

As a result of the unsatisfactory performance of e-commerce business during the six months ended 30 September 2022, the management of the Group concluded there was indication for impairment and performed impairment assessment on certain property, plant and equipment and right-of-use assets as at 30 September 2022.

Based on the results of the assessment, the management of the Group determined that the recoverable amounts of the cash-generating unit (“CGU”) of e-commerce business are lower than their carrying amounts. The impairment amounts have been allocated to each category of property, plant and equipment and right-of-use assets of the CGUs such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculations and the allocations, the Directors were in the view that impairment losses have been recognised against the carrying amounts of property, plant and equipment and right-of-use assets of approximately HK\$0.5 million and HK\$3.9 million for the six months ended 30 September 2022.

Income Tax Expense

Income tax expense of the Group increased from approximately HK\$16.6 million in 1H2022 to approximately HK\$19.2 million in 1H2023, representing an increase of 15.7%. The increase was mainly due to the increase in profit for tax in the US.

Loss and Total Comprehensive Loss for the Period

Profit for the period decreased from approximately HK\$63.0 million in 1H2022 to loss for the period of approximately HK\$64.7 million in 1H2023. The decrease translated to a decrease of net profit margin from 14.3% in 1H2022 to a net loss margin of 14.4% in 1H2023. The decrease was primarily attributable to increase in human capital investments and cost of sales in E-commerce and Retail Segment, combined with the effects of one-off professional fees related to the Merger, non-cash impairment loss on assets and investments and gain related to disposal of joint venture.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group had total assets of approximately HK\$700.6 million (31 March 2022: approximately HK\$730.0 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$301.6 million (31 March 2022: approximately HK\$252.1 million) and approximately HK\$399.0 million (31 March 2022: approximately HK\$477.9 million), respectively. Total interest-bearing bank borrowings of the Group as at 30 September 2022 were approximately HK\$22.2 million (31 March 2022: approximately HK\$7.4 million), and current ratio decreased from approximately 2.9 times as at 31 March 2022 to approximately 2.2 times as at 30 September 2022. These bank borrowings were denominated in HK dollar, due within two years but contain a repayment on demand clause and the interest rates applied were primarily subject to floating rate terms. As at 30 September 2022, the Group has HK\$110.0 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee; and bank balances and cash of HK\$192.4 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 FY2023, 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\$69.7 million as at 31 March 2022 to approximately HK\$92.0 million as at 30 September 2022. The increase in inventories was mainly due to the anticipation of peak season centered around global holidays and consumer activity during the second half of the year.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of leasehold improvements, furniture and fixtures, office equipment and motor vehicle. The increase of approximately HK\$6.2 million from approximately HK\$52.7 million as at 31 March 2022 to approximately HK\$58.9 million as at 30 September 2022 was mainly due to renovation cost for the retail and office premises in the US, which opened in June 2022.

RIGHT OF USE ASSETS AND LEASE LIABILITIES

As at 30 September 2022 and 31 March 2022, the Group's rights of use assets amounted to approximately HK\$60.5 million and HK\$70.0 million, respectively, and the Group's lease liabilities amounted to approximately HK\$67.8 million and HK\$73.9 million, respectively.

During 1H2023, the Group entered into a new lease agreement for the warehouse in Hong Kong and renewed one lease agreement for the apartment in Korea. The Group recognised right-of-use assets and lease liabilities of approximately HK\$4.1 million on the lease commencement and lease modification date.

RENTAL DEPOSITS

As at 30 September 2022 and 31 March 2022, the Group's rental deposits amounted to approximately HK\$10.1 million and HK\$10.0 million, respectively.

GEARING RATIO

The gearing ratio of the Group as at 30 September 2022 was approximately 5.6% (31 March 2022: approximately 1.5%). The increase was due to the new bank borrowings during the first half of FY2023. The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings) divided by total equity as at the period ended.

TREASURY POLICY

The Group finances its operations through internally generated cash, equity and bank borrowings. The objective of the Group's treasury policy is to ensure there is sufficient cash and access to capital to finance the Group's ongoing operations and execute its current and future plans. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position for the first half of FY2023. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TREASURY POLICY (CONTINUED)

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 2022, the Group pledged its bank deposits of approximately HK\$10.0 million to a bank as collateral to secure the available and unused bank facilities granted to the Group. In addition, as at 30 September 2022, the Group's bank borrowings with carrying amounts of approximately HK\$22.2 million were 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 involve 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 2022, the contractual lease commitments of the Group were primarily related to its office premises, warehouses, retail store and the Director's quarter.

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 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 30 September 2022, Hypebeast, Inc., an indirectly wholly-owned subsidiary of the Company, entered into a membership interest transfer agreement with an independent third party, to dispose of its entire equity interest of its joint venture.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group employed a total of 553 employees (30 September 2021: 405 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 2022 were approximately HK\$157.8 million (for the six months ended 30 September 2021: approximately HK\$112.5 million). The increase was mainly led by the increase in headcounts in 1H2023 compared to 1H2022. As at 30 September 2022, the Group had no employer's voluntary contributions to the MPF Scheme that no forfeited contributions will be used to reduce the contributions payable by the Group.

