HYPEBEAST
LIMITED

ANNUAL REPORT 年報
2018 - 2019

HYPEBEAST

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Incorporated
in the Cayman Islands
with limited liability

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STOCK CODE
00150

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於開曼群島
註冊成立的有限公司

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股份代號
00150

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Ma Pak Wing Kevin
(Chairman and Chief Executive Officer)
Ms. Lee Yuen Tung Janice

Independent non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

AUDIT COMMITTEE

Mr. Wong Kai Chi *(Chairman)*
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna

REMUNERATION COMMITTEE

Ms. Poon Lai King *(Chairman)*
Mr. Ma Pak Wing Kevin
Mr. Wong Kai Chi

NOMINATION COMMITTEE

Mr. Ma Pak Wing Kevin *(Chairman)*
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna

COMPANY SECRETARY

Ms. Cheung Nga Man

AUTHORISED REPRESENTATIVES

Mr. Ma Pak Wing Kevin
Ms. Cheung Nga Man

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Lego Corporate Finance Limited

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

LEGAL ADVISER

As to Hong Kong Law
Deacons

PRINCIPAL BANKER

The Hongkong and Shanghai
Banking Corporation Limited

WEBSITE

hypebeast.xyz

STOCK CODE

00150

CHAIRMAN'S STATEMENT

Dear Shareholders,

Financial year 2019 was another major milestone year for Hypebeast during which we built further upon our successes while pushing boundaries on new and exciting projects.

In October of last year, we hosted our inaugural Hypefest event in Brooklyn, New York. The two-day, weekend-long offline event featured retail activations from 54 of the most renowned, highly regarded street-wear, contemporary and luxury brands from around the world, as well as a wide array of musical acts, cultural and artistic installations. The event hosted more than 10,000 attendees over the two-day period, and tickets for the event sold out within 3 minutes upon release, which was a testament to the cultural significance of the event within the streetwear world as hosted by Hypebeast.

In March of this year, the Company began listing on the Main Board on the Hong Kong stock exchange. This move allows us to attract a more diverse investor base, further increase the trading liquidity of our shares, enhance public recognition and reinforce the confidence of the Company's investors, customers, suppliers, and other stakeholders. We remain focused on building the business and continue to work hard to enhance value for our investors and shareholders.

To strengthen our presence in growing territories, we opened our Japan office in Tokyo in March 2019, which not only allows us to broaden our audience reach within the country, but also provides us with a strategic presence in one of Asia's largest and most dominant cultural hub, further amplifying our ability to stay ahead of global trends in culture and enhancing Hypebeast's global influence.

When I started Hypebeast over a decade ago, my vision was to launch a platform to enhance and become a part of everybody's lives and drive culture forward through thought-provoking and creative content. Our mission and strategy haven't wavered from the original ethos – delivering inspirational, trendsetting content to our readers, increasing the scope and quantity of creative and groundbreaking digital media ideas and campaigns to our clients, and curating the best e-commerce products to our customers.

Over the years, we have built and now significantly impact a unique and powerful network of influencers, brand owners, fans, visitors and followers, all of which form a "Hypebeast" community, and this community translates to a solid foundation on which we have built a track record of success as a Group. In the 2019 financial year, the Group recorded revenues of approximately HK$672.2 million and net profits of approximately HK$61.8 million, representing an approximate growth of 74.6% and 36.7% respectively compared to the prior year. Thanks to the support from our community and our customers, the Group has achieved year on year revenue growth of over 75% over the past two consecutive years.

Editorially, our website platforms boasted an aggregate 13.2 million average monthly unique visitors as at 31 March 2019, representing an approximate 12.6% increase compared to the same period last year. Aggregate followers on our social media platforms (including Instagram, Facebook, Twitter, Weibo, WeChat and TikTok etc.) totaled 20.8 million as of 31 March 2019. Our expanding visitor and follower base demonstrates strong engagement with our readers and once again reaffirms our influence within youth culture on a global scale.

CHAIRMAN'S STATEMENT

Notably, our creative service agency HYPEMAKER continues to make significant strides both in contract scope and value in its third year of operations. Throughout financial year 2019, we have been able to deliver to our advertisers and clients broader, more tailored, 360-degree services, which is the result and payoff from our initial investment in the agency's talent and production capabilities in the years past. Through HYPEMAKER, we demonstrate our creative prowess, our deep understanding of our readers, and the ability to create powerful campaigns that deliver tremendous brand equity to our advertisers.

Our E-Commerce outfit, HBX, contributed significantly to our growth this year and made significant headways in brand and product curation as we strengthened our brand list to incorporate the luxury segment as we introduced some of the largest names within the luxury sector to our online store. This is further reflective of HBX's ability in defining fashion beyond streetwear and sportswear and proof of our customer's high spending power.

Next year will be Hypebeast's 15th year anniversary. As I reflect upon our successes and our journey throughout the years, I wish to give my wholehearted thanks to each and every one of our 300 plus global staff for their commitment to Hypebeast, and I hope we can have your continued support as we grow the company to new heights. I would also like to take this opportunity to appreciate Hypebeast's Board of Directors and management team for their invaluable support and commitment. I am also grateful for support from our readers, subscribers, customers, shareholders and those we work within our community throughout the 14 years since the establishment of Hypebeast, without whom none of our accomplishments would have ever been possible. I look forward to continuing our journey to success together.

By Order of the Board
MA Pak Wing Kevin
Chairman and Executive Director
Hong Kong, 20 June 2019

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, Hypemaker and Popbee websites and mobile apps) and popular third-party social media platforms (including Facebook, 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, campaign execution and data analysis 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 year ended 31 March 2019, the number of customer orders on its HBX e-commerce platform increased by approximately 46.7% compared with last year ended, 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 31 March 2018 and 31 March 2019, the number of brands offered on our e-commerce platform were 348 and 344, respectively, representing a decrease of 4 brands for the year ended 31 March 2019. As at 31 March 2018 and 31 March 2019, the number of products offered on the Group's e-commerce platform were approximately 6,300 and 10,588, respectively, representing an increase of approximately 4,288 products for the year ended 31 March 2019. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 scope of services 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, which include 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, United Kingdom, 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 has had great success from its first offline retail store at the Landmark shopping mall in Hong Kong from where HBX operated a permanent retail shop alongside popup exhibitions. The Group continues to explore similar opportunities to bring our online presence to the offline world. 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 offices in the East Coast in the United States. 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 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

As part of its strategy to better manage the Group's existing business and to expand its overseas markets, the Group incorporated the following entities during the fiscal year ended 31 March 2019:

– COREthree Limited, a BVI entity incorporated on 14 August 2018. It will be primarily engaged in investment holding.

– Hypebeast Japan 株式會社, a Japanese entity incorporated on 15 March 2019. It is primarily engaged in supporting brand relationships and production services within the digital media segment in Japan. The company began active operations in March 2019.

– 北京賀彼貿易有限公司, a wholly foreign owned enterprise incorporated in China on 3 April 2018. It is primarily engaged in creative agency services in China. The company began active operations in March 2019.

– 北京賀彼貿易有限公司上海分公司, a branch of the wholly foreign owned enterprise incorporated in China on 6 March 2019. It is primarily engaged in creative agency services in China. The company began active operations in March 2019.

From 6 to 7 October 2018, the Group hosted Hypefest, a two-day, weekend long event in New York City which featured retail activations from 54 of the most renowned, highly regarded street wear, contemporary and luxury brands from around the world, as well as a wide array of musical acts, cultural and artistic installations. The event hosted more than 10,000 attendees over the two-day period, and tickets for the event sold out within 3 minutes upon release, which was testament to the cultural significance of the event within the street wear world as hosted by Hypebeast. Further, social media and website coverage for Hypefest garnered over 500,000 unique visitors and 1.3 million total page views across all of Hypebeast's website platforms, 91 million Instagram profile impressions, 3 million total impressions on Facebook and 4.5 million total Twitter impressions.

On 28 February 2019, the approval was granted by the Stock Exchange for the transfer of listing of the Company from GEM to the Main Board of the Stock Exchange (the "Transfer of Listing"). On 8 March 2019, the Transfer of Listing was completed and dealing in the shares of the Company on the Main Board commenced. 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.

