

# HYPEBEAST

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

## Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00150)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

#### Annual Results

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023 (“**FY2023**”), together with the audited comparative figures for the year ended 31 March 2022 (“**FY2022**”), as follows:

#### Financial Highlights

	FY2023	FY2022
	HK\$'000	HK\$'000
Revenue	959,973	895,632
– Media	644,205	653,590
– E-commerce and Retail	315,768	242,042
Gross profit	505,418	549,313
Gross profit margin	52.6%	61.3%
Selling and marketing expenses	(218,259)	(160,391)
Administration and operating expenses	(229,848)	(202,650)
Professional fee related to the Merger	(42,235)	(30,185)
EBITDA*	60,099	174,252
Adjusted EBITDA**	93,112	215,779
Net (loss)/profit	(5,069)	100,167
Net (loss)/profit margin	(0.5%)	11.2%
(Loss)/Earnings per share		
– Basic (HK cent)	(0.25)	4.88
– Diluted (HK cent)	(0.25)	4.87

\* Earnings before interest, tax, depreciation and amortization (“**EBITDA**”) is calculated as profit before tax + interest expense + depreciation + amortization expense

\*\* Adjusted earnings before interest, tax, depreciation and amortization (“**Adjusted EBITDA**”) is calculated as (loss) profit before tax + interest expense + depreciation + amortization expense + professional fee related to the Merger + other non-cash items

The Board does not recommend the payment of a final dividend for FY2023.

# HYPEBEAST

## Key Business Highlights

- The Group recorded revenue growth in FY2023 with revenue amounted to HK\$960.0 million, up from HK\$895.6 million in FY2022, representing an increase of HK\$64.3 million or 7.2%;
- Gross profit of HK\$505.4 million in FY2023, down HK\$43.9 million or 8.0% as compared to FY2022, translating to a 8.7 percentage points decrease in gross profit margin from 61.3% in FY2022 to 52.6% in FY2023;
- Net loss of HK\$5.1 million for FY2023, as compared to net profit of HK\$100.2 million in FY2022, primarily due to a one-off professional fee related to the planned merger (the “**Merger**”), non-cash operating expenses such as impairment of assets and change in fair value of financial assets at fair value through profit and loss (“**FVTPL**”), and increase in administrative and operating expenses. Eliminating effects of the above non-recurring or non-cash items, the Company would record Adjusted EBITDA of HK\$93.1 million and adjusted net profit of HK\$27.9 million;
- Demand for the Group’s media and agency services was consistent, with total value in signed contracts for the Media Segment having increased by 2.9% during FY2023 as compared to the prior year; and
- 12-month average website monthly unique visitors (number of user who requests webpages across Hypebeast, Hypebae and Popbee platforms in a month) amounted to 18.8 million, representing a 14.6% increase over FY2022, and aggregated social media following (total number of followers on all third-party social media platforms, including but not limited to Facebook, Instagram, Twitter and TikTok) increased by 4.9%, from 32.4 million as at 31 March 2022 to 34.0 million as at 31 March 2023.

