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HYPEBEAST

Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08359)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, 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 announcement 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 announcement misleading.*

FIRST 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 three months ended 30 June 2018 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2018

		Three months ended 30 June	
	NOTES	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	118,340	68,903
Cost of revenue		<u>(57,185)</u>	<u>(32,741)</u>
Gross profit		61,155	36,162
Other (losses)/gains, net		(2,122)	686
Selling and marketing expenses		(27,857)	(16,525)
Administrative and operating expenses		(20,418)	(11,612)
Finance costs		(62)	(73)
Share of result of a joint venture		<u>(940)</u>	<u>–</u>
Profit before tax		9,756	8,638
Income tax expense	4	<u>(1,907)</u>	<u>(1,517)</u>
Profit and total comprehensive income for the period		<u>7,849</u>	<u>7,121</u>
Earnings per share	6		
– Basic and diluted (HK cent)		<u>0.39</u>	<u>0.36</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (audited)	20,000	25,275	(1)	1,749	94,226	141,249
Profit and total comprehensive income for the period	-	-	-	-	7,849	7,849
Recognition of equity-settled share-based payments	-	-	-	517	-	517
At 30 June 2018 (unaudited)	<u>20,000</u>	<u>25,275</u>	<u>(1)</u>	<u>2,266</u>	<u>102,075</u>	<u>149,615</u>
At 1 April 2017 (audited)	20,000	25,275	-	-	49,055	94,330
Profit and total comprehensive income for the period	-	-	-	-	7,121	7,121
At 30 June 2017 (unaudited)	<u>20,000</u>	<u>25,275</u>	<u>-</u>	<u>-</u>	<u>56,176</u>	<u>101,451</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

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.

Pursuant to the reorganisation of the Group (the "**Reorganisation**") in connection with the listing of the shares of the Company on GEM, 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 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 and creative agency 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. Intra-group 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 Group for the year ended 31 March 2018 dated 20 June 2018 ("**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 the 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

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	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Digital media	69,314	48,155
E-commerce	49,026	20,748
	118,340	68,903

4. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	1,870	1,344
Other jurisdictions	37	173
	<u>1,907</u>	<u>1,517</u>

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

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years.

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

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 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit and total comprehensive income for the period)	<u>7,849</u>	<u>7,121</u>
	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,000,000	2,000,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>23,273</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,023,273</u>	<u>2,000,000</u>

Basic earnings per share for the three months ended 30 June 2018 are 0.39 HK cent (2017: 0.36 HK cent) per share.

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 brands 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. Under its digital media business segment, the Group produces and distributes millennial-focused digital content reporting the latest trends on fashion, lifestyle, culture and music to its visitors and followers. Digital content is delivered via the Group's digital media platforms (including its Hypebeast, Hypebae, Hypekids and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, Google+, Instagram, Twitter, Youtube, Wechat and Weibo). Central to the Group's digital media strategy is the development of new platforms to reach a wider scope of users and followers both demographically and geographically. In addition to its flagship Hypebeast digital media platform, the Group launched new platforms catering to cultural, fashion and lifestyle trends for diverse user segments such as young women, named "Hypebae", and fashion-conscious parents & children, named "Hypekids". The Group also launched local language versions of its flagship Hypebeast property across both website and social media platforms, with content now available in Traditional Chinese, Simplified Chinese, Japanese, Korean and French. This expansion in the breadth of scope of its target audience as well as the enrichment and enhancement of its digital media content supports substantial growth in the Group's visitor and follower base, thereby increasing the reach and appeal of the Group's digital media services to brands and advertising partners globally.

As part of its digital media segment, the Group also delivers bespoke creative agency services, named "Hypemaker", to brands, including but not limited to creative conceptualization, technical production and campaign execution in the development and creation of digital media based content. The unique combination of industry and cultural knowledge, exceptional creative and technical talent and a distinct aesthetic lens helped drive support of our creative agency service offerings amongst brands and advertisers, thereby helping the Group develop its various creative services into a focused suite of deliverables to bring to market.

