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# HYPEBEAST

## Hypebeast Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00150)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

#### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Hypebeast Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022 (“**1H2023**”), together with the unaudited comparative figures for the six months ended 30 September 2021 (“**1H2022**”), as follows:

#### FINANCIAL HIGHLIGHTS

	<b>1H2023</b> <i>HK\$’000</i> (Unaudited)	1H2022 <i>HK\$’000</i> (Unaudited)
Revenue	<b>450,014</b>	440,837
– Media	<b>301,564</b>	326,901
– E-Commerce and Retail	<b>148,450</b>	113,936
Gross profit	<b>234,225</b>	258,362
Gross profit margin	<b>52.0%</b>	58.6%
Selling and marketing expenses	<b>(104,388)</b>	(71,427)
Administration and operating expenses	<b>(120,359)</b>	(93,465)
Professional fee related to the Merger	<b>(54,555)</b>	—
EBITDA*	<b>(27,750)</b>	95,301
Adjusted EBITDA**	<b>21,782</b>	103,978
Net (loss) profit	<b>(64,693)</b>	62,974
Net (loss) profit margin	<b>-14.4%</b>	14.3%
(Loss) earnings per share		
– Basic ( <i>HK cents</i> )	<b>(3.15)</b>	3.07
– Diluted ( <i>HK cents</i> )	<b>(3.15)</b>	3.06

\* Earnings before interest, tax, depreciation and amortization (“**EBITDA**”) is calculated as (loss) 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 an interim dividend for 1H2023.

## KEY BUSINESS HIGHLIGHTS

- Amidst economic headwinds, the Company recorded revenue of HK\$450.0 million, up from HK\$440.8 million in 1H2022, representing an increase of HK\$9.2 million or 2.0%. Gross profit decreased by HK\$24.2 million from HK\$258.4 million in 1H2022 to HK\$234.2 million. Translating to a decrease in gross profit margin of 6.6 percentage points from 58.6% in 1H2022 to 52.0% in 1H2023.
- The Group recorded a net loss of HK\$64.7 million in 1H2023, as compared to a net profit of HK\$63.0 million in 1H2022, primarily due to one-off professional fee related to the plan of merger (the “**Merger**”) and 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. Adjusted EBITDA, which is calculated as (loss) profit before tax plus interest expense, depreciation and amortization expense, professional fee related to the Merger and other non-cash items, remains positive.
- Revenue for the Group’s Media segment and services for creative agency projects was relatively softer compared to strong comparative in 1H2022 due to (i) a surge in campaign executions post-COVID in the same period last year and (ii) the impact of continuing COVID-19 related closures in Mainland China and slow emergence from lock-down precautions in the rest of APAC affecting its media and agency business in the region in the first half of the current fiscal year.
- The US (or United States) and EMEA (or Europe, Middle East and Africa) markets continue tracking towards growth — as at 30 September 2022, total signed contract values are approximately 20% and 19% higher than that recorded as at the same time last year for each of the US and EMEA markets respectively. The Company continues to focus on on-going business development and sales opportunities in pursuit of overall profitable growth of its Media segment, with expectations on media campaign execution and delivery focussing on the traditional peak season falling within the remainder of the fiscal year.
- For 1H2023, the Group’s e-commerce business recorded total revenue growth of approximately 30.3% compared with 1H2022, largely driven by increased promotional activities in the first half of the fiscal year. The Company continues to focus on gross margins and a balanced view of investments for growth as the business enters peak season centred around global holidays and consumer activity during the remainder of the fiscal year.

- Average website monthly unique visitors (number of user who requests webpages across Hypebeast, Hypebae and Popbee platforms in a month) for the 12-month period ended 30 September 2022 amounted to 17.4 million, representing a 11.7% increase over prior period, and aggregated social media followers (total number of followers on all third-party social media platforms, including but not limited to Facebook, Instagram and Twitter) increased from 28.1 million as at 30 September 2021 to 33.2 million as at 30 September 2022.

## **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.

## BUSINESS PROSPECT AND FUTURE DEVELOPMENTS

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

- The Group priority remains focussed on monetizing its wide-reaching and ever-growing follower base by encouraging user conversion through the integration of its E-commerce and Retail Segment services directly with the compelling and engaging content produced from the Group’s media platforms. The Group continued to upgrade and invest on the HBX’s platform and various back-end platforms to enhance the user journey with the ultimate aim to allow the Group’s loyal community of readers to enjoy a seamless shopping experience on an integrated site and mobile app. The Group remains focussed on value-added, return-on-investment focussed upgrades to its E-commerce capabilities which broadens its reach and base of customers and enhances revenue and margin over time; and
- The Group is and continues to be geographically and strategically well-positioned to capture significant growth opportunities in both its Media and E-commerce and Retail Segments in its key operating regions, through leveraging the Group’s brand popularity and high-profile networks, particularly, in the US, United Kingdom, China, South Korea, Japan and Southeast Asia.