# HYPEBEAST

## 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.

# HYPEBEAST

## Business Prospect and Future Developments

- The Group has noted consistent demand for event production and offline partnerships under the Media Segment on a global level, and particularly in Europe and North America. Although the Media Segment in the Asia Pacific (“**APAC**”) region was impacted by COVID-19 related policies in FY2023, with the pandemic and related restrictions drawing to a close, management believes demand in the region will resume growth amongst broader increases in consumer spending and increased demand for media and agency services;
- After COVID-19, the Group has identified new ways to connect with niche audiences. The digitalization of advertising has accelerated, resulting in global brands shifting marketing dollars from traditional channels to digital channels. As a result, the Group forecasts a positive effect on the Media Segment with an increase in the number and size of media contract over the long term, and the future of brand activations to incorporate both live experiences and digital interactions. The Group has proactively adjusted to the new macroeconomic environment and industry dynamics in the post-COVID era. Our value proposition, centered around immersive media campaigns that blend real-life experiences, omnichannel engagement and digital amplification, remains attractive to global brand partners. The Group continues to see sales growth and new opportunities with clients in expanding categories like alcohol, automobiles, travel, and financial services.
- In aim to attract and reach a wider user-customer base, the Group continued to develop new editorial properties, particularly into adjacencies such as golf, arts and entertainment, and other content that appeals to our audience. The Group further expanded its regional footprint globally by presenting the cultural festival, BRED Abu Dhabi, which offered fully immersive experiences ranging from fashion and music to art across the site as well as an exclusive retail space. In terms of digital presence, the Group launched Hypebeast Latin America and Hypebeast Africa, where the platforms offered quality contents tailored to the unique interests and preferences of the new regions. To drive the Group’s brand awareness and increase engagement with wider and new users and customers, the Group will continue to explore similar opportunities by curating region specific content, and establishing various offline channels and touchpoints;
- The Group’s flagship building in New York City in the United States of America (the “**US**”) opened in June 2022. The flagship location hosts the Group’s HBX retail store, a Hypebeans café and multifunctional spaces for cultural activations, events and Media Segment sales campaigns. The space will be a strong accelerator for the Company’s growth in North America and core point of marketing for the E-commerce and Retail Segment and an attractive venue for Media brand partnership executions. Several high profile sales campaigns and cultural events were hosted at the space during FY2023, and the Group continues to realize its strategy of omnichannel and immersive experiences with retail execution at the New York flagship location;

# HYPEBEAST

- Continuing the cadence in monetizing its wide-reaching and ever-growing follower base, the Group encourages 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. 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 continued to upgrade and invest on the HBX platform and various back-end platforms to enhance its user journey. The Group remains focused on value-added, return-on-investment driven upgrades to its E-commerce capabilities on broadening its reach and base of customers and enhancing revenue and margin over time; and
- The Group is geographically and strategically well-positioned to capture 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 U.S, United Kingdom, Mainland China, South Korea, Japan and Southeast Asia.

## Business and Financial Review

### Media Segment

Revenue and gross profit of the Media Segment for FY2023 and FY2022, are as follows:

	<b>FY2023</b>	FY2022
	<b>HK\$'000</b>	HK\$'000
	<b>(Audited)</b>	(Audited)
Revenue	<b>644,205</b>	653,590
Gross Profit	<b>374,504</b>	450,916

- Revenue from the Media Segment amounted to HK\$644.2 million in FY2023, a modest decrease of 1.4% against a strong comparative of HK\$653.6 million in FY2022 due to (i) postponed delivery and longer execution period for certain planned advertising campaigns in North America and Europe, Middle East and Africa (“**EMEA**”) regions, caused deferrals in the timing of completion of certain campaigns compared to plan and consequent deferral in the revenue recognition of signed media contracts; (ii) negative carryover effect, such as dampening activities from restrictions and COVID-19 outbreaks in Mainland China which weighed on the Group's signing and execution of media contracts; and (iii) gradual emergence in the rest of APAC region affecting its media and agency business in FY2023.
- Despite the broader macroeconomic headwinds which may put pressure on brand advertising dollars and have near-term impact on the Media Segment, the Group maintained a solid performance as indicated by a stable total signed contract value (a key operating measure defined as the total dollar value of media contracts signed during the year) and number of signed contracts (a key operating measure defined as the total number of signed media contracts during the year).
- The Group is 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 FY2023, the EMEA and North America regions showcased continued growth and momentum with media revenue increasing by 17% and 14% respectively.

# HYPEBEAST

- Gross profit of the Media Segment amounted to HK\$374.5 million, representing a decrease of HK\$76.4 million, or 16.9%, versus FY2022. Gross profit margin decreased from 69.0% in FY2022 to 58.1% in FY2023. The difference was mainly due to increases in editorial, production and creative headcounts. With key resources already in place, the Group does not expect a material increase in headcounts next year in these departments. Broadly as a Group, management foresees opportunities to improve overall workforce efficiency while balancing resources for current and future demand in the coming fiscal year.
- As the pandemic has come to an end, the Group expects to resume physical campaign production at nearly full capacity worldwide, while remaining cautiously optimistic on near-term concerns and uncertainties as the global economy resumes activity.
- The Company continues to focus on on-going business development and sales opportunities in pursuit of overall profitable growth of the Media Segment with expectations on media campaign execution and delivery focusing on the traditional peak season falling in the next fiscal year.