Save as disclosed herein, there have not been any important events affecting the Group since 31 March 2019 up to the date of this report.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

	Year ended 31 March 2018			**Year ended 31 March 2019**		
	Revenue HK$'000	Gross Profit HK$'000	Gross Profit Margin %	**Revenue HK$'000**	**Gross Profit HK$'000**	**Gross Profit Margin %**
Digital media	259,863	145,585	56.0	**430,669**	**226,473**	**52.6**
E-commerce	125,216	58,300	46.6	**241,523**	**108,881**	**45.1**
Overall	385,079	203,885	52.9	**672,192**	**335,354**	**49.9**

The Group's revenue increased from approximately HK$385.1 million for the year ended 31 March 2018 to approximately HK$672.2 million for the year ended 31 March 2019, representing growth of approximately 74.6%. 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, the revenue of which increased from approximately HK$259.9 million for the year ended 31 March 2018 to approximately HK$430.7 million for the year ended 31 March 2019. Such increase was mainly due to (i) the increase in revenue from provision of advertising and creative agency services to brand owners and advertising agencies by approximately HK$170.8 million on the Group's digital media platforms; and (ii) the increase in the average contract value of contracts by approximately 24.1% and the number of contracts entered into with the Group's customers by approximately 41.0%. The Group's digital media revenues are dependent on timing of recognition according to the relevant accounting standard and campaign delivery and therefore may not necessarily be consistent from quarter to quarter.

With respect to our e-commerce segment, the revenue of which increased from approximately HK$125.2 million for the year ended 31 March 2018 to approximately HK$241.5 million for the year ended 31 March 2019. Such increase was mainly due to (i) the increase in number of customer orders on our e-commerce platform by approximately 46.7%, and (ii) the change in sales mix with greater portion of high-end products sold compared with last year.

Cost of Revenue

The Group's cost of revenue increased from approximately HK$181.2 million for the year ended 31 March 2018 to approximately HK$336.8 million for the year ended 31 March 2019, representing an increase of approximately 85.9%. Such increase was mainly attributable to the increase in (i) campaign production costs to deliver high quality, bespoke content, for our creative agency, (ii) product and inventory related costs to support growth in our e-commerce business, and (iii) direct staff costs to support increases in the size of our contracts and level of production within our contractual pipeline during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin

Gross profit of the Group increased by approximately 64.5% from approximately HK$203.9 million for the year ended 31 March 2018 to approximately HK$335.4 million for the year ended 31 March 2019. The increase was mainly driven by the increase in revenue for the year ended 31 March 2019 as discussed above. However, the overall gross profit margin decreased from approximately 52.9% for the year ended 31 March 2018 to approximately 49.9% for the year ended 31 March 2019 and was mainly due to the decrease in gross profit margin in the digital media segment as more tailor-made advertising services were provided and more production staff were employed during the year, as well as a higher percentage of revenue derived from the e-commerce business, which had comparatively lower margins. Revenue from the e-commerce segment represented approximately 35.9% of total revenue for the year ended 31 March 2019, compared to approximately 32.5% for the last year.

Other Gains and Losses

Other losses of the Group primarily consist of exchange losses of approximately HK$2.7 million for the year ended 31 March 2019, compared to exchange gains of approximately HK$2.0 million for the year ended 31 March 2018. The amount was net off by surcharges on customers for overdue settlement of approximately HK$2.0 million during the year ended 31 March 2019 (2018: nil).

During the year, the Group primarily had exposure to foreign exchange differences between the HK dollar and the US dollar and Euro, arising from the Group's foreign currency denominated accounts receivable, accounts payable and cash balances. The HK dollar to US dollar and Euro foreign exchange rate fluctuated during the year, that the rates as at 31 March 2018 and 31 March 2019 were the same at HKD1:USD0.1274, while the HK dollar to Euro foreign exchange rate as at 31 March 2018 was HKD1:EUR0.1034 compared to HKD1:EUR0.1136 as at 31 March 2019.

The Group undertakes certain operating transactions in foreign currency which expose the Group to foreign currency risk. The Group's foreign currency denominated monetary assets and liabilities are primarily held in US dollar 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 revenues and expenditures in Euro, the Group's exposure to the US dollar and Euro exchange risk is not significant. The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider and execute the hedging of significant foreign currency exposure should such need arises.

The Group initiated the late payment fee policy on customers during the year. Surcharges were made for overdue settlements with a determined rate over the overdue balances agreed by customers stated on the payment term. Management believes that such policy enhances the turnover of the Group's trade receivables and hence the financial liquidity.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by approximately 82.7% from approximately HK$83.6 million for the year ended 31 March 2018 to approximately HK$152.7 million for the year ended 31 March 2019. Selling and marketing expenses as a percentage of revenue slightly increased from approximately 21.7% for the year ended 31 March 2018 approximately 22.7% for the year ended 31 March 2019. 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 the increase in (i) investment in the Group's social media marketing and advertising to support digital and e-commerce platforms growth and exposure, (ii) associated distribution charges with the growth in our e-commerce business, (iii) commission paid for the increases in the size of our contracts and level of production within our contractual pipeline for the year, and (iv) investment in new headcounts within the Group's sales and marketing team to drive current and future business development and revenue expansion.

Administrative and Operating Expenses

Administrative and operating expenses of the Group increased by approximately 40.7% from approximately HK$65.9 million for the year ended 31 March 2018 to approximately HK$92.7 million for the year ended 31 March 2019. However, administrative and operating expenses as a percentage of revenue decreased from approximately 17.1% for the year ended 31 March 2018 to 13.8% for the year ended 31 March 2019. The increase was mainly attributed to the increase in (i) staff headcount to support the expansion of the Group; (ii) rental and utilities cost for the new headquarters in Hong Kong and other local offices located in the US and UK; (iii) travel cost to support the Group's global business; and (iv) stock based compensation in relation to option granted to employees.

Professional Fee relating to Transfer of Listing

During the year ended 31 March 2019, the Company submitted the application to the Stock Exchange in relation to the Transfer of Listing and the Transfer of Listing was completed on 8 March 2019. Accordingly, there was approximately HK$7.4 million in one-time legal and professional fees paid for the Transfer of Listing recorded for the year while no such cost was recognized for the year ended 31 March 2018.

Income Tax Expense

Income tax expense for the Group increased by approximately 49.0% from approximately HK$10.0 million for the year ended 31 March 2018 to approximately HK$14.9 million for the year ended 31 March 2019. The increase was mainly due to the increase in profit for tax, especially in other jurisdictions with relatively higher tax rate, during the year.

Share of Result of a Joint Venture

The Group recorded losses of approximately HK$3.9 million in its share of result 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income increased by approximately 36.7% from approximately HK$45.2 million for the year ended 31 March 2018 to approximately HK$61.8 million for the year ended 31 March 2019. Such increase was primarily attributable to the increase in revenue and gross profit as well as effective corporate cost management for the year ended 31 March 2019.

During the year ended 31 March 2019, the Group incurred approximately HK$7.4 million in one-time legal and professional fees and HK$1.0 million donation relating to the Transfer of Listing and recorded approximately HK$3.9 million losses relating to business integration for The Berrics Company LLC. These items related to one-time transactions and an investment in a new business for the Group whereas no such expenses or losses incurred during the last year. Adjusted for these items, net profit for the Group was approximately HK$74.1 million, representing an increase of approximately 63.9% in the current year. The Group also invested in additional headcount compared to the 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 the expected revenue growth for the Group's e-commerce business.

During the year, the Group also recorded approximately HK$2.7 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 gains and losses, the Group's exposure to US dollar and Euro exchange risk over its course of operations was minimal due to the Linked Exchange Rate system between HK dollar and US dollar and the Group's operations involving revenues and expenditure in Euro.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had total assets of approximately HK$333.3 million (31 March 2018: approximately HK$199.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$127.3 million (31 March 2018: approximately HK$58.7 million) and approximately HK$206.0 million (31 March 2018: approximately HK$141.2 million), respectively. Total interest-bearing loans and interest-bearing bank borrowings of the Group as at 31 March 2019 were approximately HK$27.0 million (31 March 2018: approximately HK$4.7 million), and current ratio as at 31 March 2019 was approximately 2.5 times (31 March 2018: approximately 3.2 times).

Cash used in operating activities

The amount mainly comprises cash generated from revenue and cash used in operating activities such as payment of operating expenses as well as investments in working capital. For the year ended 31 March 2019, cash used in operating activities was HK$5.5 million compared to HK$3.7 million in last year, mainly attributed to increases in investment in working capital partially offset by an increase in operating cash flows derived from profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating cash flows before movement in working capital

Operating cash flows before movement in working capital primarily comprises of cash flow from revenues less payment of operating expenses, adjusted for non-cash items mainly including depreciation, share based payment, finance costs, impairment loss recognised on trade receivables and share of results from the Berrics joint venture. For the year ended 31 March 2019, operating cash flows before movements in working capital was HK$87.9 million, representing an increase of 44.8% from HK$60.7 million in last year, mainly attributed to the increase in profit before taxes over the year.