The Group engages in online retail of apparel and accessories under its HBX e-commerce platform. The HBX e-commerce platform focuses on delivering the latest, trend-setting apparel and accessories to its customers, curating fashion forward pieces and collections to include in its merchandise portfolio. With its unique insight into street-wear and youth-focused fashion, the Group is able to deliver products most desired by its target demographic, thereby supporting a growing number of online shoppers. The Group is intent on enhancing the online retail experience for its customers, driving improvements from website usability to order processing to shipping and delivery. During the three months ended 30 June 2018, the number of customer orders on its HBX e-commerce platform increased by approximately 104.2%, which is a testament to the increasing appeal of HBX as a leading destination for online street-wear and youth-focused fashion worldwide. As at 30 June 2017 and 30 June 2018, the number of brands offered on our e-commerce platform were 401 and 336, respectively, representing a decrease of 65 brands for the three months ended 30 June 2018. As at 30 June 2017 and 30 June 2018, the number of products offered on the Group's e-commerce platform were approximately 5,600 and 7,500, respectively, representing an increase of approximately 1,900 products for the three months ended 30 June 2018. The decrease in the number of brands and increase in the number of products carried on our e-commerce platform reflects our strategy of delivering a more exclusive and fashion driven shopping experience and trend focused product offerings to our customers.

Looking forward, the Group aims to become the leading online destination for fashion followers by continuing to set trends. The Group will continue to explore opportunities to bring our online presence to the offline world. It intends to enhance its digital media production capability, thereby increasing the quality and quantity of both its in-house editorial and sales campaign driven content, which is expected to translate to increased revenue from sales of services through the Group's integrated digital platforms and creative agency. The Group intends to deliver an industry leading online retail experience to its fashion and culture conscious customers on its e-commerce platform, both through sourcing trend leading products and enhancing website and mobile app user experience. The Group will foster its development in line with a series of business strategies, which include the following:

1. For the digital media segment, the Group will focus on increasing our volume of work and contract value with respect to both its digital media and creative services, and as the size of our contracts and level of production increases within our contractual pipeline it becomes necessary to increase our talent pool to be able to deliver the suite of services demanded by our clients.

The Group is enhancing its advertising production capabilities through various methods, including attracting and retaining content production executives and creative talent so as to create high quality production campaigns and editorial features to meet the demands and expectations of brand owners, advertising agencies and its visitors and followers.

The Group will continue to look for opportunities to increase the depth and breadth of engagement with its target audience, through strategies such as content enrichment as well as platform development.

2. For the e-commerce segment, the Group plans to increase marketing efforts and expand the scale and penetration of our e-commerce platform and business in significant markets such as the United States, Hong Kong, China and Southeast Asia.

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. The Group also intends to work closely with both up-and-coming and established fashion brands to bring trend setting fashion pieces and collections to its customers.

In addition, the Group entered into a lease on 21 June 2018 for an office and retail premise in the Lower East Side neighborhood of Manhattan, which will house an offline retail store alongside the Group's US East Coast offices. The physical store will be the Group's landmark presence within the United States and will provide a tangible experience for our customers to access our curation of products. The Group anticipates the store to begin operations in 2019.

On 30 July 2018, the Company has submitted a formal application to the Stock Exchange for the proposed transfer of listing from GEM to the main board of the Stock Exchange. The Board believes this will enhance the profile of the Group, strengthen its recognition among public investors, be beneficial to the future growth, financing flexibility and business development of the Group. Shareholders of the Company and potential investors should be aware that the implementation of the proposed transfer of listing is subject to, among others, the granting of relevant approval by the Stock Exchange. Accordingly, there is no assurance that permission will be obtained from the Stock Exchange for the proposed transfer of listing.

Save as disclosed herein, there have not been any important events affecting the Group since 30 June 2018 up to the date of this announcement.