## **E-Commerce and Retail Segment**

- Revenue from the E-commerce and Retail Segment increased from HK\$242.0 million in FY2022 to HK\$315.8 million in FY2023, or an increase of 30.5%. Gross profit of the E-commerce and Retail Segment amounted to HK\$130.9 million in FY2023, representing an increase of HK\$32.5 million, or 33.0%, as compared to FY2022. This translates to a gross profit margin of 41.5%, an improvement of 0.8 percentage points as compared to 40.7% in FY2022. The increase in revenue was mainly driven by sales and promotional activities in FY2023. The Company continues to right-size inventory, build network efficiency, and focus on gross margins. The Group also continues to maintain a balanced view of investments in acquiring and engaging customers as the business enters peak season centred around global holidays, which is expected to induce an increase in consumer activities.
- 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 offline. In addition, the Group's U.S. flagship opened in June 2022, spanning seven floors and integrating our U.S. HBX New York flagship store with multifunctional event spaces. The New York flagship store will accelerate growth of our strong North American customer base and serve as a focused point of marketing for the E-commerce and Retail Segment.
- HBX continues to be one of the most curated online destinations for cultural enthusiasts. It focuses on customer experience and operational excellence, and has expanded its offerings into homeware, toys, and other lifestyle products. These additions have been well-received by customers.

# HYPEBEAST

## 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 earnings before interest and tax (“**EBIT**”), EBITDA, adjusted EBITDA and adjusted profit for the year as additional financial measures, which is not required by, or presented in accordance with, the IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of, for example, one-off professional fee related to the Merger, 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.

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

	<b>FY2023</b>	FY2022
	<b>HK\$’000</b>	HK\$’000
	<b>(Audited)</b>	(Audited)
Profit Before Tax	<b>17,739</b>	142,050
Add:		
Interest Expense	<b>3,504</b>	4,588
<b>EBIT</b>	<b>21,243</b>	146,638
Profit Before Tax	<b>17,739</b>	142,050
Add:		
Interest Expense	<b>3,504</b>	4,588
Depreciation Expense	<b>38,795</b>	27,503
Amortization Expense	<b>61</b>	111
<b>EBITDA</b>	<b>60,099</b>	174,252

# HYPEBEAST

The following tables set forth the reconciliation between profit/(loss) for the year to adjusted profit for the year, EBIT to Adjusted EBIT and EBITDA to Adjusted EBITDA for the year indicated:

	FY2023	FY2022
	HK\$'000	HK\$'000
	(Audited)	(Audited)
(Loss)/Profit for the year	(5,069)	100,167
Add:		
Professional fee related to the Merger	42,235	30,185
Impairment loss recognised on amount due from a JV	–	8,694
Gain on disposal of a joint venture	(18,348)	–
Impairment loss recognised on PPE and ROU assets	3,915	–
Impairment loss recognised on intangible assets	5,211	2,648
<b>Adjusted Profit for the year</b>	<b>27,944</b>	<b>141,694</b>

	FY2023	FY2022
	HK\$'000	HK\$'000
	(Audited)	(Audited)
EBIT	21,243	146,638
Add:		
Professional fee related to the Merger	42,235	30,185
Impairment loss recognised on amount due from a JV	–	8,694
Gain on disposal of a joint venture	(18,348)	–
Impairment loss recognised on PPE and ROU assets	3,915	–
Impairment loss recognised on intangible assets	5,211	2,648
<b>Adjusted EBIT</b>	<b>54,256</b>	<b>188,165</b>

	FY2023	FY2022
	HK\$'000	HK\$'000
	(Audited)	(Audited)
EBITDA	60,099	174,252
Add:		
Professional fee related to the Merger	42,235	30,185
Impairment loss recognised on amount due from a JV	–	8,694
Gain on disposal of a joint venture	(18,348)	–
Impairment loss recognised on PPE and ROU assets	3,915	–
Impairment loss recognised on intangible assets	5,211	2,648
<b>Adjusted EBITDA</b>	<b>93,112</b>	<b>215,779</b>

Adjusted profit for the year decreased by 80.3% from HK\$141.7 million in FY2022 to HK\$27.9 million in FY2023, whilst adjusted EBITDA decreased by 56.8% from HK\$215.8 million in FY2022 to HK\$93.1 million in FY2023. 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. With key headcounts already in place to address current and anticipated business capacity, the Group does not expect material increases in headcounts. Broadly as a Group, management foresees opportunities to improve overall workforce efficiency while balancing resources for current and future demand in the coming fiscal year.