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous incentives and compensation. We conduct annual reviews of the performance of our employees for determining the level of bonus and salary adjustments and promotion decisions of our employees. Our human resources department also makes reference to the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. The Company has adopted the Share Option Scheme which is designed to provide long term incentives and rewards to help retain our outstanding employees.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the six months ended 30 September 2022.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS OF HYPEBEAST LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Hypebeast Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 21 to 61, which comprise the condensed consolidated statement of financial position as of 30 September 2022 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 International Accounting Standard 34 “*Interim Financial Reporting*” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TO THE BOARD OF DIRECTORS OF HYPEBEAST LIMITED (CONTINUED)

(incorporated in the 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 IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 November 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2022

		For the six months ended 30 September	
	NOTES	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	450,014	440,837
Cost of revenue		<u>(215,789)</u>	<u>(182,475)</u>
Gross profit		234,225	258,362
Other income, other gains and losses	5	14,696	219
Selling and marketing expenses		(104,388)	(71,427)
Administrative and operating expenses		(120,359)	(93,465)
Professional fee related to the Merger as defined in Note 1A	1A	(54,555)	–
Impairment losses under expected credit losses model, net of reversal	6	(29)	(11,870)
Impairment loss recognised on intangible assets	9	(9,409)	–
Impairment loss recognised on property, plant and equipment and right-of-use assets	12	(3,915)	–
Finance costs		<u>(1,761)</u>	<u>(2,281)</u>
(Loss) profit before tax		(45,495)	79,538
Income tax expense	7	<u>(19,198)</u>	<u>(16,564)</u>
(Loss) profit for the period	9	<u>(64,693)</u>	<u>62,974</u>
Other comprehensive (expense) income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<u>(17,475)</u>	901
Total comprehensive (expense) income for the period		<u>(82,168)</u>	<u>63,875</u>
(Loss) earnings per share	10		
– Basic (HK cents)		(3.15)	3.07
– Diluted (HK cents)		<u>(3.15)</u>	<u>3.06</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	NOTES	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	58,880	52,701
Intangible assets		10,014	11,767
Right-of-use assets	11	60,516	70,013
Rental and other deposits	13	8,135	7,622
Financial assets at fair value through profit or loss ("FVTPL")	14	20,524	24,258
Interest in a joint venture		–	–
Deferred tax assets		1,265	1,022
		159,334	167,383
Current assets			
Inventories		91,967	69,702
Trade and other receivables	13	234,562	183,018
Tax prepayments		8,224	10,510
Contract assets	15	4,152	5,154
Pledged bank deposits	16	10,000	10,000
Bank balances and cash	16	192,394	284,269
		541,299	562,653
Current liabilities			
Trade and other payables	17	158,616	145,708
Contract liabilities		25,772	11,602
Derivative financial instruments		–	620
Bank borrowings – due within one year	18	22,214	7,363
Lease liabilities		17,285	15,919
Tax payables		27,285	12,879
		251,172	194,091
Net current assets		290,127	368,562
Total assets less current liabilities		449,461	535,945

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2022

	NOTES	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		50,465	58,029
Net assets		398,996	477,916
Capital and reserves			
Share capital	19	20,541	20,536
Reserves		378,455	457,380
		398,996	477,916

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note)	Translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
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
Other comprehensive income for the period	-	-	-	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
At 1 April 2022 (audited)	20,536	44,530	5,486	6,770	18,426	382,168	477,916
Loss for the period	-	-	-	-	-	(64,693)	(64,693)
Other comprehensive expense for the period	-	-	-	(17,475)	-	-	(17,475)
Total comprehensive expense for the period	-	-	-	(17,475)	-	(64,693)	(82,168)
Exercise of share options	5	506	-	-	(485)	-	26
Recognition of equity-settled share-based payments	-	-	-	-	3,222	-	3,222
At 30 September 2022 (unaudited)	20,541	45,036	5,486	(10,705)	21,163	317,475	398,996

Note: Under the People's Republic of China (the "PRC") law, the wholly-owned PRC subsidiaries and the VIE (as defined in Note 1) are required to set aside at least 10% of their profit after taxation each year, if any, to fund the statutory reserve until such reserve reaches 50% of its registered capital. The transfer had been made before the distribution of dividends to equity owners. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(61,825)	69,632
INVESTING ACTIVITIES		
Refund of rental deposits	30	924
Bank interest received	569	125
Proceeds from disposal of a joint venture	11,787	–
Payments for rental deposits	(165)	(1,219)
Purchase of intangible assets	(554)	–
Advance to a joint venture	(1,298)	–
Purchase of property, plant and equipment	(12,413)	(21,274)
Investments in financial assets at FVTPL	(1,975)	(2,333)
Proceeds from disposal of property, plant and equipment	–	1,316
NET CASH USED IN INVESTING ACTIVITIES	(4,019)	(22,461)
FINANCING ACTIVITIES		
Repayments of lease liabilities	(10,748)	(10,416)
Repayments of bank borrowings	(2,397)	(1,614)
Interest paid for lease liabilities	(1,518)	(2,184)
Interest paid on bank borrowings	(244)	(97)
Proceeds from bank borrowings	5,765	4,405
Proceeds from issuance of ordinary shares upon exercise of share options	26	558
Proceeds from issuance of ordinary shares under a share subscription agreement	–	6,920
Payment of transaction costs attributable to issuance of new shares	–	(300)
NET CASH USED IN FINANCING ACTIVITIES	(9,116)	(2,728)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(74,960)	44,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	284,269	209,575
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(16,915)	701
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	192,394	254,719