The Group's sales are generally made through the provision of advertising spaces, creative agency projects and operation of online store. For the provision of advertising spaces and creative agency projects, customers are billed on a performance delivery basis with a credit period from 30 days to 60 days. For sales from our HBX online store, customers pay the full amount on checkout via credit card or other payment methods through the payment gateway platform, which usually settles the amount within 2 working days after the transaction date.

The Group's significant operating expense include staff salaries, advertising expenses, professional fees, rent expenses, merchant credit card charges and other administrative and general expenses. Other than certain accrued expenses, payments for operating expenses are generally paid in the period incurred.

Investment in working capital

Trade receivable

Cash outflow from movements in trade and other receivable and rental deposits was HK$77.2 million for the year ended 31 March 2019, compared to HK$42.4 million in last year. The increase was attributable to an overall increase in trade receivables over the period reflective of the increase in revenues from the Group's digital media business.

Trade receivables increased from HK$85.8 million as at 31 March 2018 to HK$131.0 million as at 31 March 2019. The Group's average turnover days of trade receivables decreased to 59 days as at 31 March 2019 compared to 66 days as at 31 March 2018. As at 20 June 2019, approximately HK$62.7 million, or 47.9% of trade receivables as at 31 March 2019 have been settled. Further, trade receivables aged within 60 days based on the invoice date at the end of the year accounted for 67.0% of the total trade receivables as at 31 March 2019 compared to 54.8% as at 31 March 2018, reflecting an improvement in our collection cycles. The Group estimated the expected credit loss allowance according to historical credit loss and internal credit rating assessment on the significant parties on the trade receivables balance at the year end.

MANAGEMENT DISCUSSION AND ANALYSIS

Inventory

Cash outflow from movements in inventory was HK$39.1 million for the year ended 31 March 2019, compared to HK$17.9 million in last year. The increase was attributable to an overall increase in inventory over the period reflective of the increase in support of sales volumes and revenues from the Group's e-commerce business.

The Group's inventories principally comprise of third party footwear, apparel and accessories for resale to end customers. The Group's average turnover days of inventory increased from 123 days as at 31 March 2018 to 146 days as at 31 March 2019, which is reflective of certain timing differences with respect to the receipt of inventories in advance for the upcoming season with the expectation of growth in demand by the market. As at 20 June 2019, approximately HK$21.2 million, or approximately 31.3% of inventories as at 31 March 2019 have been sold. In addition to pricing and promotional strategies, the Group monitors various metrics in relation to its inventories such as sell-through, gross margin by product, product performance, stock turns and inventory aging to ensure inventory balances are properly and actively managed relative to sales performance, and to ensure there are no significant unsold inventory. The Group does not anticipate recording any significant write-offs or valuation adjustments in relation to its inventory balance.

Trade payable

Cash inflow from movements in trade and other payables was HK$42.9 million for the year ended 31 March 2019, compared to a cash outflow of HK$1.4 million in last year. The increase was attributable to renegotiation and readjustment of payment terms with the Group's vendors as an improvement in cash management and increase in production costs payable to vendors and purchase of inventories for online sales.

Income taxes

During the period, the Group made income tax payments of HK$13.8 million in relation to Hong Kong profits tax as well as prepayments for taxes for other jurisdictions in which the Group operates.

Cash used in investing activities

Cash used in investing activities for the year ended 31 March 2019 mainly comprised of additions in property, plant and equipment, advances to the Berrics joint venture in support of operational growth and integration plans as well as a placement of pledged bank deposits relating to a loan drawdown. Cash used in investing activities was HK$18.6 million for the year ended 31 March 2019 compared to cash from investing activities of HK$4.8 million in last year. The increase was mainly attributable to renovation costs for the new Hong Kong office headquarters and warehouse in 2018, cash advances in support of the Berrics joint venture which was formed in February 2018, and difference in timing of drawings against our revolving loan compared to the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash from financing activities

Cash from financing activities mainly comprised proceeds from and repayment of bank borrowings and interest payment. Cash from financing activities was HK$21.2 million for the year ended 31 March 2019, compared to cash used in HK$0.8 million in last year. The increase is primarily attributable to an increase in the size of drawdowns against our credit facilities in support of growth and inventory working capital requirements for our e-commerce business. The Group anticipates that its bank borrowings will be settled based on the repayment schedules according to the respective terms of the loans agreements. Interest on the outstanding loans are paid once a month in the same month as incurred according to the relevant bank facility agreements.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment represented leasehold improvements, furnitures and fixtures, office equipment and motor vehicle. The increase of approximately HK$4.4 million for the year ended 31 March 2019 was mainly due to the renovation cost for the new Hong Kong office headquarter and warehouses since May 2018.

RENTAL DEPOSITS

The increase of approximately HK$3.9 million rental deposits for the year ended 31 March 2019 was mainly due to the new office rental for Hong Kong headquarters in May 2018 and the new office and retail premise rental in the US in June 2018.

GEARING RATIO

The gearing ratio of the Group as at 31 March 2019 was approximately 13.1% (31 March 2018: approximately 3.3%), which increased significantly as the Group increased its usage of bank borrowings for its e-commerce operation during the year ended 31 March 2019. The gearing ratio is calculated based on total loans and borrowings (interest-bearing bank borrowings and bank overdrafts) divided by total equity as at the year ended.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICY

The Group finances its operations through internally generated cash, equity and bank borrowings. The objective of the Group's treasury policy is to ensure there is sufficient cash and access to capital to finance the Group's ongoing operations and execute its current and future plans. The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2019.

With respect to cash generated through the Group's sales, the primary risk relates to credit and collections in relation to amounts outstanding from customers within the digital media segment.

The Group strives to reduce exposure to credit risk by performing credit assessments on new customers, ongoing credit assessments and evaluations of the financial status of its existing customers, as well as applying robust policies to monitor and collect on outstanding balances on a timely basis. To manage liquidity risk, management closely monitors the Group's liquidity position and ensures there is sufficient cash and cash equivalents and available credit facilities to settle payables of the Group.

CHARGES ON GROUP ASSETS

As at 31 March 2019, the Group pledged its bank deposits of approximately HK$6.7 million to a bank as collateral to secure bank facilities granted to the Group. In addition to the pledged bank deposits, as at 31 March 2019, the Group's bank borrowings with carrying amount of approximately HK$27.0 million was guaranteed by a corporate guarantee of the Company.

FOREIGN EXCHANGE EXPOSURE

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 dollar and Euro. As noted in the above discussion of other gains and losses, 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 dollar and US dollar and the Group's operations involving revenues and expenditure in Euro.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 11 April 2016. On 8 March 2019, Transfer of Listing was completed and dealing in the shares on the Main Board commenced. There has been no change in the capital structure of the Company arisen from the Transfer of Listing. The share capital of the Company only comprises of ordinary shares.

Details regarding the maturity profile of debt as at 31 March 2019 are presented for the Group as disclosed on note 29 of the notes to the consolidated financial statements.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its office premises, retail store and the Director's quarter. The Group's operating lease commitments amounted to approximately HK$28.7 million as at 31 March 2019 (31 March 2018: approximately HK$34.9 million).

SEGMENT INFORMATION

Segmental information is presented for the Group as disclosed on note 6 of the notes to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other approved plans for material investments or capital assets as at 31 March 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There were no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company during the year ended 31 March 2019.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 306 employees (31 March 2018: 262 employees). Staff costs of our Group (including salaries, allowances, other benefits and contribution to the defined contribution retirement plan) for the year ended 31 March 2019 were approximately HK$121.0 million (31 March 2018: approximately HK$93.9 million).

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance, medical insurance and other miscellaneous incentives and compensation. We conduct annual reviews of the performance of our employees for determining the level of bonus and salary adjustments and promotion decisions of our employees. Our human resources department also makes reference to the remuneration packages offered for similar positions in Hong Kong in order to keep our remuneration packages at a competitive level. The Company has adopted the Share Option Scheme which became effective upon Listing. The Share Option Scheme is designed to provide long term incentives and rewards to help retain our outstanding employees.

SIGNIFICANT INVESTMENTS HELD

Except for investment in its subsidiaries and a joint venture company as per disclosed on notes 35 and 16 respectively of the notes to the consolidated financial statements, the Group did not hold any significant investments during the year ended 31 March 2019.