# HYPEBEAST

## Cost of Revenue

The Group's cost of revenue increased from HK\$346.3 million for FY2022 to HK\$454.6 million for FY2023, representing an increase of approximately 31.3%. 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 FY2023 which led to the increase in inventory related costs.

## Gross Profit Margin

Gross profit of the Group decreased from HK\$549.3 million for FY2022 to HK\$505.4 million for FY2023, representing a decrease of approximately 8.0%. The decrease was mainly caused by the increase in cost of revenue for FY2023 as discussed above. The overall gross profit margin decreased from approximately 61.3% for FY2022 to approximately 52.6% for FY2023.

## Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 36.1% from HK\$160.4 million in FY2022 to HK\$218.3 million in FY2023 and, correspondingly as a percentage of revenue, increased from 17.9% in FY2022 to 22.7% in FY2023. The Group's recovery from the COVID-19 pandemic led to increase in revenue followed by increase in (i) 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. As the Group continues to integrate its Media platforms and its E-commerce and Retail services, the Group anticipates increased reliance by ratio on lower cost, organic marketing compared to paid channels in stimulating customer acquisition and conversion, therefore creating cost efficiencies in its marketing investment. As with other aspects of the Group's business, with key resources secured, management foresees opportunities to improve overall workforce efficiency.

## Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by 13.4% from HK\$202.7 million in FY2022 to HK\$229.8 million in FY2023 and correspondingly as a percentage of revenue, increased from 22.6% in FY2022 to 23.9% in FY2023. The overall increase was mainly led by (i) staff costs in support of headcount additions to meet increasing demand; (ii) rental, utilities and renovation costs for retail store, offices and warehouse; and (iii) additional travel expenses in support of the US store opening in FY2023.

## Professional Fees 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**"). In December 2022, the Merger Agreement was terminated. Accordingly, there was approximately HK\$42.2 million of one-time legal and professional fee incurred for the Merger recorded for the year. Please refer to all the relevant announcements during FY2023 for details.

## Impairment Loss Under Expected Credit Losses Model, Net of Reversal and Gain on Disposal of JV

In 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, at an aggregate cash consideration of approximately US\$2,503,000 (equivalent to approximately HK\$19,646,000) (the "**Consideration**"), payable in 2 instalments. The disposal was completed on 30 September 2022 and

# HYPEBEAST

HK\$16,497,000 had been received during the year ended 31 March 2023. As at the date of disposal, the carrying amount of interest in a joint venture is HK\$nil. During the year ended 31 March 2023, the Company had 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\$18,348,000 as the gain on disposal of the joint venture.

## Impairment Assessment of PPE and ROU assets

Management of the Group concluded there was indication for impairment relating to its e-commerce business and performed impairment assessment on certain property, plant and equipment and right-of-use assets as at 31 March 2023. 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 PPE and ROU assets of approximately HK\$0.5 million and HK\$3.4 million, respectively, for FY2023.

## Cash Flow

The Group recorded net cash outflow from operating activities of HK\$65.5 million in FY2023 versus an inflow of HK\$158.6 million in prior year. Such net cash outflow was mainly driven by increases in working capital relating to its E-commerce and Retail Segment and payments of accrued commissions and bonuses. Net cash inflows of HK\$1.2 million were reported from investing activities, compared to cash outflows of HK\$70.1 million from investing activities in FY2022. Such cash inflows were due to the combined effect of disposal of a joint venture and a decrease in capital additions in FY2023. Cash flow used in financing activities amounted to HK\$40.8 million in FY2023 as compared to HK\$15.7 million in FY2022, representing an increase of HK\$25.0 million or 158.9%. Such increase results in particular from one time payments of merger related costs as well as the repayment of bank borrowings in FY2023.

Overall, including the net effect of foreign exchange rate changes of negative HK\$13.2 million, cash and cash equivalents decreased by HK\$118.2 million at the beginning of the year to HK\$166.0 million on 31 March, 2023.