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

1. GENERAL INFORMATION

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

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

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

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

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

1. GENERAL INFORMATION (CONTINUED)

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD (Continued)

Concurrently with the signing of the Merger Agreement, several investors (the “**PIPE Investors**”) have entered into the PIPE Share Subscription Agreements with the Company, pursuant to which the PIPE Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the subscription shares at the subscription price of US\$10.00 per share, being an issue price identical to the consideration share issue price, for an aggregate subscription price of US\$13,335,000 (equivalent to approximately HK\$104,013,000), substantially concurrently with (and subject to) completion of the Merger.

On 28 July 2022, an additional investor (the “**Additional PIPE Investor**”) has entered into the permitted equity subscription agreement with the Company, pursuant to which the Additional PIPE Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the subscription shares at the subscription price of US\$10.00 per share, being an issue price identical to the consideration share issue price, for an aggregate subscription price of US\$2,000,000 (equivalent to approximately HK\$15,600,000), substantially concurrently with (and subject to) completion of the Merger.

On 12 August 2022, the Company, Iron Spark, and the Merger Sub entered into the Amendment No. 1 to Merger Agreement (the “**MA Amendment No. 1**”) to amend the Merger Agreement, pursuant to and subject to the terms and conditions, the Company will allot and issue to all the Company’s shareholders who are not otherwise excluded under the terms of the Merger Agreement (as amended by the MA Amendment No. 1), on a pro rata basis, an integral number of ordinary shares of the Company, par value HK\$0.01 per share (the “**Bonus Shares**”) equal to (a) 2,100,000,000 minus (b) the number of ordinary shares of the Company issued and outstanding as of the close of business in Hong Kong on the latest practicable date prior to the printing of the circular to be issued by the Company in connection with approval of the Merger Agreement.

1. GENERAL INFORMATION (CONTINUED)

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD (Continued)

The Merger Agreement may be terminated by either the Company or Iron Spark if the Merger is not consummated by the nine month period (subject to extension by the Company and Iron Spark upon mutual consent) from the date of the Merger Agreement (the “**Long Stop Date**”) and the delay in completion beyond the Long Stop Date is not due to the breach of the Merger Agreement by the party seeking to terminate. On 11 November 2022, the Company, Iron Spark and the Merger Sub entered into the Amendment No. 2 to Merger Agreement, which changed the Long Stop Date from 3 January 2023 (subject to extension by the Company and Iron Spark upon mutual consent) to 28 December 2022 (subject to extension by the Company and Iron Spark upon mutual consent).

Details of the above are set out in the announcements of the Company dated 3 April 2022, 28 July 2022, 12 August 2022 and 11 November 2022. As of the date of this interim report, the conditions for subscription have not been met and is subject to regulatory and shareholders’ approval.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board (“**IASB**”) 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.

3. PRINCIPAL ACCOUNTING POLICIES

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 International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs 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 and offline retail platform, commission fee from consignment sales, provision of advertising spaces, provision of services for creative agency projects and beverage income.

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

- | | | |
|------------------------------------|---|---|
| (i) Media segment | – | Provision of advertising spaces and provision of services for creative agency projects |
| (ii) E-Commerce and retail segment | – | Operation of online and offline retail platform for the sale of third-party branded clothing, shoes and accessories and commission fee from consignment sales and beverage income |

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 September					
	Media		E-Commerce and retail		Total	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Types of goods or services:						
Sales of goods through online and offline retail platform	-	-	143,593	111,393	143,593	111,393
Commission fee from consignment sales	-	-	2,398	2,543	2,398	2,543
Provision of advertising spaces	201,942	188,773	-	-	201,942	188,773
Provision of services for creative agency projects	99,622	138,128	-	-	99,622	138,128
Beverage income	-	-	2,459	-	2,459	-
Total revenue from contracts with customers	301,564	326,901	148,450	113,936	450,014	440,837
Geographical markets (Note):						
Hong Kong	14,978	16,444	37,737	17,919	52,715	34,363
The PRC	29,500	71,724	16,324	11,750	45,824	83,474
United States ("US")	115,051	117,804	34,135	28,819	149,186	146,623
Other countries	142,035	120,929	60,254	55,448	202,289	176,377
Total	301,564	326,901	148,450	113,936	450,014	440,837
Timing of revenue recognition:						
A point in time	99,622	113,181	148,450	113,936	248,072	227,117
Over time	201,942	213,720	-	-	201,942	213,720
Total	301,564	326,901	148,450	113,936	450,014	440,837

Note: Analysis of the Group's revenue from external customers by geographic locations are determined based on the locations of customers.