## BUSINESS AND FINANCIAL REVIEW

	<b>1H2023</b> <i>HK\$’000</i> (Unaudited)	1H2022 <i>HK\$’000</i> (Unaudited)	% Change
Revenue	<b>450,014</b>	440,837	2.1%
Gross Profit	<b>234,225</b>	258,362	-9.3%
Adjusted EBITDA ( <i>Note</i> )	<b>21,782</b>	103,978	-79.1%

*Note:* Adjusted EBITDA refers to EBITDA for the period excluding the professional fee related to the Merger, impairment loss recognised on amount due from a joint venture, gain on disposal of joint venture (“**JV**”), impairment loss recognised on property, plant and equipment (“**PPE**”) and right-of-use assets (“**ROU assets**”) and impairment loss recognised on intangible assets.

- The Group continues steady momentum amidst economic headwinds. Revenue for the period was HK\$450.0 million, up from HK\$440.8 million in 1H2022, representing an increase of HK\$9.2 million or 2.0%. Media Segment recorded a decrease in revenue of 7.8% to HK\$301.6 million due to the relatively softer demand compared to the strong comparative in 1H2022, while revenue from E-commerce and Retail Segment increased by 30.3% to HK\$148.5 million as compared to 1H2022.

- Gross profit amounted to HK\$234.2 million in 1H2023, representing a decrease of HK\$24.2 million, or 9.3%, as compared to 1H2022, resulting in gross profit margin of 52.0%, representing a decrease of 6.6 percentage points versus prior period. Media Segment's gross profits decreased due to the increase in staff headcounts in editorial and creative teams who are key assets to the Company. E-commerce and Retail Segment's gross profits decreased due to additional promotional activities during 1H2023.
- Adjusted EBITDA, calculated as (loss) profit before tax plus interest, depreciation and amortization, professional expenses related to the Merger and other non-cash items, amounted to HK\$21.8 million in 1H2023, representing a decrease of HK\$82.2 million, or 79.1%, as compared to 1H2022, resulting in a decrease in adjusted EBITDA margin of 18.8 percentage points from 23.6% to 4.8%.
- Selling and marketing expenses of the Group increased by 46.1% from HK\$71.4 million in 1H2022 to HK\$104.4 million in 1H2023 and, correspondingly as a percentage of revenue, increased from 16.2% in 1H2022 to 23.2% in 1H2023. The Group's recovery from the COVID-19 pandemic led to increase in revenue followed by increase in (i) the new headcounts within the Group's sales and marketing team to drive current and future revenue and business growth; and (ii) spending in the Group's social media marketing and advertising for digital and e-commerce platforms.
- Administrative and operating expenses of the Group increased by 28.8% from HK\$93.5 million in 1H2022 to HK\$120.4 million in 1H2023 and correspondingly as a percentage of revenue, increased from 21.2% in 1H2022 to 26.7% in 1H2023. The overall increase was mainly led by (i) staff costs in support of headcount additions to meet increasing demand; and (ii) additional business trip and travel expenses in support of US related business development in 1H2023.
- In April 2022, the Company entered into the Merger Agreement (as amended by the Amendment No. 1 to Merger Agreement dated 12 August 2022 and Amendment No. 2 to Merger Agreement dated 11 November 2022) and the Merger (the "**Merger Agreement**") with Iron Spark I Inc. (the "**Iron Spark**"). Upon completion of the Merger, the Company will, in addition to remaining as a company listed on the Stock Exchange, become the US-listed company and qualify as a foreign private issuer with its Consolidated Shares listed for trading on Nasdaq. Accordingly, there was approximately HK\$54.6 million of one-time legal and professional fee incurred for the Merger recorded for the period while no such cost was recognised for 1H2022. Please refer to all the relevant announcements during the period up to this announcement date for details.