	FY2023	FY2022
	HK\$'000	HK\$'000
<b>Extracts of cash flow</b>		
Net cash (used in)/from operating activities	(65,467)	158,568
Net cash from/(used in) investing activities	1,217	(70,110)
Net cash used in financing activities	(40,770)	(15,746)
Net (decrease)/increase in cash and cash equivalents	(105,020)	72,712
Cash and cash equivalents at beginning of the year	284,269	209,575
Effect of foreign exchange rate changes	(13,228)	1,982
Cash and cash equivalents at end of the year, representing bank balances and cash	166,021	284,269

# HYPEBEAST

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
Revenue	3	959,973	895,632
Cost of revenue		(454,555)	(346,319)
Gross profit		505,418	549,313
Other income, other gains and losses	5	16,836	4,880
Selling and marketing expenses		(218,259)	(160,391)
Administrative and operating expenses		(229,848)	(202,650)
Professional fee related to the merger		(42,235)	(30,185)
Impairment losses under expected credit losses model, net of reversal		(1,543)	(11,681)
Impairment loss recognised on intangible assets		(5,211)	(2,648)
Impairment loss recognised on property plant and equipment and right-of-use assets		(3,915)	—
Finance costs		(3,504)	(4,588)
Profit before tax		17,739	142,050
Income tax expense	6	(22,808)	(41,883)
(Loss) profit for the year	7	(5,069)	100,167
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(12,546)	2,878
Total comprehensive (expense) income for the year		(17,615)	103,045
(Loss) earnings per share	9		
– Basic (HK cent)		(0.25)	4.88
– Diluted (HK cent)		(0.25)	4.87

# HYPEBEAST

## Consolidated Statement of Financial Position

At 31 March 2023

	NOTES	2023 HK\$'000	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		51,960	52,701
Intangible assets		14,140	11,767
Right-of-use assets	10	55,379	70,013
Interest in a joint venture		—	—
Financial assets at fair value through profit or loss ("FVTPL")		14,327	24,258
Rental and other deposits	11	7,771	7,622
Deferred tax assets		1,115	1,022
		<b>144,692</b>	<b>167,383</b>
<b>Current assets</b>			
Inventories		113,770	69,702
Trade and other receivables	11	186,579	183,018
Tax prepayments		8,266	10,510
Contract assets	12	13,028	5,154
Pledged bank deposits		10,000	10,000
Cash and cash equivalents		166,021	284,269
		<b>497,664</b>	<b>562,653</b>
<b>Current liabilities</b>			
Trade and other payables	13	89,755	145,708
Contract liabilities	14	17,716	11,602
Derivative financial instruments		—	620
Bank borrowings — due within one year		2,724	7,363
Lease liabilities	15	20,262	15,919
Tax payables		2,405	12,879
		<b>132,862</b>	<b>194,091</b>
<b>Net current assets</b>		<b>364,802</b>	<b>368,562</b>
<b>Total assets less current liabilities</b>		<b>509,494</b>	<b>535,945</b>
<b>Non-current liability</b>			
Lease liabilities	15	42,889	58,029
		<b>42,889</b>	<b>58,029</b>
<b>Net assets</b>		<b>466,605</b>	<b>477,916</b>
<b>Capital and reserves</b>			
Share capital	16	20,541	20,536
Reserves		446,064	457,380
		<b>466,605</b>	<b>477,916</b>

# HYPEBEAST

## NOTES:

### 1. General Information

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

Its registered office is located at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. 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 variable interest entity (the "**VIE**") (hereinafter together with the Company collectively referred to as the "**Group**") are principally engaged in the provision of advertising spaces services, provision of services for creative agency projects, publication of magazines and operation of online and offline retail platform. Its parent and ultimate holding company is CORE Capital Group Limited, a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("**Mr. Ma**").

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

### 2. Application of Amendments to International Financial Reporting Standard ("**IFRSs**")

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

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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 IFRS Standards	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# HYPEBEAST

