THE TENANCY AGREEMENT

On 3 January 2020, Hypebeast Hong Kong Limited (a wholly-owned subsidiary of the Company) as the Tenant entered into the Tenancy Agreement with the Leasing Agent on behalf of the Landlord for tenancy in respect of the Premises for a term of 5 years commencing on 3 February 2020.

LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the transaction under the Tenancy Agreement is regarded as an acquisition of asset by the Tenant for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use of the Premises under the Tenancy Agreement to be recognised by the Company according to HKFRS 16 exceed 5% and all applicable percentage ratios are less than 25%, the transaction contemplated under the Tenancy Agreement constitutes a discloseable transaction of the Company and is subject to announcement requirements under Chapter 14 of the Listing Rules.
However, due to an inadvertent oversight, no announcement was made when the Tenancy Agreement was entered into. Therefore, Rule 14.34 under Chapter 14 of the Listing Rules was not complied with in respect of the transactions conducted and contemplated under the Tenancy Agreement.

Going forward, the Company and the Board will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures, particularly in the areas of, among other things, notifiable transactions, so as to prevent the future occurrence of any similar incidents. Further remediation actions are detailed in the section headed “Remedial Actions” of this announcement.

INTRODUCTION

On 3 January 2020, Hypebeast Hong Kong Limited (a wholly-owned subsidiary of the Company) as the Tenant entered into the Tenancy Agreement with the Leasing Agent on behalf of the Landlord for tenancy in respect of the Premises for a term of 5 years commencing on 3 February 2020.

THE TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are set out below:

Date: 3 January 2020
Tenant: Hypebeast Hong Kong Limited
Landlord: New Tech Centre Limited
Leasing Agent: Harriman Leasing Limited
The Premises: Whole of 40/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories
Term: 5 years commencing on 3 February 2020 and expiring on 2 February 2025
Rent payable: The aggregate rent payable under the Tenancy Agreement is HKD32,888,387.00, which shall be payable monthly

For the first to third year: HKD594,112.00 per month
For the fourth to fifth year: HKD649,810.00 per month

The rent is exclusive of management charge, government rates and any other outgoings but inclusive of government rent.

Rent free period: If the Tenant shall have duly and punctually observed and performed all the agreements stipulations and conditions contained in the Tenancy Agreement, the Tenant shall be entitled to enjoy the use and occupation of the Premises free of rent in certain periods.

Deposit: HKD2,247,244.50 shall be paid by the Tenant

The deposit was paid on 2 October 2019 and 28 October 2019.

The deposit shall be refunded to the Tenant by the Landlord without interest within thirty days after the expiration of the Tenancy Agreement and the delivery of vacant possession to the Landlord or within thirty days of the settlement of the last outstanding claim by the Landlord against the Tenant in respect of any breach, non-observance or non-performance of any of the agreements stipulations or conditions contained in the Tenancy Agreement and on the part of the Tenant to be observed and performed whichever is the later.

Permitted usage: The Premises shall be used for no other purpose than factory units, store, container loading area and ancillary accommodation for non-domestic use only.

The value of the right-of-use asset recognised by the Company under the Tenancy Agreement amounts to approximately HKD28.1 million, which is the present value of the total rent payable during the term of the Tenancy Agreement in accordance with HKFRS 16. Discount rate of 3.625% in average is applied to compute the present value of total rent payable under the Tenancy Agreement.
REASONS AND BENEFITS OF THE TENANCY AGREEMENT

The Premises has been used for the Group’s warehouse in Hong Kong. The Tenancy Agreement has been entered into for the purpose of securing the warehouse space for the Group in Hong Kong.

The terms of the Tenancy Agreement were determined after arm’s length negotiations between the Landlord and the Tenant with reference to the prevailing market rent for properties of similar use, floor area and location which were inspected by the Company. Therefore, the Directors consider that the terms of the Tenancy Agreement are fair and reasonable and entering into the Tenancy Agreement is in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 September 2015. 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.