- On 30 September 2022, Hypebeast, Inc., an indirectly wholly-owned subsidiary of the Company, entered into a membership interest transfer agreement (the “**Agreement**”) with an independent third party, to dispose of its entire equity interest of its joint venture, The Berrics Company LLC (the “**Berrics**”) and settle the outstanding loan owed by the Company to the Berrics, at an aggregate cash consideration of approximately US\$2,503,000 (equivalent to approximately HK\$19,645,000) (the “**Consideration**”), payable in 2 installments. The disposal was completed on 30 September 2022 and HK\$11,787,000 has been received on the same date. During the six months ended 30 September 2022, the Company has advanced an aggregate amount to the Berrics of HK\$1,298,000. Upon settlement of this outstanding amount, the Group recognised the remaining consideration of HK\$18,347,000 as the gain on disposal of a joint venture.
- The Group does not have any gain or loss on disposal of property, plant and equipment during the period, as compared to a gain on disposal of HK\$676,000 recognised in the prior period.
- The Group’s increase in cash outflows during 1H2023 was mainly due to professional fee related to the Merger, alongside relevant expenses for business development such as investments in global staff headcounts and marketing, offset against cash inflows from the collection of trade receivables and the sell-through of inventories.

	<b>1H2023</b> <i>HK\$’000</i> <b>(Unaudited)</b>	1H2022 <i>HK\$’000</i> (Unaudited)
<b>Extracts of cash flow</b>		
Net cash (used in) generated from operating activities	<b>(61,825)</b>	69,632
Net cash used in investing activities	<b>(4,019)</b>	(22,461)
Net cash used in financing activities	<b>(9,116)</b>	(2,728)
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<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(74,960)</b>	44,443
Cash and cash equivalents at beginning of the period	<b>284,269</b>	209,575
Effect of foreign exchange rate changes	<b>(16,915)</b>	701
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<b>Cash and cash equivalents at end of the period, representing bank balances and cash</b>	<b>192,394</b>	<b>254,719</b>
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## Media Segment

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

- Revenue from the Media Segment amounted to HK\$301.6 million in 1H2023, 7.8% less against a strong comparative of HK\$326.9 million in 1H2022 due to the combined effect of (i) a surge in campaign executions post-COVID in 1H2022 as pandemic-related restrictions continue to ease; and (ii) the impact of continuing COVID-19 related closures in Mainland China and slow emergence from precautions in the rest of Asia Pacific region affecting its media and agency business in the 1H2023.
- The Group maintained a stable position, despite the broader macroeconomic headwinds which may put pressure on brand advertising dollars and have near-term impact on the Group's business in the Media Segment, as indicated by stable total signed contract value (a key operating measure defined as the total dollar value of media contracts signed within a period) and number of signed contracts (a key operating measure defined as the total number of signed media contracts within a period).
- The Group is and continues to be geographically and strategically well-positioned to capture significant growth opportunities in its key operating regions, through leveraging the Group's brand popularity and high-profile networks, particularly, in the US and EMEA regions. As a highlight in 1H2023, the Group recorded strong growth in Europe, Middle East and Africa ("EMEA") regions, with media revenue increased by 282.9% in Germany, 145.0% in the Netherlands and 112.5% in France.
- Gross profit of the Media Segment amounted to HK\$175.8 million, representing a decrease of HK\$31.6 million, or 15.2%, versus 1H2022. Gross profit margin decreased from 63.4% in 1H2022 to 58.3% in 1H2023. The difference was mainly due to decrease in campaign cost being offset by increase in staff headcounts in editorial and creative teams who are key assets to the Company. The Group expects the pace of increase in headcount related cost would slow down in the remaining of the year.
- As the pandemic appears to ease and pandemic-related restrictions begin to be lifted, the Group's physical campaign productions are expected to resume at nearly full capacity in the US and EMEA, while remaining cautious optimistic around the re-opening of the APAC region.



- The Company continues to focus on on-going business development and sales opportunities in pursuit of overall profitable growth of its digital media segment, with expectations on media campaign execution and delivery focusing on the traditional peak season falling within the remainder of the fiscal year.

## **E-commerce and Retail Segment**

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

## **Non-IFRS Measures and Their Adjustment**

To supplement our condensed consolidated financial statements, which are presented in accordance with the IFRS, we also adopted certain non-IFRS measures such as EBITDA, adjusted EBITDA and adjusted (loss) profit for the period as additional financial measures, which is not required by, or presented in accordance with, the IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of, for example one-off professional fee related to the Merger, non-cash impairment losses on PPE, ROU assets and intangible assets, gain on disposal of joint venture and impairment losses recognised on amount due from a 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 (loss) profit before tax to EBIT and EBITDA for the periods indicated:

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

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

	<b>1H2023</b> <i>HK\$'000</i> (Unaudited)	1H2022 <i>HK\$'000</i> (Unaudited)
(Loss) Profit for the period	(64,693)	62,974
Add:		
Professional fee related to the Merger	54,555	—
Impairment loss recognised on amount due from a JV	—	8,677
Gain on disposal of a joint venture	(18,347)	—
Impairment loss recognised on PPE and ROU assets	3,915	—
Impairment loss recognised on intangible assets	<u>9,409</u>	<u>—</u>
<b>Adjusted (Loss) Profit for the period</b>	<b><u>(15,161)</u></b>	<b><u>71,651</u></b>

	<b>1H2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	1H2022 <i>HK\$'000</i> (Unaudited)
<b>EBIT</b>	<b>(43,734)</b>	81,819
Add:		
Professional fee related to the Merger	<b>54,555</b>	—
Impairment loss recognised on amount due from a JV	—	8,677
Gain on disposal of a joint venture	<b>(18,347)</b>	—
Impairment loss recognised on PPE and ROU assets	<b>3,915</b>	—
Impairment loss recognised on intangible assets	<b>9,409</b>	—
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<b>Adjusted EBIT</b>	<b><u>5,798</u></b>	<b><u>90,496</u></b>
	<b>1H2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	1H2022 <i>HK\$'000</i> (Unaudited)
<b>EBITDA</b>	<b>(27,750)</b>	95,301
Add:		
Professional fee related to the Merger	<b>54,555</b>	—
Impairment loss recognised on amount due from a JV	—	8,677
Gain on disposal of a joint venture	<b>(18,347)</b>	—
Impairment loss recognised on PPE and ROU assets	<b>3,915</b>	—
Impairment loss recognised on intangible assets	<b>9,409</b>	—
	<hr/>	<hr/>
<b>Adjusted EBITDA</b>	<b><u>21,782</u></b>	<b><u>103,978</u></b>

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

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

For the six months ended 30 September 2022

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 September 2022*

		As at <b>30 September 2022</b>	As at 31 March 2022
	<i>NOTES</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>58,880</b>	52,701
Intangible assets		<b>10,014</b>	11,767
Right-of-use assets	8	<b>60,516</b>	70,013
Rental and other deposits	9	<b>8,135</b>	7,622
Financial assets at fair value through profit or loss ("FVTPL")	10	<b>20,524</b>	24,258
Interest in a joint venture		—	—
Deferred tax assets		<b>1,265</b>	1,022
		<b>159,334</b>	167,383
<b>Current assets</b>			
Inventories		<b>91,967</b>	69,702
Trade and other receivables	9	<b>234,562</b>	183,018
Tax prepayments		<b>8,224</b>	10,510
Contract assets	11	<b>4,152</b>	5,154
Pledged bank deposits	12	<b>10,000</b>	10,000
Bank balances and cash	12	<b>192,394</b>	284,269
		<b>541,299</b>	562,653
<b>Current liabilities</b>			
Trade and other payables	13	<b>158,616</b>	145,708
Contract liabilities		<b>25,772</b>	11,602
Derivative financial instruments		—	620
Bank borrowings — due within one year	14	<b>22,214</b>	7,363
Lease liabilities		<b>17,285</b>	15,919
Tax payables		<b>27,285</b>	12,879
		<b>251,172</b>	194,091

		As at <b>30 September</b> <b>2022</b>	As at 31 March 2022
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Net current assets</b>		<u>290,127</u>	<u>368,562</u>
<b>Total assets less current liabilities</b>		<u>449,461</u>	<u>535,945</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u>50,465</u>	<u>58,029</u>
<b>Net assets</b>		<u><b>398,996</b></u>	<u><b>477,916</b></u>
<b>Capital and reserves</b>			
Share capital	15	<b>20,541</b>	20,536
Reserves		<u><b>378,455</b></u>	<u>457,380</u>
		<u><b>398,996</b></u>	<u><b>477,916</b></u>

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

The Company is an investment holding company and its subsidiaries and the 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, 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**").