USE OF PROCEEDS

The net proceeds from the placing of new shares as referred to in the prospectus of the Company dated 31 March 2016 (the "Prospectus") was approximately HK$29.7 million, all of which has been utilized as at 31 March 2019 in accordance with the "Statement of Business Objectives and Use of Proceeds" as set out in the Prospectus, which is (i) approximately 29% of the net proceeds, representing approximately HK$8.7 million to enhance the content of our digital media platforms to retain and expand our base of followers and visitors, (ii) approximately 35% of the net proceeds, representing approximately HK$10.3 million to increase the sales and marketing efforts, (iii) approximately 18% of the net proceeds, representing approximately HK$5.5 million to improve working environment and purchase new equipment, (iv) approximately 7% of the net proceeds, representing approximately HK$2.1 million to enhance our e-commerce platform by improving our services and inventory system, (v) approximately 1% of the net proceeds, representing approximately HK$0.4 million for staff development and (vi) approximately 10% of the net proceeds, representing approximately HK$2.7 million for general working capital purposes.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The implementation plan for the business objectives as set out in the Prospectus has been fully completed and the Directors consider such business objectives were fully achieved as at 31 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR RISK AND UNCERTAINTIES

The Group believes that risk management practices are important and uses its best effort to ensure they are sufficient to mitigate risks present in our operations and financial position. The followings are the major risks and uncertainties of our business:

- Our business depends on our ability to offer digital media content and online retail products that attract visitors and online shoppers;
- We depend on the Internet traffic to our websites for the operation of our business;
- We rely on our e-commerce suppliers to supply goods to us for sale on our e-commerce platform;
- We generally do not enter into long term business contracts with our customers;
- Our business depends on our ability to maintain our existing relationship with brand owners and advertising agencies and our ability to attract new digital media customers to place advertisements with us;
- Our business depends on a strong brand, which we might not be able to maintain or enhance, and unfavorable customer feedback or negative publicity could adversely affect our brand;
- Any unauthorised use of our brand name or any other intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation;
- Our international footprint exposes us to a variety of different local legal, regulatory, tax, payment, and cultural standards which we might fail to comply with;
- We are exposed to the risk of infringement of intellectual property rights owned by third Parties; and
- We rely on third-party courier to deliver goods to e-commerce customers and third-party suppliers for technical and payment services.

For other risks and uncertainties facing the Group, please refer to the section headed “Risks Factors” in the Prospectus.

An analysis of the Group’s financial risk management (included market risk, credit risk, and liquidity risk) objectives and policies are provided in note 29 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ma Pak Wing Kevin, aged 36, who founded the Group in 2007, was appointed as an executive director with effect from 25 September 2015. He also acts as the chief executive officer, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. Ma is a director of CORE Capital Group Limited, a controlling shareholder of the Company. He is primarily responsible for the overall management, business direction and strategies of the Group. Mr. Ma has over twelve years of industry experience in digital media marketing, web business development and social media marketing.

Mr. Ma has been defined as one of the top influencers in youth culture as well as a leading cultural entrepreneur by global media outlets. Through the global expansion and growth of HYPEBEAST, he has cemented his position on an international level.

What started as just a sneaker blog has transitioned today into the most relevant and reliable source for culture news. Mr. Ma has transformed HYPEBEAST into a global platform through his creativity, innovation and experimental spirit. In 2012, he launched the e-commerce site, HBX, with the aim of bridging the gap for readers to purchase products, resulting in tremendous business.

Always on the move and striving to achieve more by experimenting and creating new products, Mr. Ma also developed a creative agency arm, HYPEMAKER, serving globally recognized clients worldwide through delivery of premium creative services and adding to his list of professional achievements. Mr. Ma obtained a Bachelor of Arts degree with a major in economics and psychology in May 2005 from the University of British Columbia, Canada. He received a number of awards including the Business of Fashion (BOF500) award for six years consecutively from 2013 to 2018, featured in Forbes for Hypebeast entering “Best Under A Billion” list in 2018, panel judge for LVMH prize in 2019. Mr. Ma is the husband of Ms. Lee Yuen Tung Janice, an executive director of the Company.

Ms. Lee Yuen Tung Janice, aged 36, was appointed as an executive director of the Company on 18 March 2016. Ms. Lee joined the Group as an editor-in-chief on 14 February 2008 and established our Popbee website which targets Asian female millennials. She is responsible for the day-to-day operations of our Popbee website including leading its editorial team and marketing functions. Ms. Lee has over twelve years of experience in the digital media industry. She obtained a Bachelor of Science degree with a major in biochemistry in June 2004 from Simon Fraser University, Canada. Ms. Lee is the wife of Mr. Ma Pak Wing Kevin, an executive director of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Shin Luen Susanna, aged 52, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Kwan is a member of the Audit Committee and Nomination Committee of the Company. Ms. Kwan has served as an independent non–executive director of Emperor Entertainment Hotel Limited (stock code: 0296) since August 2015. She currently holds the position of head of legal and compliance at a securities, finance and investment company. Ms. Kwan has a legal practice focusing on corporate/commercial and corporate finance matters in Hong Kong for more than 20 years, including mergers & acquisitions, regulatory compliance, public offerings, private placement of securities and open offers, joint ventures and securities related legislation. Ms. Kwan obtained a Bachelor of Laws degree in August 1989 from the London School of Economics and Political Science of the University of London, the United Kingdom.

Ms. Poon Lai King, aged 56, was appointed as an independent non-executive director of the Company on 18 March 2016. Ms. Poon is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. She has over 18 years of experience in the publishing and media industry. Since September 2007, Ms. Poon has been the shareholder and director of Joyful Books Company Limited, a company that publishes Chinese books in Hong Kong. Ms. Poon commenced operating a public relations and event management business under the business name, Impact Communications Company, in 2012. Ms. Poon served as an arts consultant for the Hong Kong Arts Development Council from January 2013 until the end of March 2017. Ms. Poon obtained a Bachelor of Arts degree in November 1985 and a Master of Arts degree in November 1991 from the University of Hong Kong.

Mr. Wong Kai Chi, aged 47, was appointed as an independent non-executive director of the Company on 18 March 2016. Mr. Wong is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Since April 2019, Mr. Wong has started his own business and investment in the area of both healthcare and AI Education as the Founder and Managing Partner. Mr. Wong held several key executive roles which include Chief Operating Officer, Chief Human Resources and IT Officer at Tianda Group Limited in the period of June 2017 to March 2019. From August 2014 to March 2017, Mr. Wong worked for the finance department of Bloomberg L.P., an information technology data services company and is responsible for accounting and finance matters. Mr. Wong has over 15 years of experience in finance and professional accounting, in which he has advanced to a Fellow Certified Practising Accountant (Australia) since March 2015. Mr. Wong obtained a Bachelor of Commerce degree in July 1996 from Monash University, Australia. He obtained a Master of Business Administration degree in August 2005 from Deakin University, Australia through distance learning. Mr. Wong is also a director of Eternal Life Music Charity Foundation Limited, a chairman of Hong Kong Girl Guides New Territories Region Association and a director of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies since 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Cheung Nga Man, aged 38, joined the Group as finance manager on 12 May 2014 and is now our financial controller and company secretary. She is primarily responsible for supervising the Group's finance activities and accounting operations, reviewing legal documents, liaising with external lawyers and providing support to the Group's strategic planning, budgeting and forecasting. Ms. Cheung has over 13 years of experience in audit and finance. Ms. Cheung obtained a Bachelor of Commerce degree in December 2004 from the University of Melbourne, Australia and is a Certified Public Accountant and member of the Hong Kong Institute of Certified Public Accountants.

Mr. Huan Khoa Nguyen, aged 41, has been with our Group since 1 June 2014 and is now our vice president, head of brand partnerships, North America. Mr. Nguyen has extensive experience working in new media, from video on demand (VOD) to digital media. Mr. Nguyen manages a team of account executives that are responsible for working with brand partners in the US. Mr. Nguyen obtained a Bachelor of Arts degree on psychology from the University of California, Los Angeles in March 2001.

Mr. Wong Hung Sui Sean, aged 34, joined the Group as a marketing coordinator on 11 February 2013 and is now our senior vice president of retail. Mr Wong is primarily responsible for managing the e-commerce business of the Company. Mr. Wong became assistant e-commerce manager on 1 January 2014 and was promoted to e-commerce manager on 1 October 2014. Mr. Wong obtained a Bachelor of Arts degree in economics for business and management in May 2007 from Occidental College, the United States.