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\$68.9 million for the three months ended 30 June 2017 to approximately HK\$118.3 million for the three months ended 30 June 2018, representing a growth of approximately 71.7%. Such increase was mainly due to increase in scope and quantity of our provision of advertising and creative agency services to brand owners and advertising agencies on our digital media platforms, as well as growth in sales volume of third-party branded apparel on our e-commerce platform. With respect to our digital media segment, for the three months ended 30 June 2018, the number of advertising and creative service agreements in the Group was 271 with average contract value of HK\$339,000, compared to 186 advertising and creative service agreements and average contract value of HK\$207,000 for the three months ended 30 June 2017, an increase of 45.7% and 63.8% respectively. The Group's digital media revenues are dependent on timing of bookings and campaign delivery and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, the number of customer orders on our e-commerce platform increased by 91.4% compared with our last period. The Group experiences seasonality in sales with respect to its e-commerce business due to increased demand for our products during the peak Thanksgiving, Singles Day, Christmas and Chinese New Year holiday season clustered around the last half of the fiscal year.

Cost of Revenue

The Group's cost of revenue increased from approximately HK\$32.7 million for the three months ended 30 June 2017 to approximately HK\$57.2 million for the three months ended 30 June 2018, representing an increase of approximately 74.7%. Such increase was mainly attributable to (i) the increase in direct staff costs to support increases in the size of our contracts and level of production within our contractual pipeline for the year, (ii) increase in product and inventory related costs to support growth in our e-commerce business.

Gross Profit Margin

Gross profit of the Group increased by approximately 69.1% from approximately HK\$36.2 million for the three months ended 30 June 2017 to approximately HK\$61.2 million for the three months ended 30 June 2018. The increase was mainly driven by the increase in revenue as discussed above. Overall gross profit margin decreased slightly from approximately 52.5% for the three months ended 30 June 2017 to approximately 51.7% for the three months ended 30 June 2018 which was mainly due to an increase in e-commerce revenue, which has comparatively lower margins versus media revenue as a percentage of total revenue. E-commerce revenue as a percentage of total revenue for three months ended 30 June 2018 was 41.4%, compared to 30.1% same period last year.

Other (Losses)/Gains, Net

Other losses of the Group primarily consist of exchange loss during the three months ended 30 June 2018.

The Group undertakes certain operating transactions in foreign currency which exposes the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US dollars and Euro. As the HK dollar is pegged with the US dollar under the Linked Exchange Rate System, and the Group's business operations and strategies involves expenditure in Europe in Euro, the Group's exposure to the US dollar and Euro exchange risk is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arise.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 68.6% from approximately HK\$16.5 million for the three months ended 30 June 2017 to approximately HK\$27.9 million for the three months ended 30 June 2018.

Selling and marketing expenses primarily consist of advertising and social media marketing expenses for both digital media and e-commerce platforms and staff costs of our sales and marketing department. The increase in selling and marketing expenses was attributable to higher selling and distribution expense for e-commerce sales which is reflected with the overall higher volume of sales. Additionally, the Group continued to invest in its social media marketing to support digital platform growth and exposure, together with investments in new headcounts within its sales and marketing team to drive current and future business development and revenue expansion.

Selling and marketing expenses as a percentage of revenue decreased from 24.0% to 23.5%.

Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by approximately 75.8% from approximately HK\$11.6 million for the three months ended 30 June 2017 to approximately HK\$20.4 million for the three months ended 30 June 2018.

Administrative and operating expenses mainly consist of head office and corporate staff costs, professional fees, freelancers costs and others. The increase in amount was attributable to increase in office rent relating to the office relocation for our HK headquarters and the increase in staff headcount and freelancers costs to support current and future business and revenue expansion.

In addition, there was approximately HK\$0.9 million in one-time legal and professional fees paid for the proposed transfer of listing from GEM to the main board of the Stock Exchange recorded in the period. Adjusted for legal and professional fees in relation to the proposed transfer, administrative and operating expenses as a percentage of revenue decreased from 17.3% to 16.5%.

Income Tax Expense

Income tax expense for the Group increased from approximately HK\$1.5 million for the three months ended 30 June 2017 to approximately HK\$1.9 million for the three months ended 30 June 2018. The increase was mainly due to the increase in profit before tax during the Relevant Period.