## 3. Revenue

### Disaggregation of revenue from contracts with customers

Segments	Media		E-commerce and retail		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Sales of goods through online and offline retail platform	—	—	285,663	232,435	285,663	232,435
Commission fee from consignment sales	—	—	4,493	4,869	4,493	4,869
Provision of advertising spaces	434,980	382,990	4,332	—	439,312	382,990
Provision of services for creative agency projects	208,892	270,600	—	—	208,892	270,600
Publication of magazines	333	—	—	—	333	—
Exhibition income	—	—	15,873	—	15,873	—
Beverage income	—	—	5,407	4,738	5,407	4,738
<b>Total revenue from contracts with customers</b>	<b>644,205</b>	<b>653,590</b>	<b>315,768</b>	<b>242,042</b>	<b>959,973</b>	<b>895,632</b>
<b>Geographical markets</b>						
Hong Kong	36,210	38,374	81,673	46,012	117,883	84,386
PRC	52,310	137,125	32,092	26,406	84,402	163,531
United States (“US”)	272,931	229,421	89,423	51,814	362,354	281,235
Other countries	282,754	248,670	112,580	117,810	395,334	366,480
<b>Total</b>	<b>644,205</b>	<b>653,590</b>	<b>315,768</b>	<b>242,042</b>	<b>959,973</b>	<b>895,632</b>
<b>Timing of revenue recognition</b>						
A point in time	209,225	237,433	300,331	242,042	509,556	479,475
Over time	434,980	416,157	15,437	—	450,417	416,157
<b>Total</b>	<b>644,205</b>	<b>653,590</b>	<b>315,768</b>	<b>242,042</b>	<b>959,973</b>	<b>895,632</b>

## 4. Segment Information

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

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

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

# HYPEBEAST

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

## Year ended 31 March 2023

	Media HK\$'000	E-commerce and retail HK\$'000	Consolidated HK\$'000
Total segment revenue	644,205	315,768	959,973
Segment results	205,834	(32,424)	173,410
Finance costs			(3,504)
Share-based payment expense			(6,278)
Loss on fair value changes of financial assets at FVTPL			(7,212)
Gain on disposal of a joint venture			18,348
Gain on fair value changes of derivative financial instruments			620
Impairment losses recognised on intangible assets			(5,211)
Professional fee related to the merger			(42,235)
Project income from non-fungible token ("NFT") projects			7,188
Central administration costs			(68,706)
Unallocated expenses			(48,681)
Profit before tax			17,739

## Year ended 31 March 2022

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

# HYPEBEAST

## 5. Other Income, Other Gains and Losses

	2023	2022
	HK\$'000	HK\$'000
Net exchange losses	5,723	1,619
Loss (gain) on fair value changes of financial assets at FVTPL	7,212	(4,181)
Marketing contribution income	(34)	(581)
(Gain) loss on fair value changes of derivative financial instruments	(620)	620
Penalty on customers for overdue settlement	(797)	(1,330)
Bank interest income	(1,088)	(350)
Logistics service fee income	(1,696)	—
Project income from NFT projects	(7,188)	—
Gain on disposal of a joint venture	(18,348)	—
Gain on disposal of property, plant and equipment	—	(660)
Others	—	(17)
	<b>(16,836)</b>	<b>(4,880)</b>

## 6. Income Tax Expense

	2023	2022
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong Profits Tax	15,702	18,146
– The PRC Enterprise Income Tax (“EIT”)	4,068	20,609
– Other jurisdictions	1,135	3,195
Overprovision in prior year		
– Hong Kong Profits Tax	(3)	(132)
PRC withholding tax on distributed profits from PRC subsidiaries	1,999	608
	<b>22,901</b>	<b>42,426</b>
Deferred tax:		
– Credit for the year	(93)	(543)
	<b>22,808</b>	<b>41,883</b>

### 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.

# HYPEBEAST

## ***Basis income tax expense***

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

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

## **7. (Loss) Profit for the Year**

	2023 HK\$'000	2022 HK\$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration	10,303	6,985
Other staff costs		
– salaries and allowances	292,955	204,057
– discretionary bonus	9,791	24,853
– retirement benefits scheme contribution	9,367	6,887
– Share-based payment expense	5,100	5,107
Total directors and other staff costs	327,516	247,889
Auditor's remuneration	1,950	1,400
Cost of inventories recognised as an expense (included in cost of revenue)	165,604	127,768
Depreciation of property, plant and equipment	16,845	6,186
Depreciation of right-of-use assets	21,950	21,317
Amortisation of intangible assets	61	111
Website content update expense (Note)	2,730	2,103
Write-down of inventories	4,256	1,825

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

## **8. Dividends**

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

## **9. (Loss) Earnings Per Share**

The calculation of the basic and diluted (loss) earnings per share for the years ended 31 March 2023 and 2022 is based on the following data:

	2023 HK\$'000	2022 HK\$'000
<b>(Loss) earnings</b>		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share		
((Loss) profit for the year attributable to owners of the Company)	<b>(5,069)</b>	100,167

# HYPEBEAST

	2023 '000	2022 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,054,085	2,052,921
<b>Effect of dilutive potential ordinary shares:</b>		
Share options issued by the Company	—	5,911
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	2,054,085	2,058,832

## 10. Right-of-Use Assets

	Leased properties HK\$'000	
<b>As at 31 March 2022 and 1 April 2022</b>		
Carrying amount		70,013
<b>As at 31 March 2023</b>		
Carrying amount		55,379
<b>For the year ended 31 March 2022</b>		
Depreciation charge		21,317
<b>For the year ended 31 March 2023</b>		
Depreciation charge		21,950
	2023 HK\$'000	2022 HK\$'000
Expenses relating short-term leases	5,037	3,297
Variable lease payments not included in the measurement of lease liabilities (Note)	2,789	1,842
Total cash outflow for leases	31,969	29,399
Additions to right-of-use assets	10,814	12,037

Note: Leases of retail stores contain variable lease payment that are based on 12.0% to 13.0% (2022: 12.5%) of sales over the lease term. The amount of variable lease payments paid/payable to relevant lessor for the year ended 31 March 2023 amounted to HK\$2,789,000 (2022: HK\$1,842,000). The overall financial effect of using variable payment term is that higher rental costs are incurred by the store with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

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

During the year ended 31 March 2023, the Group leases offices and warehouses for its operations. Lease contracts are entered into or modified for fixed terms of 1 to 2 years (2022: 1 to 5 years).

# HYPEBEAST

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

The Group regularly entered into short-term leases for properties. As at 31 March 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

## Restrictions on assets

As at 31 March 2023, lease liabilities of approximately HK\$63,151,000 (2022: HK\$73,948,000) is recognised with related right-of-use assets of approximately HK\$55,379,000 (2022: HK\$70,013,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

## 11. Trade and Other Receivables

	2023 HK\$'000	2022 HK\$'000
Trade receivables	127,258	128,898
Unbilled receivables (Note (b))	19,518	23,747
Trade and unbilled receivables	146,776	152,645
Less: allowance for credit losses	(909)	(945)
Trade and unbilled receivables (net carrying amount)	145,867	151,700
Advance to staff	790	1,106
Rental and utilities deposits	12,142	11,401
Prepayments	20,482	22,404
Consideration receivable related to disposal of a joint venture	3,149	—
Other receivables	9,962	414
Deposit paid for long term investment	1,958	1,950
Deferred issue costs related to merger	—	1,665
<b>Total</b>	<b>194,350</b>	<b>190,640</b>
Analysed as:		
Current	186,579	183,018
Non-current (Note (a))	7,771	7,622
<b>Total</b>	<b>194,350</b>	<b>190,640</b>

Notes:

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

# HYPEBEAST

As at 1 April 2022, trade and unbilled receivables from contracts with customers amounted to HK\$173,669,000.

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Within 60 days	<b>86,776</b>	72,316
61–90 days	<b>7,913</b>	35,363
91–180 days	<b>29,219</b>	16,347
181–365 days	<b>1,760</b>	4,589
Over 365 days	<b>1,590</b>	283
	<b>127,258</b>	128,898

As at 31 March 2023, included in the Group's trade and unbilled receivables balance are debtors with aggregate gross carrying amounts of HK\$54,816,000 (2022: HK\$51,228,000) which are past due as at the reporting date. Out of the past due balances, HK\$15,963,000 (2022: HK\$11,750,000) has been past due 90 days or more and are not considered as in default as there had not been a significant change in credit quality and the amounts were still considered recoverable based on historical experience. The Group does not hold any collateral over these balances and the Group will further charge at 1.5% (2022: 1.5%) on overdue balances of certain customers pursuant to the contracts upon negotiation as a penalty of overdue settlement.

## 12. Contract Assets

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Provision of advertising spaces	<b>13,028</b>	5,154

As at 1 April 2021, contract assets amounted to HK\$1,484,000.