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 2022

	Media HK\$'000 (Unaudited)	E-Commerce and retail HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Total segment revenue	301,564	148,450	450,014
Segment results	109,210	(26,713)	82,497
Finance costs			(1,761)
Share-based payment expense			(3,222)
Gain from changes in fair value of derivative financial instruments			620
Loss from changes in fair value of financial assets at FVTPL			(3,734)
Gain on disposal of a joint venture			18,347
Impairment loss recognised on intangible assets			(9,409)
Professional fee related to the Merger			(54,555)
Project income from non- fungible token ("NFT") projects			7,188
Central administration costs			(45,111)
Unallocated expenses			(36,355)
Loss before tax			(45,495)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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>	138,643
Finance costs			(2,281)
Share-based payment expense			(3,214)
Impairment loss recognised on amount due from a joint venture			(9,101)
Central administration costs			(26,914)
Unallocated expenses			<u>(17,595)</u>
Profit before tax			<u>79,538</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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Reportable segment assets		
Media	239,550	206,110
E-commerce and retail	180,010	141,698
	<u>419,560</u>	<u>347,808</u>
Total segment assets	419,560	347,808
Reconciliation of reportable segment total to group total:		
Segment assets	419,560	347,808
Unallocated assets:		
Property, plant and equipment	22,433	15,440
Intangible assets	9,248	10,896
Right-of-use assets	6,686	8,800
Financial assets at FVTPL	20,524	24,258
Deferred tax assets	1,265	1,022
Deposits and other receivables	18,523	27,543
Pledged bank deposits	10,000	10,000
Bank balances and cash	192,394	284,269
	<u>700,633</u>	<u>730,036</u>
Consolidated total assets	700,633	730,036
Reportable segment liabilities		
Media	93,433	106,548
E-Commerce and retail	69,084	49,987
	<u>162,517</u>	<u>156,535</u>
Total segment liabilities	162,517	156,535

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Reconciliation of reportable segment total to group total:		
Segment liabilities	162,517	156,535
Unallocated liabilities:		
Other payables and accrued expenses	94,729	66,269
Derivative financial instruments	–	620
Bank borrowings	10,731	7,363
Tax payables	27,285	12,879
Lease liabilities	6,375	8,454
Consolidated total liabilities	301,637	252,120

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, certain deposits and other receivables, financial assets at FVTPL, deferred tax assets, pledged bank deposits and bank balances and cash that are not attributable to the respective segments, and
- all liabilities are allocated to operating segments other than certain other payables and accrued expenses, derivative financial instruments, certain lease liabilities, certain bank borrowings and tax payables that are not attributable to the respective segments.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net exchange losses	(8,560)	(1,420)
Loss from changes in fair value of financial assets at FVTPL	(3,734)	–
Project income from NFT projects	7,188	–
Gain on disposal of a joint venture (Note)	18,347	–
Gain from changes in fair value of derivative financial instruments	620	–
Bank interest income	569	125
Other income	266	361
Gain on disposal of property, plant and equipment	–	676
Penalty on customers for overdue settlement	–	477
	14,696	219

Note: On 30 September 2022, Hypebeast, Inc., an indirectly wholly-owned subsidiary of the Company, entered into a membership interest transfer agreement (the "Agreement") with an independent third party, to dispose of its entire equity interest of its joint venture and outstanding amount due from its joint venture, The Berrics Company LLC (the "Berrics"), at an aggregate cash consideration of approximately US\$2,503,000 (equivalent to approximately HK\$19,645,000) (the "Consideration"), payable in 2 instalments. The disposal was completed on 30 September 2022 and HK\$11,787,000 has been received on the same date. As at 30 September 2022, the carrying amount of interest in a joint venture is HK\$nil.

During the six months ended 30 September 2022, the Company has advanced an aggregate amount to the Berrics of HK\$1,298,000. Upon settlement of this outstanding amount, the Group recognised the remaining consideration of HK\$18,347,000 as the gain on disposal of the joint venture.

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

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Impairment losses, net of reversal, recognised on:		
– trade and unbilled receivables	29	2,769
– amount due from a joint venture (Note)	–	9,101
	<u>29</u>	<u>11,870</u>

Note: The balance is considered as credit-impaired because 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 six months ended 30 September 2021.

7. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:		
– Hong Kong Profits Tax	3,599	9,951
– The PRC Enterprise Income Tax	3,089	5,404
– US Income tax	10,078	1,023
– PRC withholding tax on dividend declared from PRC subsidiaries to its holding company	1,928	–
– Other jurisdictions	747	186
	<u>19,441</u>	<u>16,564</u>
Deferred tax:		
– Credit for the period	(243)	–
	<u>19,198</u>	<u>16,564</u>

7. INCOME TAX EXPENSE (CONTINUED)

Income tax expense at concessionary rate

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

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

Basic income tax expense

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

Under the U.S. Tax Cuts and Jobs Act, the U.S. federal corporate income tax rate has charged at flat rate of 21% during both periods. In addition, under the relevant rules of U.S. state and city taxes, the relevant tax rates are charged at ranging from 6.60% to 9.50% during both periods.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

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. (LOSS) PROFIT FOR THE PERIOD

	For the six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
(Loss) profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense (included in cost of revenue)	82,980	57,346
Depreciation of property, plant and equipment	5,513	3,085
Depreciation of right-of-use assets	10,418	10,342
Amortisation of intangible assets	53	55
Write-down of inventories (included in costs of inventories recognised as an expense)	1,371	369
Impairment loss recognised on intangible assets (Note)	9,409	–

Note: As at 30 September 2022 and 31 March 2022, the Group held certain Bitcoin, Ethereum and certain non-fungible token artwork (the “**Digital Assets**”), Given that the Group’s intention is to hold these Digital assets for long term investment purpose and these Digital Assets have no legal useful lives, all Digital Assets are accounted for as indefinite-lived intangible assets. They are stated at cost less subsequent accumulated impairment losses, if any.