Share of result of a joint venture

The Group recorded approximately losses of HK\$0.9 million in its share of results of its joint venture, The Berrics Company LLC, a skateboarding digital media platform business which was formed in February 2018 with the Group as majority partner. The loss was attributable to investments in infrastructure and headcount to drive the joint venture's planned sales strategy and marketing initiatives in order to deliver on its sales and expansion plans.

Profit and Total Comprehensive Income for the Period

Profit and total comprehensive income for the period increased by approximately 10.2% from approximately HK\$7.1 million for the three months ended 30 June 2017 to approximately HK\$7.8 million for the three months ended 30 June 2018. Such increase was primarily attributable to the increase in revenue and gross profit for the three months ended 30 June 2018.

During the first quarter of 2018, the Group incurred HK\$0.9 million in one-time legal and professional fees expenses relating the proposed transfer of the Group's listing to the main board and recorded HK\$0.9 million in losses relating to business integration for The Berrics Company LLC. These items relate to an one-time transaction and an investment in a new business for the Group whereas no such expenses were incurred during the same period last year. Adjusted for these items, net profit for the Group was HK\$9.7 million compared to HK\$7.8 million, an increase of 24.3%. The Group also invested in additional headcount compared to the same period last year. Such investments were made to support anticipated future growth in the volume and scope of digital media and creative agency related contracts and to support expected topline growth for the Group's e-commerce business.

During the period, the Group also recorded HK\$2.1 million in exchange losses relating to balance sheet adjustments for foreign currency denominated financial assets and liabilities. As noted in the above discussion of other losses and gains, the Group's exposure to US dollar and Euro exchange risk over its course of operations is minimal due to the Linked Exchange Rate system between HK dollars and US dollars and the Group's operations involving revenues and expenditure in Euros.

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 June 2018, 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 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:

Name of Director	Nature of interest	Number of ordinary shares of the Company	Approximate percentage of the Company's total issued shares*
Mr. Ma Pak Wing Kevin	Interest in a controlled corporation (<i>Note 1</i>)	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 (<i>Note 2</i>)	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 30 June 2018.

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.

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

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

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 30 June 2018.

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 June 2018, none of the Directors nor the chief executives of the Company had any interest 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 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 30 June 2018, the following parties (other than the Directors or the chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name of substantial shareholder	Nature of interest	Number of ordinary shares of the Company	Percentage of the Company's total issued shares*
CORE Capital	Beneficial owner (<i>Note</i>)	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 30 June 2018.

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 June 2018, 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 positions 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 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 three months ended 30 June 2018.

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 three months ended 30 June 2018.

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 30 June 2018, 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 three months ended 30 June 2018.

CORPORATE GOVERNANCE PRACTICE

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 and in its creation of long-term value for the shareholders of the Company.

During the three months ended 30 June 2018, 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.

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

Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that consolidation of these roles by Mr. Ma will provide 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 the GEM Listing Rules as part of its code of conduct regarding Directors' transactions in the securities of the Company. No incidence of non-compliance was noted for the three months ended 30 June 2018 and up to the date of this announcement.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 March 2016, the terms of which are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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 three months ended 30 June 2018 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 2018	As at 30 June 2018
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	3,500,000	3,500,000
		From 18 March 2019 to 17 March 2026	0.078	6,000,000	6,000,000
Total				<u>18,500,000</u>	<u>18,500,000</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 three months ended 30 June 2018.

(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 2018	As at 30 June 2018
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	24,450,000	24,450,000
Total				<u>30,262,500</u>	<u>30,262,500</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 Post-IPO Scheme during the three months ended 30 June 2018.

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 three months ended 30 June 2018.

By Order of the Board
Hypebeast Limited
Ma Pak Wing Kevin

Chairman and executive Director

Hong Kong, 8 August 2018

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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at “www.hkgem.com” for at least seven days from the date of its publication and on the Company’s website at “hypebeast.xyz”.