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### 3. APPLICATION OF AMENDMENTS TO HKFRSs

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

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

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

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

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

### 4. REVENUE AND SEGMENT INFORMATION

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

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



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

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

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

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

**Six months ended 30 September 2022**

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

## Six months ended 30 September 2021

	Media <i>HK\$'000</i> (Unaudited)	E-Commerce and Retail <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Total segment revenue	<u>326,901</u>	<u>113,936</u>	<u>440,837</u>
Segment results	<u>137,340</u>	<u>1,303</u>	138,643
Finance costs			(2,281)
Share-based payment expense			(3,214)
Impairment loss recognised on amount due from a joint venture			(9,101)
Central administration costs			(26,914)
Unallocated expenses			<u>(17,595)</u>
Profit before tax			<u>79,538</u>

## 5. INCOME TAX EXPENSE

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

## Income tax expense at concessionary rate

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

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

## Basic income tax expense

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

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

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

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

## 6. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

## 7. (LOSS) EARNINGS PER SHARE

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

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>(Loss) earnings</b>		
(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share ((loss) profit for the period attributable to owners of the Company)	<b>(64,693)</b>	<b>62,974</b>

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>2,054,042</b>	2,052,315
<b>Effect of dilutive potential ordinary shares:</b>		
Share options	<u>—</u>	<u>5,469</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><b>2,054,042</b></u>	<u>2,057,784</u>
<b>(Loss) earnings per share</b>		
– Basic ( <i>HK cents</i> )	<b>(3.15)</b>	3.07
– Diluted ( <i>HK cents</i> )	<u><b>(3.15)</b></u>	<u>3.06</u>

The computation of diluted loss per share for the six months ended 30 September 2022 did not assume the exercise of share options granted since the exercise would result in a decrease in loss per share for the six months ended 30 September 2022.

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

## **8. RIGHT-OF-USE ASSETS**

During the six months ended 30 September 2022, the Group renewed one lease agreement with a lease term of 1 year and entered into one new lease agreement with lease term of 3 years (six months ended 30 September 2021: entered into one new lease agreement with lease term of 5 year). The Group is required to make fixed monthly payments. On date of lease modification or lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately HK\$4,550,000 (six months ended 30 September 2021: HK\$2,372,000).

## 9. TRADE AND OTHER RECEIVABLES

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

### Notes:

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

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

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

#### 10. FINANCIAL ASSETS AT FVTPL

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

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

## 11. CONTRACT ASSETS

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

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

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

## 12. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

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

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

## 13. TRADE AND OTHER PAYABLES

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

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



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

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

#### 14. BANK BORROWINGS

	As at <b>30 September</b> 2022 <i>HK\$'000</i> (Unaudited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)
Bank borrowings	10,731	7,363
Bank borrowings under supplier financing arrangement	11,483	—
	<u>22,214</u>	<u>7,363</u>

The Group's bank borrowings are payable as follows:

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

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

As at 30 September 2022, variable-rate bank borrowings carry interest with reference to Hong Kong Interbank Offered Rate and Hong Kong Dollar Best Lending Rate plus a specific margin of the relevant banks.

## 15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 April 2021 (Audited), 30 September 2021 (Unaudited), 1 April 2022 (Audited) and 30 September 2022 (Unaudited)	<u>6,000,000</u>	<u>60,000</u>
<b>Issued:</b>		
At 1 April 2021 (Audited)	2,045,929	20,459
Exercise of share options	900	9
Issuance of ordinary shares ( <i>Note</i> )	<u>6,533</u>	<u>65</u>
At 30 September 2021 (Unaudited)	<u>2,053,362</u>	<u>20,533</u>
At 1 April 2022 (Audited)	2,053,629	20,536
Exercise of share options	<u>500</u>	<u>5</u>
At 30 September 2022 (Unaudited)	<u>2,054,129</u>	<u>20,541</u>

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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

## **CORPORATE GOVERNANCE PRACTICE**

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

To the best knowledge of the Board, the Company has met the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 September 2022, save for the deviation from the code provision C.2.1.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Ma Pak Wing Kevin currently assumes the role of both chairman and chief executive officer of the Company. The Board considers that consolidation of these roles by Mr. Ma provides strong and consistent leadership to the Company which facilitates effective planning and efficient management of the Company.

Furthermore, having considered Mr. Ma's extensive experience in the digital media industry, the relationships Mr. Ma has built with the customers and the historical development of the Group, the Board considers that it is beneficial for the Group for Mr. Ma to continue to act as both Chairman and Chief Executive Officer of the Company.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company adopted the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, as part of its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the six months ended 30 September 2022.

## **REVIEW BY AUDIT COMMITTEE AND AUDITORS**

The interim results and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2022 have been reviewed by the audit committee of the Company. The unaudited condensed consolidated interim financial statements has also been reviewed by Deloitte Touche Tohmatsu, the Company's external auditor, in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed above, there have been no important events subsequent to 30 September 2022 and up to the date of this announcement, which would affect the Group's business operations in material aspects.

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

Hong Kong, 21 November 2022

*As at the date of this 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.*