With the decrease in the quoted prices on active exchanges, the management concluded there was indication for impairment and performed impairment assessment of Digital Assets. During the six months ended 30 September 2022, the recoverable amount of these Digital Assets have been determined based on its fair value less costs of disposal. The Group estimated the fair value less cost of disposal with reference to the quoted prices on active exchanges. As at 30 September 2022, the carrying amount of Digital Assets held by the Group was HK\$9,248,000, after taking into account the impairment losses of HK\$9,409,000 that have been recognised.

11. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

Property, plant and equipment

During the six months ended 30 September 2022, leasehold improvement under construction for a leased premises located in the US of HK\$9,689,000 (six months ended 30 September 2021: HK\$19,003,000) and plant and equipment of HK\$2,724,000 (six months ended 30 September 2021: HK\$2,271,000) are recognised as the addition of property, plant and equipment during the current interim period.

During the six months ended 30 September 2021, the Group disposed of certain office equipment and motor vehicles with an aggregate carrying amount of approximately HK\$640,000 for proceeds of approximately HK\$1,316,000, resulting in a gain on disposal of approximately HK\$676,000.

Right-of-use assets

During the current interim period, the Group renewed one lease agreement with a lease term of 1 year and entered into one new lease agreement with lease term of 3 years (six months ended 30 September 2021: 5 years). The Group is required to make fixed monthly payments. On date of lease commencement or lease modification, the Group recognised right-of-use assets and lease liabilities of approximately HK\$4,550,000 (six months ended 30 September 2021: HK\$2,372,000).

12. IMPAIRMENT ASSESSMENT OF THE PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

As a result of the unsatisfactory performance of e-commerce business during the six months ended 30 September 2022, the management of the Group concluded there was indication for impairment and performed impairment assessment on certain property, plant and equipment and right-of-use assets as at 30 September 2022, with carrying amounts of approximately HK\$3,125,000 and HK\$19,756,000, respectively. With the assistance of an independent qualified professional valuer, the management performed the valuation of property, plant and equipment and right-of-use assets at 30 September 2022.

The Group estimates the recoverable amount of the cash-generating unit (“CGU”) of e-commerce business to which the asset belongs when it is not possible to estimate the recoverable amount individually.

12. IMPAIRMENT ASSESSMENT OF THE PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

The recoverable amount of this CGU has been determined based on its value in use. The calculation uses discounted cash flow projections based on the financial budgets prepared by the management covering a five-year period, with a pre-tax discount rate of 20.4% while cash flows beyond the five-year period were extrapolated using growth rate of 2.1%. The budgeted sales are estimated based on the past performance of the CGU and management's expectations on the market development.

Based on the results of the assessment, the management of the Group determined that the recoverable amount of the CGU is lower than its carrying amount. The impairment amount has been allocated to each category of property, plant and equipment and right-of-use assets of the CGU such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculations and the allocations, the Directors were in the view that impairment losses have been recognised against the carrying amounts of property, plant and equipment and right-of-use assets of approximately HK\$535,000 and HK\$3,380,000 for the six months ended 30 September 2022.

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables	146,714	128,898
Unbilled receivables (Note (b))	29,231	23,747
Trade and unbilled receivables	175,945	152,645
Less: allowance for credit losses	(893)	(945)
Trade and unbilled receivables (net carrying amount)	175,052	151,700
Advance to staff	502	1,106
Rental and utilities deposits	12,011	11,401
Prepayments	35,715	22,404
Deposit paid for long-term investment	1,958	1,950
Deferred issue costs related to Merger	7,158	1,665
Consideration receivable related to disposal of a joint venture (Note 5)	7,858	–
Other receivables	2,443	414
	242,697	190,640
Analysed as:		
Current	234,562	183,018
Non-current (Note (a))	8,135	7,622
	242,697	190,640

Notes:

- (a) The amounts included certain rental deposit and deposit paid for long-term investment.
- (b) Certain tax bureaus in the PRC have set monthly quotas on the aggregate invoice amounts for transactions in the media segment. The unbilled receivables represent the amount of unconditional right to the consideration for completed performance obligations but the related invoices have not been issued as at period end as the quota limit has been exceeded.

