

**THIRD QUARTERLY REPORT 第三季度報告  
2017**

# 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  
8359**

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**股份代號  
8359**

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This report, for which the directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 31 December 2017 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2016, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2017

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2017	2016	2017	2016
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	147,724	60,380	291,028	154,265
Cost of revenue		(67,944)	(24,864)	(134,623)	(67,853)
Gross profits		79,780	35,516	156,405	86,412
Other gain/(losses)		252	(875)	1,093	(1,035)
Selling and marketing expenses		(29,794)	(14,313)	(64,651)	(36,393)
Administrative and operating expenses		(17,046)	(9,654)	(41,702)	(29,782)
Finance costs		(82)	(67)	(232)	(266)
<b>Profit before income tax</b>		<b>33,110</b>	<b>10,607</b>	<b>50,913</b>	<b>18,936</b>
Income tax expenses	4	(5,663)	(1,738)	(8,805)	(3,114)
<b>Profit and total comprehensive income for the period</b>		<b>27,447</b>	<b>8,869</b>	<b>42,108</b>	<b>15,822</b>
Earnings per share					
– Basic and diluted (HK cent)	6	1.37	0.44	2.11	0.80

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	As at 31 December 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	5,577	4,640
Rental deposits	642	456
<b>Total non-current assets</b>	<b>6,219</b>	<b>5,096</b>
<b>Current assets</b>		
Inventories	22,796	11,817
Trade and other receivables	126,155	57,013
Pledged bank deposits	2,621	5,001
Bank balances and cash	67,081	67,931
	<b>218,653</b>	<b>141,762</b>
<b>Current liabilities</b>		
Trade and other payables	68,696	45,663
Bank borrowings – due within one year	9,428	5,013
Tax payable	9,355	1,631
	<b>87,479</b>	<b>52,307</b>
<b>Net current assets</b>	<b>131,174</b>	<b>89,455</b>
<b>Total assets less current liabilities</b>	<b>137,393</b>	<b>94,551</b>
<b>Non-current liabilities</b>		
Obligations under finance lease – due after one year	734	–
Deferred tax liabilities	221	221
	<b>955</b>	<b>221</b>
<b>Net assets</b>	<b>136,438</b>	<b>94,330</b>
<b>Capital and reserves</b>		
Share capital	20,000	20,000
Share premium	25,275	25,275
Reserves	91,163	49,055
	<b>136,438</b>	<b>94,330</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

	Share Capital HK\$'000	Share Premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>At 1 April 2017 (audited)</b>	<b>20,000</b>	<b>25,275</b>	<b>49,055</b>	<b>94,330</b>
Profit and total comprehensive income for the period	-	-	<b>42,108</b>	<b>42,108</b>
<b>At 31 December 2017 (unaudited)</b>	<b>20,000</b>	<b>25,275</b>	<b>91,163</b>	<b>136,438</b>
<b>At 1 April 2016 (audited)</b>	1	-	25,750	25,751
Capitalisation issue	15,999	(15,999)	-	-
Issue of shares under placing	4,000	48,000	-	52,000
Expenses incurred in connection with the issue of shares upon placing	-	(6,726)	-	(6,726)
Profit and total comprehensive income for the period	-	-	15,822	15,822
<b>At 31 December 2016 (unaudited)</b>	<b>20,000</b>	<b>25,275</b>	<b>41,572</b>	<b>86,847</b>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 31 December 2017*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015. The registered office of the Company is located at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is located at 12/F, 10-16 Kwai Ting Road, Kwai Chung, Hong Kong.

The Company's issued ordinary shares of HK\$0.01 each have been listed and traded on GEM since 11 April 2016 (the "**Listing Date**").

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company (the "**Shares**") on GEM (the "**Listing**"), the Company became the holding company of the companies comprising the Group on 30 October 2015. Details of the Reorganisation are set out in the prospectus of the Company dated 31 March 2016 (the "**Prospectus**") under the section headed "History, Reorganisation and Corporate Structure".

The principal activity of the Company is investment holding. The Group's principal activities are the provision of advertising services to brand owners and advertising agencies on the Group's digital media platforms, and the sale of third-party branded clothing, shoes and accessories on the Group's e-commerce platform.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

HKFRSs include Hong Kong Accounting Standards and interpretations. Intragroup balances and transactions, if any, have been fully and properly eliminated. The unaudited condensed consolidated financial statements of the Group for the Relevant Period should be read in conjunction with the annual report of the Company for the year ended 31 March 2017 dated 19 June 2017 (“**Annual Report**”). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the Annual Report.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require management to exercise their judgements in the process of applying the Group’s accounting policies.