Mr. Wong Kar Hang Patrick, aged 37, joined the Group as finance director on 18 October 2016 and is now our senior vice president of finance. He is primarily responsible for the financial management of the Group, including accounting, business support, strategic planning and analysis, budgeting and forecasting, M&A and investor relations. Mr. Wong began his professional career with PricewaterhouseCoopers in Vancouver and has more than 11 years of finance and leadership experience working with top-tier, global enterprises in Canada, the United Kingdom and Hong Kong. He obtained a Bachelor of Business Administration degree in October 2005 from Simon Fraser University in Canada, and was admitted as a member of both the Chartered Professional Accountants of British Columbia and The Institute of Chartered Accountants in England and Wales in December 2009 and May 2017, respectively.

Mr. Yeung Ka Yue, aged 30, joined the Group as a programmer on 1 January 2011 and is now our director of engineering. Mr. Yeung is primarily responsible for leading our engineering department and overall web development. Mr. Yeung possesses over six years of experience in web design. Mr. Yeung obtained an Associate in Applied Science degree with a major in computer programming in May 2009 from Vincennes University, the United States.

COMPANY SECRETARY

Ms. Cheung Nga Man was appointed as our Company Secretary on 9 March 2016. For details of her biography, please refer to the paragraph in the section headed "Senior Management" in this annual report.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 of directors of the Company (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 15 to the GEM Listing Rules (from 1 April 2018 to 7 March 2019) and Appendix 14 to the Main Board Listing Rules (from 8 March to 31 March 2019) for the year ended 31 March 2019, save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the required standard of dealings set out in the GEM Listing Rules (from 1 April 2018 to 7 March 2019), and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Main Board Listing Rules since 8 March 2019, as part of its code of conduct regarding Directors' transactions in the securities of the Company. Specific enquiry has been made of all the Directors and all Directors confirmed that they had fully complied with the required standard of dealings and there was no event of non-compliance throughout the period from 1 April 2018 to the date of this annual report.

BOARD OF DIRECTORS

Board Composition

The Board comprises the following Directors:

Executive Directors
Mr. Ma Pak Wing Kevin *(Chairman of the Board and Chief Executive Officer)*
Ms. Lee Yuen Tung Janice

Independent Non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

The biographical details of the Directors and the relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on pages 19 to 21 of this annual report.

CORPORATE GOVERNANCE REPORT

With the various experience of the executive Directors and the independent non-executive Directors, the Board has maintained a necessary balance of skills and experience sufficient to oversee the business of the Group and for the exercise of independent judgement.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. During the year ended 31 March 2019, the Board reviewed and discussed the Company's policies and practices on corporate governance, training and continuous professional development of Directors, and the Company's compliance with the code provision in the CG Code and disclosures in this report. The Board is satisfied with the effectiveness of its corporate governance policies.

FUNCTIONS OF THE BOARD AND MANAGEMENT

The Board supervises the overall management of the business and affairs of the Company and ensures that it is managed in the best interests of the shareholders as a whole while taking into account the interest of other stakeholders. The Board is primarily responsible for providing leadership, formulating business strategies, reviewing and monitoring the business performance of the Company, approving the financial statements and annual budgets as well as directing and supervising the management of the Company. All Directors make decisions objectively and act in the interests of the Company and of the shareholders at all times.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Execution of operational matters and the powers thereof are delegated to the management by the Board with clear directions. The delegated functions and work tasks are regularly reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board is regularly provided with management update reports to give a balanced and understandable assessment of the performance, position, recent development and prospect of the Company in sufficient details.

All Directors have timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Directors may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 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 it beneficial for the Group for Mr. Ma to continue to act as both chairman and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with the Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board throughout the year ended 31 March 2019 with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

CONFIRMATION OF INDEPENDENCE

The Company received from each independent non-executive Director a written annual confirmation of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the criteria set out in the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITIES

Pursuant to code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company has taken out directors' and officers' liability insurance to cover liabilities arising from legal action against the Directors.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors entered into a service agreement with the Company for a term of three years, during which either party may terminate the service agreement by giving the other party not less than three months' written notice.

Each of the independent non-executive Directors signed a letter of appointment for a term of three years. The independent non-executive Directors are subject to termination in accordance with their respective terms by not less than one month's notice in writing and served by the independent non-executive Director or the Company.

According to the articles of association of the Company, one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall retire from office by rotation and are subject to re-election at annual general meeting at least once every three years. Any new Directors appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting after the appointment, and is subject to re-election by shareholders of the Company. Any Director appointed by the Board as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the above provisions in the articles of association of the Company, Mr. Ma Pak Wing Kevin and Mr. Wong Kai Chi, shall retire by rotation at the forthcoming 2019 annual general meeting. The retiring Directors will offer themselves for re-election. The Company's circular, sent together with this annual report, contains detailed information of such retiring Directors as required by the Listing Rules.

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly to consider, review and/or approve matters relating to, among others, financial and operating performance, overall strategies and various policies of the Company. Additional meetings are held when significant events or important issues require discussion and approval. Attendance records of each Director at the Board meetings, Board committee meetings and general meeting of the Company held during the year ended 31 March 2019 are set out as follows:

Name of Director	Attendance/Number of Meetings Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual General Meeting
Mr. Ma Pak Wing Kevin	3/4	–	1/2	1/1	1/1
Ms. Lee Yuen Tung Janice	4/4	–	–	–	1/1
Ms. Poon Lai King	4/4	4/4	2/2	1/1	1/1
Ms. Kwan Shin Luen Susanna	4/4	4/4	–	1/1	1/1
Mr. Wong Kai Chi	4/4	4/4	2/2	–	1/1

BOARD COMMITTEE

The Board established three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees were established with defined written terms of reference, which are posted on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (hypebeast.xyz). All Board committees report to the Board on their decisions and recommendations made.

All Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

Audit Committee

The Audit Committee consists of three members, being the three independent non-executive Directors, namely Mr. Wong Kai Chi (chairman), Ms. Poon Lai King and Ms. Kwan Shin Luen Susanna. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The primary duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and quarterly reports and providing advice and comments to the Board. In this regard, members of the Audit Committee liaise with the Board, senior management, reporting accountants and auditors. The Audit Committee also considers any significant or unusual items that are, or may need to be, reflected in such reports and accounts and gives consideration to any matters raised by the accounting staff, compliance officers or auditors. Members of the Audit Committee are also responsible for reviewing the Group's financial reporting system, risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2019, the Audit Committee (i) reviewed the Group's consolidated financial statements, results announcements and reports for the year ended 31 March 2018, for the three months ended 30 June 2018, for the six months ended 30 September 2018 and for the nine months ended 31 December 2018; (ii) reviewed and discussed the related accounting principles and practices adopted by the Group, the relevant audit findings, the report on the Company's risk management and internal control review; (iii) made recommendation of the re-appointment of the external auditor; and (iv) reviewed the arrangements for employees of the Company to raise concerns about possible improprieties.

The external auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

Remuneration Committee

The Remuneration Committee consists of three members, being an executive Director, namely Mr. Ma Pak Wing Kevin, and two independent non-executive Directors, namely Ms. Poon Lai King (chairman) and Mr. Wong Kai Chi.

The primary duties of the Remuneration Committee are to determine the remuneration packages of all executive Directors and senior management, (including benefits in kind, pension rights and compensation payments, and any compensation payable for loss or termination of their office or appointment) and to make recommendations to the Board on the remuneration of independent non-executive Directors. The Remuneration Committee also reviews and makes recommendations to the Board on the Group's remuneration policy and structure, and establishes formal and transparent procedures for developing such remuneration policies. This is to ensure that no director or any of their associates participate in deciding their own remuneration, and that remuneration is determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year ended 31 March 2019, the Remuneration Committee reviewed and determined discretionary bonuses payable to the executive Directors and reviewed the remuneration package of the Directors and senior management of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 March 2019 is set out below:

	Number of individuals
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	2
HK$2,000,000 above	1
	5

Details of the remuneration of each Director of the Company for the year ended 31 March 2019 are set out in note 11 to the consolidated financial statements in this annual report.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee consists of three members, being an executive Director, namely Mr. Ma Pak Wing Kevin (chairman), and two independent non-executive Directors, namely Ms. Kwan Shin Luen Susanna and Ms. Poon Lai King.

The primary duties of the Nomination Committee are to review the Board structure, size and composition, make recommendations to the Board regarding appointment and succession planning of directors and candidates for nomination to directorship, and assess the independence of independent non-executive Directors.