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 and offline retail platform and consignor from consignment sales commission income. The following is an aging analysis of trade receivables presented, net of allowances for credit losses, based on the invoice date at the end of the reporting period:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 60 days	97,549	72,316
61–90 days	12,638	35,363
91–180 days	25,156	16,347
181–365 days	10,478	3,644
Over 365 days	–	283
	145,821	127,953

14. FINANCIAL ASSETS AT FVTPL

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Non-current assets		
Financial assets at FVTPL		
Investment in Real Estate Income Trust ("REIT")	6,390	6,241
Investments in preference shares (Note (a))	2,483	4,820
Unlisted equity investments (Note (b))	9,689	11,239
Investment in simple agreement for future equity ("SAFE") (Note (c))	1,962	1,958
	20,524	24,258

14. FINANCIAL ASSETS AT FVTPL (CONTINUED)

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

Notes:

- (a) The amounts represent investments in preference shares in unlisted entities established in the United States of America (“USA”) and the Cayman Islands, which are mainly engaged in consumer electronics and live-streaming.
- (b) The amounts represent (i) an unlisted equity investment in an investment capital fund which further invested in an entity that engaged in consumer electronics, (ii) an unlisted equity interest of an entity established in South Korea which is mainly engaged in wine industry and (iii) an unlisted investment holding company which further invested in an entity that engaged in computer hardware design and distribution.
- (c) The amounts represent an investment in SAFE in an unlisted entity established in the USA, which is mainly engaged in the nail care industry.

15. CONTRACT ASSETS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Provision of advertising spaces	<u>4,152</u>	<u>5,154</u>

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

As at 30 September 2022 and 31 March 2022, all contract assets are expected to be settled within 1 year, and accordingly classified as current assets.

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Deposits amounting to HK\$10,000,000 (31 March 2022: HK\$10,000,000) have been pledged to secure a bank borrowing and the banking facilities which carry interest at prevailing market rates at 1.85% per annum (31 March 2022: 1.85%).

Bank balances carry interest at prevailing market rates of 0.01% to 2.025% per annum as at 30 September 2022 (31 March 2022: 0.01%).

17. TRADE AND OTHER PAYABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade payables	23,165	14,639
Commission payable to staff	20,461	23,161
Accrual for campaign cost (Note)	14,640	33,025
Accrual for staff bonus	11,816	23,557
Accrual professional fee related to Merger	53,377	16,738
Other payables and accrued expenses	35,157	34,588
	158,616	145,708

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.

17. 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 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Within 30 days	20,363	10,240
31–60 days	41	1,401
61–90 days	197	404
Over 90 days	2,564	2,594
	23,165	14,639

18. BANK BORROWINGS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Bank borrowings	10,731	7,363
Bank borrowings under supplier financing arrangement (Note)	11,483	–
	22,214	7,363

Note: During the six months ended 30 September 2022, the Group has entered into a supplier finance arrangement with a bank. Under this arrangement, the bank pays certain suppliers the amounts owed by the Group in advance of the original due dates offered by the certain suppliers. The Group's obligations to certain suppliers are legally extinguished on settlement by the relevant bank. The Group then settles with the bank in 70 to 180 days after settlement by the bank, which extended beyond the original due dates of respective invoices. These bank borrowings carry interest rates are at 1.15% per annum plus Hong Kong Interbank Offered Rate ("HIBOR").

Taking into consideration of the nature and substance of the above arrangement, the Group presents payables to the bank under this arrangement as "borrowings" in the condensed consolidated statement of financial position. In the condensed consolidated statement of cash flows, repayments to the bank are included within financing cash flows based on the nature of the arrangement, and payments to the suppliers by the bank are disclosed as non-cash transactions.

18. BANK BORROWINGS (CONTINUED)

The Group's bank borrowings are payable as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	22,032	6,103
– In more than one year but not more than two years	182	1,260
	22,214	7,363
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	22,214	7,363

As at 30 September 2022, the borrowings were secured by the pledge of the Group's bank deposits with carrying amount of HK\$10,000,000 (31 March 2022: HK\$10,000,000).

As at 30 September 2022, variable-rate bank borrowings carry interest with reference to HIBOR and Hong Kong Dollar Best Lending Rate ("HKBLR") plus a specific margin of the relevant banks. The range of effective interest rates (which are also equalled to contractual interest rates) on the Group's bank borrowings are as follows:

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Effective interest rate (per annum):		
– variable-rate borrowings	1.15% to 3.75%	1.41% to 3.50%

19. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2021 (Audited), 30 September 2021 (Unaudited), 1 April 2022 (Audited) and 30 September 2022 (Unaudited)	6,000,000	60,000
Issued:		
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
At 1 April 2022 (Audited)	2,053,629	20,536
Exercise of share options	500	5
At 30 September 2022 (Unaudited)	2,054,129	20,541

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 were allotted and issued to the Investor.

20. 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. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and input to the model.