The unaudited condensed consolidated financial statements of the Group for the Relevant Period are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.



### 3. 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 stores, provision of advertising services and publication of web magazines.

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

- (i) Digital media segment – Provision of advertising services and publication of magazines
- (ii) E-commerce segment – Operation of online stores for the sale of third-party branded clothing, shoes and accessories

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Digital media	109,940	40,144	206,728	104,135
E-commerce	37,784	20,236	84,300	50,130
	<b>147,724</b>	60,380	<b>291,028</b>	154,265

### 4. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong profit tax	5,663	1,738	8,805	3,114

Hong Kong profit tax has been provided at the rate of 16.5% based on the estimated assessable profits of the Group for the periods as stated above.

## 5. DIVIDEND

During the Relevant Period, the Group has not declared and paid any dividend. Furthermore, the Board does not recommend the payment of an interim dividend for the Relevant Period.

## 6. EARNINGS PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Earnings</b>				
Earnings for the purpose of calculating basic earnings per share (Profit and total comprehensive income for the period)	<b>27,447</b>	8,869	<b>42,108</b>	15,822
	<b>2017 '000</b>	2016 '000	<b>2017 '000</b>	2016 '000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>2,000,000</b>	2,000,000	<b>2,000,000</b>	1,985,455

Basic earnings per share for the nine months ended 31 December 2017 are 2.11 HK cent (2016: 0.80 HK cent) per share. The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the nine months ended 31 December 2017 has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 11 April 2016 and assuming the Group Reorganisation had been effective on 1 April 2015.

No diluted earnings per share was presented as there was no potential ordinary shares outstanding during both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

The Group is a digital media company primarily engaged in (i) the provision of advertising and creative agency services to brand owners and advertising agencies on its digital media platforms; and (ii) the sale of third-party branded clothing, shoes and accessories on its e-commerce platform. The Group produces and distributes millennial-focused digital content reporting the latest trends on fashion, lifestyle, culture and music to users of the Group's digital content who do not subscribe to updates of the Group's digital content ("**visitors**") and users who subscribe to updates of the Group's digital content ("**followers**"). Digital content is delivered via the Group's digital media platforms (including Hypebeast, Hypebae, Hypekids and Popbee websites and apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Youtube and Weibo). The Group began marketing its creative agency services under the Hypemaker brand name in early 2017 to support growth and development of its media related service offerings.

The Group's e-commerce platform typically carries approximately 400 trend leading third-party branded products. As at 31 December 2016 and 31 December 2017, the number of brands offered on our e-commerce platform were 422 and 380, respectively, representing a decrease of 42 brands. As at 31 December 2016 and 31 December 2017, the number of products offered on the Group's e-commerce platform were approximately 6,200 and 5,700, respectively, representing a decrease of approximately 500 products. The decrease in the number of brands and products carried on our e-commerce platform reflects our strategy of delivering a more curated shopping experience and trend focused product offerings to our customers.

Looking forward, the Group targets to become a leading online destination for fashion followers by continuing to set trends that drive growth of its business. It intends to expand its visitor base and enhance its digital media production capability, which are expected to translate to increased revenue from sales of services through the Group's integrated digital platforms and creative agency offerings. With these clear objectives, the Group will foster its development in line with a series of business strategies as set out in the Prospectus, which include the following:

1. For the digital media segment, the Group is enhancing its advertising production capabilities through various methods, including recruiting additional content production executives so to create high quality production campaigns to meet the demands and expectations of brand owners and advertising agencies using its advertising services.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW AND PROSPECT (CONTINUED)

2. For the e-commerce segment, the Group will continue delivering the best online shopping experience for its customers by enhancing the quality of its customer service, the capabilities of its inventory systems as well as improving the functionality and usability of its website and app based e-commerce platforms.

As part of its strategy to better manage the Group's existing business and to expand its overseas markets, the Group incorporated the following entities for the nine months ended 31 December 2017:

- 102 Media Lab Limited, a Hong Kong entity incorporated on 10 April 2017. It is engaged in creative agency services. The company began active operations on 1 July 2017.
- Hypebeast UK Limited, a UK entity incorporated on 19 May 2017. It is engaged in the digital media segment in the UK. The company began active operations on 1 October 2017.