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

As at 31 March 2023 and 2022, all contract assets are expected to be settled within 1 year, and accordingly classified as current.

# HYPEBEAST

## 13. Trade and Other Payables

	2023	2022
	HK\$'000	HK\$'000
Trade payables	25,924	14,639
Commission payable to staff	23,329	23,161
Accrual for campaign cost (Note)	7,310	33,025
Accrual for staff bonus	—	23,557
Accrual professional fee related to merger	4,291	16,738
Other payables and accrued expenses	28,901	34,588
	<b>89,755</b>	<b>145,708</b>

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

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

	2023	2022
	HK\$'000	HK\$'000
Within 30 days	17,264	10,240
31–60 days	1,816	1,401
61–90 days	2,270	404
Over 90 days	4,574	2,594
	<b>25,924</b>	<b>14,639</b>

## 14. Contract Liabilities

	2023	2022
	HK\$'000	HK\$'000
Provision of advertising spaces (Note a)	16,151	5,891
Sales of goods through online retail platform (Note b)	420	4,872
Customer loyalty scheme (Note c)	1,145	839
	<b>17,716</b>	<b>11,602</b>

As at 1 April 2021, contract liabilities amounted to HK\$9,020,000.

Notes:

- a) The Group receives 50% of the contract value as deposits from new customers when they sign the contracts for provision of advertising spaces and services for creative agency projects. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers. During the year ended 31 March 2023, the Group has recognised revenue of HK\$5,891,000 (2022: HK\$7,694,000) that was included in the contract liabilities balance at the beginning of the respective year. All contract liabilities attributable to the provision of advertising spaces and services for creative agency projects as at 31 March 2023 are expected to be recognised as revenue within one year.

# HYPEBEAST

- b) When the Group receives the payment in full before the goods is shipped/delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers. During the year ended 31 March 2023, the Group has recognised revenue of HK\$4,872,000 (2022: HK\$1,326,000) that was included in the contract liabilities balance at the beginning of the respective year. All contract liabilities attributable to the sales of goods through online retail platform as at 31 March 2023 are expected to be recognised as revenue within one year.
- c) The Group grants award credits for customers for sales under the Group's customer loyalty scheme. The customers can use the award credits to purchase the goods through the Group's online retail platform in future purchases. The award credits have no expiration.

## 15. Lease Liabilities

	2023 HK\$'000	2022 HK\$'000
<b>Lease liabilities payable:</b>		
Within one year	20,262	15,919
In more than one year but not more than two years	18,235	19,352
In more than two years but not more than five years	24,654	35,122
More than five years	—	3,555
	<b>63,151</b>	<b>73,948</b>
Less: Amount due for settlement with 12 months shown under current liabilities	<b>(20,262)</b>	<b>(15,919)</b>
Amount due for settlement after 12 months shown under non-current liabilities	<b>42,889</b>	<b>58,029</b>

Weighted average incremental borrowing rates applied to lease liabilities range from 2.77% to 3.65% (2022: 2.85% to 3.50%).

## 16. Share Capital

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

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As 1 April 2021, 31 March 2022 and 31 March 2023	6,000,000,000	60,000,000
<b>Issued:</b>		
At 1 April 2021	2,045,929,167	20,459,292
Exercise of share options	1,166,667	11,667
Issuance of ordinary shares (Note)	6,533,397	65,334
At 31 March 2022	2,053,629,231	20,536,293
Exercise of share options	500,000	5,000
At 31 March 2023	2,054,129,231	20,541,293

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

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

# HYPEBEAST

## 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 year ended 31 March 2023.

## 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the year ended 31 March 2023, save for the deviations from the code provisions 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 Listing Rules, as part of its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the period from 1 April 2022 to the date of this announcement.

# HYPEBEAST

## Audit Committee

The audit committee of the Company consists of three members, being the three independent non-executive Directors, namely Mr. Wong Kai Chi (Chairman), Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. The audit committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2023 and is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2023 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## Events After The Reporting Period

There were no important events subsequent to the end of the reporting period and up to the date of this announcement, which would affect the Group's business operations in material aspects.

## Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 26 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

By Order of the Board

**Hypebeast Limited**

**Ma Pak Wing Kevin**

*Chairman and executive Director*

Hong Kong, 26 June 2023

*As at the date of this announcement, 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.*