The fair values of these financial assets and financial liabilities 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).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements and valuation processes (Continued)

(i) Fair value of the Group's financial assets and liabilities that are measured at fair values on recurring basis

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)			
Financial assets					
Investment in REIT	6,390	6,241	Level 3	Net asset value approach of the REIT	Net asset value of approximately US\$1,550 per share (31 March 2022: US\$1,500 per share)
Investment in preference shares	2,483	2,483	Level 3	Back-solve method and equity allocation method	Risk-free rate: 2.41% Volatility: 63% Liquidation scenario: 90% IPO scenario: 10% (31 March 2022: Risk-free rate: 2.41% Volatility: 63% Liquidation scenario: 90% IPO scenario: 10%)
Investment in preference shares	—	2,337	Level 3 (31 March 2022: Level 2) (Note)	Adjusted net asset approach (31 March 2022: The fair value is determined with reference to the recent transaction price of the investments)	Adjusted net asset value of approximately US\$nil (31 March 2022: N/A)

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements and valuation processes (Continued)

(i) Fair value of the Group's financial assets and liabilities that are measured at fair values on recurring basis (Continued)

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)			
Financial assets					
Unlisted equity investment	2,419	3,979	Level 3	Equity allocation method	Risk-free rate: 4.05% Volatility: 67.8% Liquidation scenario: 50% Redemption scenario: 50% IPO scenario: 0% (31 March 2022: Risk-free rate: 2.41% Volatility: 67% Liquidation Scenario: 50% Redemption Scenario: 50% IPO Scenario: 0%)
Unlisted equity investment	5,285	5,285	Level 3	Back-solve method and equity allocation method	Risk-free rate: 2.41% Volatility: 63% Liquidation scenario: 90% IPO scenario: 10% (31 March 2022: Risk-free rate: 2.41% Volatility: 63% Liquidation scenario: 90% IPO scenario: 10%)
Unlisted equity investment	1,985	1,975	Level 2	The fair value is determined with reference to the recent transaction price of the investments	N/A

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements and valuation processes (Continued)

(i) Fair value of the Group's financial assets and liabilities that are measured at fair values on recurring basis (Continued)

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 September 2022	31 March 2022			
	HK\$'000 (Unaudited)	HK\$'000 (Audited)			
Financial assets					
Investment in SAFE	1,962	1,958	Level 2	The fair value is determined with reference to the recent transaction price of the investments	N/A
Financial liability					
Derivative financial instruments – net settlement	N/A	620	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates	N/A

Note: The investments in preference shares of HK\$2,337,000 was transferred from Level 2 to Level 3 category during the six months ended 30 September 2022, and the transfer was primarily attributable to changes in observability of valuation inputs in valuing the investments. Other than those disclosed above, there were no other transfer out of Level 2 and Level 3 during the six months ended 30 September 2022 and 2021. No sensitivity analysis is performed for the Level 2 and Level 3 financial assets as the Directors consider that the exposure is insignificant.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurements and valuation processes (Continued)

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Investments in preference shares HK\$'000	Unlisted equity investments HK\$'000	Investment in REIT HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	–	1,647	–	1,647
Purchased	2,333	–	–	2,333
At 30 September 2021 (unaudited)	2,333	1,647	–	3,980
At 1 April 2022 (audited)	2,483	9,264	6,241	17,988
Changes in fair value (charged) credited to profit or loss	(2,337)	(1,560)	149	(3,748)
Transfers into Level 3	2,337	–	–	2,337
At 30 September 2022 (unaudited)	2,483	7,704	6,390	16,577

21. 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 “**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 Main Board Listing Rules) of any of the foregoing persons.

21. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

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

750,000 shares (31 March 2022: 1,250,000 shares) (being approximately 0.04% (31 March 2022: 0.06%) of the issued share capital as at 30 September 2022).

(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.

21. 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 2022 and 2021 are set out below:

Category of participants	Number of share options										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 2022	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2022	Outstanding at 1 April 2021	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 September 2021				
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	-	(500,000)	-	750,000	1,250,000	-	-	-	1,250,000				
Share options exercisable at the end of respective periods	1,250,000				750,000	1,250,000				1,250,000				
Weighted average exercise price (HK\$)	0.04	-	0.05	-	0.03	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 2 tranches exercisable from 18 March 2019 to 17 March 2026.

21. 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 Main Board Listing Rules) of any of the foregoing persons.

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

169,287,499 shares (31 March 2022: 169,287,499 shares) (being 8.24% (31 March 2022: 8.24%) of the issued share capital as at 30 September 2022).

(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.

21. 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.

21. 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 2022 and 2021 are set out below:

Category of participants	Number of share options				Number of share options				Outstanding at 30 September 2021	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 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 September 2022	Outstanding at 1 April 2021	Granted during the period	Exercised during the period						Lapsed during the period
Directors ^{1,4}	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 ^{1,5}	9,600,000	-	-	-	9,600,000	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	19,200,000	-	-	-	19,200,000				
Employees ^{1,2}	333,333	-	-	-	333,333	333,333	-	-	-	333,333	6 July 2017	From 6 July 2020 to 5 July 2027	0.198	0.198
Employees ^{1,3}	8,300,000	-	-	-	8,300,000	9,600,000	-	(900,000)	(133,333)	8,566,667	10 August 2018	From 10 August 2021 to 9 August 2028	0.62	0.62
Employees ^{1,4}	2,766,666	-	-	-	2,766,666	3,300,000	-	-	(533,334)	2,766,666	28 June 2019	From 28 June 2022 to 27 June 2029	1.04	1.04
Employees ^{1,4}	10,825,000	-	-	(100,000)	10,725,000	13,600,000	-	-	(2,775,000)	10,825,000	28 June 2019	From 28 June 2023 to 27 June 2029	1.04	1.04
Employees ^{1,5}	7,533,333	-	-	(133,333)	7,400,000	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 ^{1,5}	7,600,000	-	-	(375,000)	7,225,000	8,200,000	-	-	-	8,200,000	8 December 2020	From 8 December 2024 to 7 December 2030	0.77	0.788
	37,858,332	-	-	(608,333)	36,749,999	45,633,333	-	(900,000)	(5,241,667)	39,491,666				
Total	56,558,332	-	-	(608,333)	55,949,999	64,833,333	-	(900,000)	(5,241,667)	58,691,666				
Share options exercisable at the end of respective periods	18,233,333				20,999,999	9,333,333				18,500,000				
Weighted average exercise price (HK\$)	0.863	-	-	0.83	0.86	0.86	-	0.62	0.94	0.86				