In February 2018, the Company's US subsidiary, Hypebeast, Inc., entered into an agreement with a JV partner to form a majority owned joint venture company called The Berrics Company, LLC ("**The Berrics**"). The Berrics will be engaged in the provision of skateboarding related digital content and advertising and offline event organisation services.

Save as disclosed herein, there have not been any important events affecting the Group since the end of the Relevant Period.

With the Group's experienced management team and reputation in the market, the Directors consider the Group to be well-positioned to compete against its competitors under potential future challenges.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased from approximately HK\$154.3 million for the nine months ended 31 December 2016 to approximately HK\$291.0 million for the nine months ended 31 December 2017, representing a growth of approximately 88.7%. Such increase was mainly due to increase in revenue from (i) provision of advertising and creative agency services to brand owners and advertising agencies in the United States and China; and (ii) higher number of items sold on our e-commerce platform.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **FINANCIAL REVIEW (CONTINUED)**

#### **Cost of Revenue**

The Group's cost of revenue increased from approximately HK\$67.9 million for the nine months ended 31 December 2016 to approximately HK\$134.6 million for the nine months ended 31 December 2017, representing an increase of approximately 98.4%. Such increase was mainly attributable to (i) the increase in campaign costs of advertising services to provide high quality, tailor-made production to clients and (ii) the increase in direct staff costs for the purpose of current and future expansion and development.

#### **Gross Profit Margin**

Gross profit of the Group increased by approximately 81.0% from approximately HK\$86.4 million for the nine months ended 31 December 2016 to approximately HK\$156.4 million for the nine months ended 31 December 2017. The increase was mainly driven by the increase in revenue for the nine months ended 31 December 2017 as discussed above. The overall gross profit margin slightly decreased from approximately 56.0% for the nine months ended 31 December 2016 to approximately 53.7% for the nine months ended 31 December 2017 which was mainly due to the decrease in gross profit margin in the digital media segment as more tailor-made advertising services were provided and more production staff were employed during the period.

#### **Selling and Marketing Expenses**

Selling and marketing expenses of the Group increased by approximately 77.6% from approximately HK\$36.4 million for the nine months ended 31 December 2016 to approximately HK\$64.7 million for the nine months ended 31 December 2017. Selling and marketing expenses primarily consist of advertising and promotion expenses and staff costs for our sales and marketing department. The increase was attributable to the higher usage of both services and investment in headcount during the nine months ended 31 December 2017 to drive current and future business expansion.

## **MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

### **FINANCIAL REVIEW (CONTINUED)**

#### **Administrative and Operating Expenses**

Administrative and operating expenses of the Group increased by approximately 40.0% from approximately HK\$29.8 million for the nine months ended 31 December 2016 to approximately HK\$41.7 million for the nine months ended 31 December 2017. Administrative and operating expenses mainly consist of staff costs, professional fees, freelancer costs and others. The increase was attributable to increase in staff headcount and freelancer costs to drive current and future business expansion during the nine months ended 31 December 2017.

#### **Income Tax Expense**

Income tax expense for the Group increased by approximately 182.8% from approximately HK\$3.1 million for the nine months ended 31 December 2016 to approximately HK\$8.8 million for the nine months ended 31 December 2017. The increase was mainly due to the increase in profit for tax during the period.

#### **Profit and Total Comprehensive Income for the Period**

Profit and total comprehensive income increased by approximately 166.1% from approximately HK\$15.8 million for the nine months ended 31 December 2016 to approximately HK\$42.1 million for the nine months ended 31 December 2017. Net profit margin increased from 10.3% for the nine months ended 31 December 2016 to 14.5% for the nine months ended 31 December 2017. Such increases were primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the nine months ended 31 December 2017.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2017, the Group had total assets of approximately HK\$224.9 million (31 March 2017: approximately HK\$146.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$88.4 million (31 March 2017: approximately HK\$52.5 million) and approximately HK\$136.4 million (31 March 2017: approximately HK\$94.3 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 December 2017 were approximately HK\$9.4 million (31 March 2017: approximately HK\$5.0 million), and current ratio as at 31 December 2017 was approximately 2.5 times (31 March 2017: approximately 2.7 times).