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining the Company's competitive advantage. A new Board Diversity Policy was adopted by the Company during the year under review, pursuant to which the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

During the year under review, in response to the amendment to the CG Code effective on 1 January 2019, the Company has also adopted the Director Nomination Policy. Such policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company, and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended 31 March 2019, the Nomination Committee reviewed the composition and diversity of the Board and considered that balance and diversity of perspective is maintained across the Board. The Nomination Committee also recommended the re-election of retiring directors at the Company's 2018 annual general meeting and assessed the independence of all the independent non-executive Directors.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics are issued to Directors where appropriate. Each Director received induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other relevant legal and regulatory requirements.

During the year ended 31 March 2019, all Directors participated in continuous professional development relevant to the duties and responsibility of the Directors under the relevant legal and regulatory requirement. Such continuous professional development was delivered via reading materials in relation to legal or regulatory updates and/or attending training courses provided by the legal advisors.

COMPANY SECRETARY

During the year ended 31 March 2019, Ms. Cheung Nga Man, the company secretary, has taken no less than 15 hours of relevant professional training to update her skills and knowledge in accordance with the Listing Rules. The biographical details of Ms. Cheung are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 19 to 21 of this annual report.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditor of the Group about its reporting responsibilities for the Group's financial statements for the year ended 31 March 2019 is set out in the section headed "Independent Auditor's Report" in this annual report.

The remuneration paid/payable to the auditor of the Company for the year ended 31 March 2019 is set out as follows:

Services rendered	**HK$'000**
Audit services	1,370
Non-audit services	
– Trasfer of listing from GEM to Main Board	380
– Hong Kong profit tax filling service	152
– Transfer pricing and US tax filling service	737

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2019, which give a true and fair view of the state of affairs of the Group.

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual and interim reports and other financial disclosures required by the Listing Rules and other regulatory requirements. Senior management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment and review of the financial information and position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks the Company is willing to take to achieve its strategic objectives, and for maintaining adequate risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Group.

The Group has in place risk management and internal control systems and the Audit Committee assists the Board in overseeing the design and implementation of the said systems. All business units conduct internal control assessments regularly to identify risks factors which potentially impact the business of the Group. The management of the Company assessed the likelihood of risk occurrence, monitored the control process and reported to the Board and Audit Committee on relevant findings.

The Group has in place a disclosure policy which provides a general guide to the Company's directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Company has engaged an external professional firm to provide internal audit services and perform independent review of the adequacy and effectiveness of its risk management and internal control systems. Key issues such as accounting practices and material controls were examined. Relevant findings and recommendations were provided to the Board and the Audit Committee.

The Board, as assisted by the Audit Committee and management, reviewed the report on internal audit findings, and conducted a review on the effectiveness of its risk management and internal control systems, including the financial, operational and compliance controls of the Group for the year ended 31 March 2019. The annual review covered areas on financial reporting, staff qualification, experiences and relevant resources. The Board considered such systems to be adequate and effective, and ongoing review of the same nature will be conducted in subsequent years.

Furthermore, as disclosed in the Prospectus, the Board has in place a system to evaluate sanction risks prior to determining whether the Company should embark on any business opportunities in sanctioned countries, or with the individuals sanctioned by the US, the EU, the United Nations, Canada or Australia, including but without limitation, any government, individual or entity that is subject of any OFAC administered sanctions ("Sanctioned Countries" or "Sanction Persons"). Under the system, the Company must seek advice from reputable external legal counsel with the necessary expertise and experience in matters relating to International Sanctions laws if the Company encounters any possible sanction risks. During the year ended 31 March 2019, the Board conducted a review of the system's effectiveness in preventing any prohibited or otherwise restricted sales to Sanctioned Countries and Sanctioned Persons and considered such system to be effective.

DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. Depending on the financial conditions, financial results, business conditions and strategies of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2019, there had been no change in the Company's constitutional documents.

SHAREHOLDERS' RIGHT

The Company has not made any changes to its articles of association during the year under review. An up-to-date version of the articles of association is available on the websites of the Company and of the Stock Exchange.

An annual general meeting of the Company is held each year at a location determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("EGM"). All resolutions proposed at shareholder meetings are voted by poll pursuant to the Listing Rules and the poll results are posted on the Stock Exchange's website (www.hkexnews.com) and the Company's website (hypebeast.xyz) respectively, immediately after the relevant general meeting.

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting.

PROCEDURES AND RIGHT FOR SHAREHOLDERS TO CONVENE EGM

The following procedures for shareholders to convene an EGM are subject to the Company's articles of association, and applicable legislations and regulations, in particular the Listing Rules:

(a) Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "Eligible Shareholder(s)") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition;

(b) The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists;

(c) the requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

CORPORATE GOVERNANCE REPORT

(d) the requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) If within 21 days of such deposit the Board fails to proceed to convene such meeting the Eligible Shareholder(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

RIGHT TO PUT ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. Shareholders may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Group believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group recognises the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision.

The Group maintains a website at hypebeast.xyz as a communication platform with shareholders and investors, where information and updates on the Company's business developments, operations and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company via the following points of contact:

Address: 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong
Email: info@hypebeast.com

The Company considers the annual general meeting as an important occasion as it provides an important opportunity for direct communications between the Board and the shareholders. All Directors and senior management shall make an effort to attend, and all shareholders are given at least 20 business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other shareholders' meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present the 2018/2019 Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management of significant issues affecting the operation, including environmental, social and governance ("ESG") issues.

Reporting Period

The Report illustrates the Group's policies and performance regarding the environmental and social aspects from 1 April 2018 to 31 March 2019 (the "reporting period").

Reporting Scope and Boundaries

The Report focuses on the ESG issues of the Group's digital media and e-commerce businesses. It includes in the key performance indicators for the operating entities in Hong Kong, Japan[1], the Unites States of America (the "USA") and the United Kingdom (the "UK").

Reporting Basis

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") of Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide.

The information contained herein is sourced from official documents and statistics of the Group, as well as the combined control, management and operations information provided by the subsidiaries in accordance with the Group's relevant policies. A complete content index is appended in the last section hereof for quick reference. The Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

Feedbacks

The Group respects your view on the Report. Should you have any opinions or suggestions, you are welcome to send to us via email to the following address: info@hypebeast.com.

INTROUDCTION

The Group's mission is to enrich people's lives and to connect people through culture-driving media content and the latest in youth culture in order to shape a better understanding of contemporary culture for our audience and readers around the globe. Delivering inspirational content is therefore the core focus of our business, and we have always aspired to create platforms that open our readers' eyes to all of the amazing things happening around the world.

The Group was built by and around a global community of followers primarily in the millennial generation, a demographic which places strong importance and focus on environmental and social issues happening around the world. We firmly believe and place a strong commitment and a sense of responsibility in our operating approach with respect to environmental and social issues.

1 Newly included in 2018/2019 ESG Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GOVERNANCE

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

The Board has delegated the day-to-day responsibility of the implementation to the ESG Working Group (the "Working Group") with representatives from different departments in the Group. The Working Group is responsible for facilitating the adoption of ESG strategies and policies throughout the Group. It collects data, evaluates performance and reports major issues to the Board periodically. The Board reviews and approves the Report.

STAKEHOLDER ENGAGEMENT

The Group emphasises the participation of its stakeholders, including shareholders of the Company, staff, customers, suppliers etc. All of them have a substantial impact on the success of its business or activities.

The Group believes that stakeholder engagement has significant level of influence in developing sustainable development strategies and fulfilling social responsibilities which is the basis for the Group's strategy formulation and decision-making. The Group communicates with its stakeholders through various channels, shown as below.