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

22. 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	
		2022 HK\$'000 (Unaudited)	2021 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	8	6
	Right-of-use assets for Director's quarter at period end	69	266
	Lease liability for Director's quarter at period end	68	264

Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the period was HK\$6,812,000 (six months ended 30 September 2021: HK\$3,030,000).

23. MAJOR NON-CASH TRANSACTIONS

During the current interim period, bank borrowings under supply chain financing arrangements of HK\$11,483,000 represent the payments to the suppliers by the relevant bank directly.

During the current interim period, the project income from NFT projects has been settled in the form of Ethereum, an intangible asset, with the carrying amounts of HK\$7,188,000.

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 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code 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	72.29%
		780,000	0.04%
		<u>1,485,780,000</u>	<u>72.33%</u>
Ms. Lee Yuen Tung Janice	Interest of spouse (Note 2)	1,485,780,000	72.33%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 September 2022.

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)	<u>9,600,000</u>	<u>0.47%</u>
		19,200,000	0.94%
Ms. Lee Yuen Tung Janice	Beneficial owner	9,600,000	0.47%
	Interest of spouse (Note)	<u>9,600,000</u>	<u>0.47%</u>
		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 2022.

Note: Mr. Ma Pak Wing Kevin and Ms. Lee Yuen Tung Janice were deemed to be interested in 9,600,000 share options granted to each other, through the interest of spouse.

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 2022.

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

Save as disclosed above, as at 30 September 2022, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

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 2022, the following parties (other than the Directors or the chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

<u>Name of substantial shareholders</u>	<u>Nature of interest</u>	<u>Number of ordinary shares of the Company</u>	<u>Percentage of the Company's total issued shares*</u>
CORE Capital	Beneficial owner (Note)	1,485,000,000	72.29%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 30 September 2022.

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

Save as disclosed above, as at 30 September 2022, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 2022.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during the six months ended 30 September 2022, and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of the Company and any of its subsidiaries or has interest in such business.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2022.

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 2022, save for the deviation from the code provision C.2.1.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that consolidation of these roles by Mr. Ma provides strong and consistent leadership to the Company which facilitates effective planning and efficient management of the Company. Furthermore, having considered Mr. Ma’s extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of the Group, the Board considers 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 2022.

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 2022 are set out below:

(1) Pre-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options		
				As at 1 April 2022	Exercised during the period	As at 30 September 2022
Employees in aggregate	18 March 2016	From 18 March 2019 to 17 March 2026	0.026	750,000	–	750,000
	18 March 2016	From 18 March 2019 to 17 March 2026	0.052	500,000	(500,000)	–
Total				<u>1,250,000</u>	<u>(500,000)</u>	<u>750,000</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/cancelled/lapsed under the Pre-IPO Scheme during the six months ended 30 September 2022.
- (3) The weighted average closing price of the shares immediately before the date of exercise is HK\$0.96 regarding the options exercised by the employees.

SHARE OPTION SCHEMES (CONTINUED)

(2) Post-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	As at 1 April 2022	Number of share options			As at 30 September 2022
					Granted during the period	Exercised during the period	Lapsed during the period	
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
				<u>19,200,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,200,000</u>
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	8,300,000	–	–	–	8,300,000
	28 June 2019	From 28 June 2022 to 27 June 2029	1.04	2,766,666	–	–	–	2,766,666
	28 June 2019	From 28 June 2023 to 27 June 2029	1.04	10,825,000	–	–	(100,000)	10,725,000
	8 December 2020	From 8 December 2023 to 7 December 2030	0.788	7,533,333	–	–	(133,333)	7,400,000
	8 December 2020	From 8 December 2024 to 7 December 2030	0.788	7,600,000	–	–	(375,000)	7,225,000
				<u>37,358,332</u>	<u>–</u>	<u>–</u>	<u>(608,333)</u>	<u>36,749,999</u>
Total				<u>56,558,332</u>	<u>–</u>	<u>–</u>	<u>(608,333)</u>	<u>55,949,999</u>

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 2022.

The Group recognised total expenses of approximately HK\$3,222,000 for the six months ended 30 September 2022 (for the six months ended 30 September 2021: HK\$3,214,000) 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 2022 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

Save as disclosed above, there have been no important events subsequent to 30 September 2022 and up to the date of this interim 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, 21 November 2022

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.