## **LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)**

The Group continues to review and assess potential investment opportunities, both internally and externally, which may be beneficial in achieving the Group's strategic, financial and other goals. All potential investment opportunities are reviewed in depth by management of the Company to ensure delivery of positive shareholder value.

## **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 GEM 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 nine months ended 31 December 2017. None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of their respective close associates has engaged in or has interest in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the nine months ended 31 December 2017.

## **INTERESTS OF THE COMPLIANCE ADVISER**

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Lego Corporate Finance Limited to be the compliance adviser. As notified by Lego Corporate Finance Limited, as at 31 December 2017, save for the compliance adviser agreement dated 15 March 2016 entered into between the Company and Lego Corporate Finance Limited, neither Lego Corporate Finance Limited, its directors, employees and close associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 2017.

## 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 31 December 2017, 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 required standard of dealings as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### 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>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	74.25%
	Beneficial Owner	4,160,000	0.21%
		1,489,160,000	74.46%
Ms. Lee Yuen Tung Janice	Interest of spouse (Note 2)	1,489,160,000	74.46%

\* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2017.

#### Notes:

1. These shares were held by CORE Capital Group Limited (“**CORE Capital**”), a controlled corporation of Mr. Ma Pak Wing Kevin.
2. Ms. Lee Yuen Tung Janice was deemed to be interested in 1,489,160,000 shares of the Company through the interest of her spouse, Mr. Ma Pak Wing Kevin.



## DISCLOSURE OF INTERESTS (CONTINUED)

### 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 31 December 2017.

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

Save as disclosed above, as at 31 December 2017, 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.

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

As at 31 December 2017, 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 shareholder</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	74.25%

\* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 December 2017.

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".

## **DISCLOSURE OF INTERESTS (CONTINUED)**

### **Substantial Shareholders' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company (CONTINUED)**

Save as disclosed above, as at 31 December 2017, 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.

## **CORPORATE GOVERNANCE PRACTICE**

The Company is committed to achieving and maintaining a high standard of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of the shareholders of the Company and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

During the nine months ended 31 December 2017, the Company has complied with the Corporate Governance Code (the “CG Code”) set out in Appendix 15 to the GEM Listing Rules, save as the below deviation.

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

Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that both roles being held by Mr. Ma will provide a strong and consistent leadership to the Company which will facilitate 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 rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the Company. No incidence of non-compliance was noted for the nine months ended 31 December 2017 and up to the date of this report.

## SHARE OPTION SCHEME

On 18 March 2016, the Group has 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 scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to it. The Pre-IPO Scheme was subsequently expired on the Listing Date. The Post-IPO Scheme will remain in force for a period of 10 years from the effective date of the Post-IPO Scheme.

Details of the movements of the two share option schemes of the Company for the nine months ended 31 December 2017 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 2017	As at 31 December 2017
Employees in aggregate	18 March 2016	From 18 March 2018 to 17 March 2026	0.026	750,000	750,000
		From 18 March 2019 to 17 March 2026	0.026	8,250,000	8,250,000
		From 18 March 2019 to 17 March 2026	0.052	4,500,000	4,500,000
		From 18 March 2019 to 17 March 2026	0.078	6,000,000	6,000,000
		From 18 March 2020 to 17 March 2026	0.104	3,000,000	3,000,000
Total				<u>22,500,000</u>	<u>22,500,000</u>

Notes:

- (1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- (2) No share options have been granted/exercised/cancelled/lapsed under the Pre-IPO Scheme during the nine months ended 31 December 2017.

## SHARE OPTION SCHEME (CONTINUED)

### (2) Post-IPO Scheme

Category of grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options		
				As at 1 April 2017	Granted during the period	As at 31 December 2017
Employees in aggregate	6 July 2017	From 6 July 2019 to 5 July 2027	0.198	-	5,812,500	5,812,500
		From 6 July 2020 to 5 July 2027	0.198	-	28,200,000	28,200,000
Total				-	34,012,500	34,012,500

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 exercised/cancelled/lapsed under the Post-IPO Scheme during the nine months ended 31 December 2017.
- (3) The closing price of the shares of the Company immediately before the date of grant on 6 July 2017 was HK\$0.192.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three members, namely Mr. Wong Kai Chi, Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna, all being independent non-executive Directors. Mr. Wong Kai Chi currently serves as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2017.

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

Hong Kong, 9 February 2018

*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.*