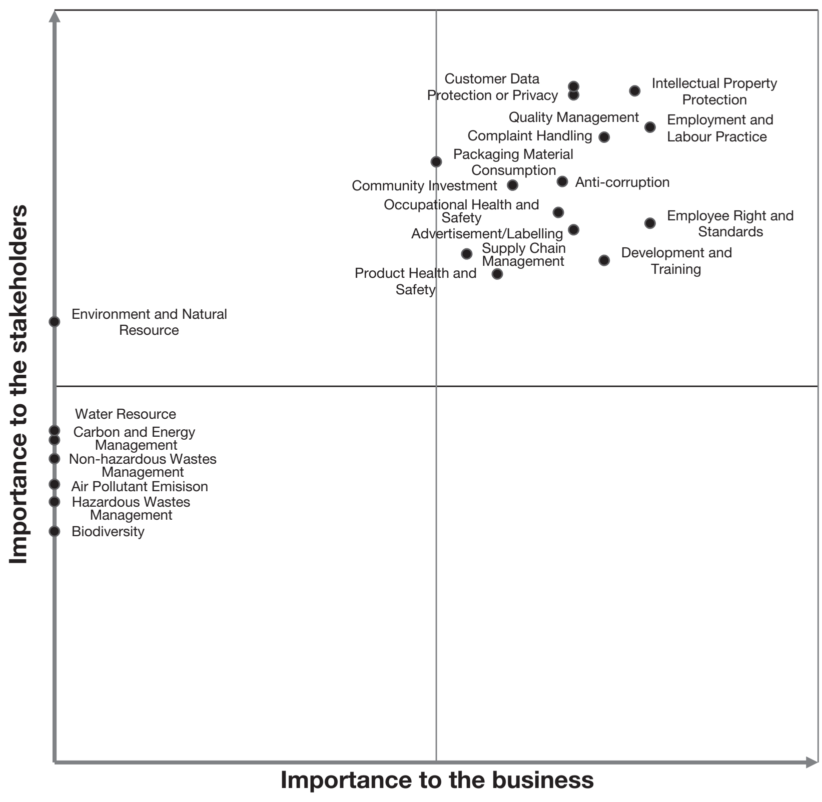
Stakeholder	Communication Channel
Government and regulatory agencies	• Annual reports, interim reports, ESG reports and other public information
Shareholders and investors	• Annual general meetings and other general meetings of shareholders • Company website • Press releases/announcements • Annual reports, interim reports, ESG reports and other public information
Employees	• Meetings • Performance evaluations • Leisure activities • Surveys
Customers	• Website • Social media platforms • Online live chat and phone calls
Suppliers	• Meetings • Site visits • Surveys
Community	• Community activities • ESG Reports

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

A list of sustainability issues, which were potentially material to the Group, was decomposed in the context of its business and daily operation. A materiality assessment matrix was developed from the result of stakeholder engagement exercises conducted with internal and external stakeholders through online survey. The materiality assessment and prioritisation took into account of two dimensions. It included the importance of issues to stakeholders and the business. The issues that fall within the top right hand quadrant have relatively higher significance to both stakeholders and Group's business.

Materiality Matrix



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL ASPECTS

A1 Emissions

As the main workplace of the Group's employees is the general office and the method of transaction with our customers is primarily online, the Group's day-to-day business does not involve direct production and emission of air, water, and land pollution. Due to its business nature, the Group is not aware of any relevant environmental laws and regulations in respect of air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on us. However, the Group has established the Environmental Policy in order to mitigate the environmental impact associated with its business operations. The policy outlines the strategy to minimalize the direct environmental impact from the Group's business operation by strengthening external and internal communication and by implementing environmental measures to reduce and minimalize our footprint from emissions, energy consumption and waste generation. The corresponding approaches are illustrated in the following sections.

Greenhouse Gas (GHG) Emission

The Group's indirect emission of greenhouse gases is primarily related to the electricity consumption at our offices and our staff's business travel. The Group's logistics solution for its e-commerce business is outsourced to third party vendors. Management places a strong emphasis on sourcing vendors with strict adherence to environmental protection and sustainability measures, and continues to review such metrics on an annual basis in our decision to work with our logistics partners and vendors to ensure that our business continues to scale and grow with minimal impact to the environment. We do not include emissions generated by our third party vendors in the Group's greenhouse gas inventory. Initiatives to reduce GHG emissions from energy consumption will be discussed in the section headed "Use of Resources".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The GHG emission intensity was increased by 30% when compared with that in 2017/2018. The total GHG emission was increased by 52%. Scope 3 emission accounts for 60% of the total emissions and 94% of Scope 3 emission are generated from business travel.

Greenhouse Gas Emission[2]	**2018/2019 kg CO_2-equivalent**	2017/2018 kg CO_2-equivalent
Scope 1[3]	**0**	868.44
Scope 2[4]	**166,496.13**	127,985.91
Scope 3[5]	**253,620.28**	147,416.63
Total	**420,116.41**	276,270.98
Intensity (per employee)	**1,372.93**	1,054.47

Going forward, the Group will continue monitor the emission level and carry out practical mitigation measures where necessary.

2 The greenhouse gas emissions are calculated with reference to Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department, Sustainability Reports published by the CLP Power Hong Kong Limited, 2016/2017 Annual Report published by Water Suppliers Department, Sustainability Report 2016-2017 published by the Drainage Service Department.

3 Scope 1 refers to direct emissions from operations that are owned or controlled by the Group. It includes the emission from fuel brunt by company vehicle.

4 Scope 2 refers “Indirect energy” emissions resulting from internal consumption by the Group (purchased or acquired) of electricity, heating, cooling and steam. It comes from the use of electricity on the premises in Hong Kong only.

5 Scope 3 refers to all other indirect emissions that occur outside the company, including both upstream and downstream emissions. It includes the emissions produced indirectly from commercial business travel, processing fresh water and sewage by third party and paper wastes disposed at landfills.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Waste

As a digital company, our inherent business nature does not require significant resource consumption or waste production, contributing to a low environmental footprint.

The Group encourages our employees to initiate the practice of waste reduction. Our employees have developed environmentally friendly habits such as utilizing recycled paper and using paper saving techniques such as two-sided printing whenever possible.

We encourage the use of reusable crockery and utensils as opposed to their paper and plastic counterparts. Used batteries, printer toners carton box and carton boxes are gathered and returned to designated recycling collectors. Compared with those in 2017/2018, there was no significant change in the wastes production volume.

Waste	**2018/2019 tonnes**	2017/2018 tonnes
Non-hazardous wastes		
General unsorted wastes	**3.86**	3.69
Carton Box	**8.98**	5.31
Hazardous wastes		
Toners	**0.011**	0.012
Batteries	**0.012**	0.012

A2 Use of Resources

Due to our nature as a digital media and e-commerce platform, we are not involved in the manufacturing and production of goods. No significant raw materials and natural resources were consumed by the Group for this reason.

The Group's primary resource consumption relates to its use of paper, packaging materials, electricity and water within our offices. Except tap water sourced from municipal water supplies, no other natural water resource such as surface water or underground water is used.

Energy and other materials

The Group mainly interacts and engages with our viewers and customers through our digital media and e-commerce platforms. This provides an environmentally efficient way for viewers and customers to access our content, products and services online, reducing time and energy consumed by customers without having to actually commute to a traditional brick and mortar store or purchase physically printed content. Further, our energy consumption is much lower than vendors that operate physical retail stores as its main business. The nature of our business naturally supports reduced environmental impact and low levels of emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has also taken various other environmentally friendly initiatives such as installing LED lighting fixtures, energy-efficient air conditioners and refrigerators and other energy efficient electrical appliances at our Hong Kong head office, which significantly reduced our energy consumption.

In addition, management encourages our employees to turn off their electric equipment (including computers, monitors and desk lamps) before they leave the office especially for periods of extended holidays or absences.

The Group's policies do not explicitly mandate the purchase and use of energy-efficient electric appliances and other products, but in practice, energy-efficient products are sourced. We will consider incorporating a policy of purchasing energy-efficient products in the future.

Compared with those in 2017/2018, the paper consumption increased significantly because of the expansion of the reporting scope. The packaging material consumption intensity remained unchanged. The energy consumption intensity increased by 28%.

Paper Consumption	**2018/2019** **kg**	2017/2018 kg
A4 Paper	**3,675**	1,819

Packaging Material Consumption	**2018/2019** **kg**	2017/2018 kg
Bubble Wrap	**422.10**	359.10
Panfix Tape	**57.28**	35.70
Clear Tape	**385.56**	136.90
Clear Zipper Bag	**136.72**	10.80
Total	**1,001.66**	542.50
Intensity (per unit of product sold/delivered)	**0.003**	0.003

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption	**2018/2019 kWh**	2017/2018 kWh
Direct Energy Consumption		
Petrol	**0**	1,592.97
Indirect Energy Consumption		
Purchased Natural Gas	**0**	90.28
Electricity[6]	**326,463.00**	252,502.00
Total	**326,463.00**	254,185.24
Intensity (per employee)	**1,066.87**	970.17

6 It includes the consumption on premises in Hong Kong only. The electricity consumption data in the USA, the UK and Japan are not available as the related bill was included in the rental fee or shared with other tenants.

Water

Regarding the water consumption of the Group, tap water is sourced from municipal water supplies and the Group does not have any issue in sourcing water that is fit for purpose. The Group does not consume other natural water resource such as surface water or underground water. Compared with that in 2017/2018, the water consumption intensity remained steady.