The Tenant

The Tenant is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. The Tenant is principally engaged in 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.

The Landlord

The Landlord is a company incorporated in Hong Kong with limited liability. The Landlord is principally engaged in property related business, including property investment and/or development.

The Leasing Agent

The Leasing Agent is a company incorporated in Hong Kong with limited liability. The Leasing Agent is principally engaged in leasing services.
LISTING RULES IMPLICATIONS

In accordance with HKFRS 16 “Leases”, the Company will recognise the value of the right-of-use asset on its consolidated statement of financial position in connection with the lease of the Premises under the Tenancy Agreement. Accordingly, the transaction under the Tenancy Agreement is regarded as an acquisition of asset by the Tenant for the purpose of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use of the Premises under the Tenancy Agreement to be recognised by the Company according to HKFRS 16 exceed 5% and all applicable percentage ratios are less than 25%, the transaction contemplated under the Tenancy Agreement constitutes a discloseable transaction of the Company and is subject to announcement requirements under Chapter 14 of the Listing Rules.

However, due to an inadvertent oversight, no announcement was made when the Tenancy Agreement was entered into. Therefore, Rule 14.34 under Chapter 14 of the Listing Rules was not complied with in respect of the transactions conducted and contemplated under the Tenancy Agreement.

REMEDIAL ACTIONS

Going forward, the Company and the Board will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures, particularly in the areas of, among other things, notifiable transactions, so as to prevent the future occurrence of any similar incidents. The Company will also take remedial measures to tighten its internal control procedure with a view to ensuring timely compliance with the Listing Rules and to prevent recurrence of similar events. These measures include (i) consulting legal advisers and the Stock Exchange (where necessary) in a timely manner prior to entering into proposed transaction(s) which may constitute new notifiable transaction(s) of the Group; (ii) implementation of measures at the subsidiary level to ensure prompt reporting of any proposed transaction(s) or event(s) where the transaction may constitute a notifiable transaction; and (iii) arranging relevant internal training sessions for all the Directors and senior management/relevant personnel of the Company and its subsidiaries to explain the relevant requirements under Chapter 14 of the Listing Rules.
DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board” means the board of Directors

“Company” means Hypebeast Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the main board of the Stock Exchange (stock code: 00150)

“connected person(s)” means has the meaning given to it under the Listing Rules

“Directors” means the director(s) of the Company

“HKFRS” means Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“Group” means the Company and its subsidiaries

“HKD” means Hong Kong Dollars, the lawful currency of Hong Kong

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)” means an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates

“Landlord” means New Tech Centre Limited, a company incorporated in Hong Kong with limited liability, which is the owner of the Premises, and is an indirect wholly-owned subsidiary of Wharf (Holdings) Limited (stock code: 0004) and an Independent Third Party
“Leasing Agent” Harriman Leasing Limited, a company incorporated in Hong Kong with limited liability, which acts as the leasing agent for and on behalf of the Landlord, and is an indirect wholly-owned subsidiary of Wharf Real Estate Investment Company Limited (stock code: 1997) and an Independent Third Party

“Listing Rules” the Rules Governing the Listing of Securities on the Stock Exchange

“PRC” the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

“Premises” Whole of 40/F, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories

“Shareholder(s)” the holder(s) of shares issued by the Company

“Stock Exchange” the Stock Exchange of Hong Kong Limited

“Tenancy Agreement” the tenancy agreement dated 3 January 2020 and entered into between the Tenant and the Leasing Agent for and on behalf of the Landlord in respect of tenancy of the Premises

“Tenant” Hypebeast Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“%” per cent

By Order of the Board
Hypebeast Limited
Ma Pak Wing Kevin
Chairman

Hong Kong, 21 July 2020

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. Kwan Shin Luen Susanna, Ms. Poon Lai King and Mr. Wong Kai Chi.