Water Consumption[7]	**2018/2019 m^3**	2017/2018 m^3
Total	**175.69**	234.30
Intensity (per employee)	**0.86**	0.89

7 During work hours, administrative staff monitor water consumption by ensuring that faucets are not be kept running when unused. The Group has installed water efficient filtration systems for drinking water at our offices and encourage staff to consume filtered rather than bottled water.

Going forward, the Group will continue to monitor resource consumption and make further strides with respect to environmental protection.

A3 The Environment and Natural Resources

The Group's operations did not have direct impact on the environmental and natural resource. However, indirect greenhouse gas emissions will still have an impact towards global warming. The Group strives to further reduce indirect greenhouse gas emission through various measures mentioned in the sections headed "Emissions" and "Use of resources".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL ASPECTS

Employment and Labour Practices

B1 Employment

Employees are the most valuable asset of the Group. During the reporting period, the Group has complied with local employment laws and regulations relating to compensation, recruitment, promotion, termination, working hours, rest periods, equal opportunity, workplace diversity, anti-discrimination and other benefits and welfare, including but not limited to the Employment Ordinance, the Employees' Compensation Ordinance in Hong Kong, the Labour Contracts Act in Japan, the Fair Labour Standards Act, the Employee Retirement Income Security Act (ERISA), the Family Medical and Family Leave Act in the USA, Employment Rights Act 1996, the Equality Act 2010, the Working Time Regulations 1998, the National Minimum Wage Regulations 2015 and the Transfer of Undertakings (Protection of Employment) Regulations 2006 in the UK. The Group strictly follows regulations and industry best practices with respect to its processes and policies on recruitment, promotion, termination, working hours, equal opportunities, workplace diversity and anti-discrimination. The unlawful employment of minors or forced labour is strictly prohibited by the Group.

Equal Opportunities and Anti-Discrimination

Clear anti-discrimination policies are published in the employee handbook. The Group selects and promotes staff on the basis of their qualifications and merit, without discrimination or concern for race, religion, national origin, colour, gender, sexual orientation, gender identity or expression, age or disability.

The Group believes that a workplace should be safe and civilised. The Group will not tolerate sexual harassment, discrimination or offensive behaviour of any kind, which includes the persistent demeaning of individuals through actions or words, the display or distribution of offensive material, or the use or possession of weapons on the Group's premises.

Remuneration

The Group offers competitive remuneration, medical benefits (including health & dental), a rental reimbursement program and promotion and advancement opportunities to attract and retain talent.

Salaries are benchmarked to the objective market data and external remuneration reports. In addition, policies are in place for regular employee performance reviews, and salary adjustments are made as part of the performance evaluation process every year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Working hours and holidays

Policies on standard working hours and public holidays are followed in accordance with the Labour Ordinance. Employees are entitled to, as applicable, public holidays, annual leave, sick leave, marriage leave, maternity leave, paternity leave, compassionate leave, jury service leave and unpaid leave. The Group has always been people-oriented and does not support overtime work unless necessary.

The Group actively engages and motivates employees through various communication channels and provides internal training to allow employees to share work experience and work skills.

Other Benefits of the Group

In addition to health and dental insurance, the Group offers other benefits including fitness membership discount, company sponsored staff outings, staff discounts with our online store, a pet friendly office, a common room with video games, TV and ping pong table, weekly fresh fruit deliveries and a coffee machine, amongst other benefits.

The following tables show the workforce and turnover rate of the Group.

Workforce As at 31 March	**2018/2019**	2017/2018
By Gender		
Male	**168**	146
Female	**138**	116
By Employment Type		
Full-time	**281**	244
Part-time	**25**	18
By Age Group		
Below 30	**181**	174
30-39	**99**	66
40-49	**14**	10
50 or above	**12**	12
By Geographical Region		
Hong Kong	**204**	182
Japan	**1**	N/A
USA	**76**	65
UK	**25**	15
Total	**306**	262

Turnover Rate[8]	2018/2019	2017/2018
By Gender		
Male	**31%**	36%
Female	**44%**	47%
By Age Group		
Below 30	**39%**	42%
30-39	**27%**	28%
40-49	**58%**	84%
50 or above	**42%**	50%
By Geographical Region		
Hong Kong	**40%**	47%
Japan	**0%**	N/A
USA[9]	**33%**	19%
UK	**15%**	40%
Overall	**37%**	40%

8 Turnover Rate = Number of employee left during the reporting period /Average number of employee during the reporting period

9 The Group let go some underperforming staff in the USA during the reporting period.

B2 Health and Safety

To provide and maintain a safe and healthy workplace, the Group's health and safety policy adheres to regulations and guidelines set out by the Occupational Safety & Health Council. Safety arrangements in cases of emergency such as during typhoons, rainstorm warnings and fire evaluation are stated in the employee handbook to ensure that all employees are aware of emergency procedures. The Group was compliant with relevant laws and regulations that have a significant impact on providing a safe and hazard-free working environment, including but not limited to the Occupational Safety and Health Ordinance in Hong Kong and Occupational Safety and Health Act (OSHA) in the USA.

The Group is committed to raising employees' awareness in a safe and healthy work culture proactively by disseminating safety education and issuing health guidelines such as stretching exercises to prevent strain, fatigue and injuries from sitting at the desk for extended periods. The Group also provides ergonomic office chairs and desks for employees to optimize their work environment and working posture, where the forearms are at about right angle to arms, backrest is adjustable in height and tilt, seat height is adjustable for users to sit with thighs approximately horizontal, lower legs vertical and feet resting firmly on the floor, chairs have a stable base and castors. The Group also uses air filters and routinely performs air quality test and air-conditioning system cleaning work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table shows the performance indicators regarding occupational health and safety during the reporting period:

	2018/2019	2017/2018
Injury rate[10]	**0.00%**	0.01%
Occupation disease rate[11]	**0.00%**	0.00%
Lost day rate[12]	**0.00%**	0.04%
Absentee rate[13]	**0.63%**	1.21%
Fatality rate[14]	**0.00%**	0.00%

10 The frequency of injuries relative to the total time worked by all workers during the reporting period

11 The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period

12 The total lost days relative to the total number of hours scheduled to be worked by workers in the reporting period.

13 The measure of actual absentee days lost, expressed as a percentage of total days scheduled to be worked by workers for the same period

14 The frequency of fatality relative to total time worked by all workers during the reporting period

B3 Development and Training

The Group is committed to the continuous training and development of its employees. Staffs attend training programs relevant to their field of work, with needs determined jointly between the staff, their direct supervisor and the Human Resources team. The Human Resources team also provides training and coaching to managers on management topics and issues.

Full time employees who meet certain requirements are encouraged to attend sponsored or partially-sponsored distance learning or part-time training courses appropriate to their role, subject to the needs of the business, and operational and budgetary considerations. The Group foster a culture of constant learning and development by encouraging all managers to provide on-the-job coaching with ample feedback to the employees.

In the coming year, the Group will be continuing the Hypebeast Scholarship through which a company committed cash amount would be available to eligible employees to assist with their professional development.

During the reporting period, the Group launched orientation training and other training activities, such as management and technical training, to enhance the capability of employees. The percentage of employee undergone training increased significantly. The following table illustrates the percentage of employees undergone training of the Group.

Percentage of Employees Undergone Training[15]	2018/2019	2017/2018
By Gender		
Male	**99%**	19%
Female	**100%**	16%
By Employment Category		
Assistant General Manager or Above	**94%**	40%
Senior Manager	**100%**	67%
Manager	**100%**	56%
Assistant Manager	**100%**	70%
General Staff	**100%**	10%
Operation Staff	**100%**	0%
Overall	**100%**	18%

15 Percentage of employees who received company sponsored training during the reporting period.

B4 Labour Standards

The Group primarily engages in internet advertising and online retail activities. There have never been any unlawful child labour or forced labour practices in the Group.

Background checks on employees are performed to ensure they meet statutory standards in recruitment and ensure our compliance with labour laws and regulations. Due to the Group's policies in place, risk relating to the unlawful employment of child labour and forced labour and violation of applicable labour standards is considered insignificant. The Group also strives to strictly adhere to any labour standards, in particular to issues regarding equality and discrimination, as illustrated in the section headed "Employment".

The Group strictly complies with laws and regulations relating to employment as stated in section headed "Employment" and is not aware of any laws and regulations relating to preventing child or forced labour that have a significant impact on us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Operating Practices

B5 Supply Chain Management

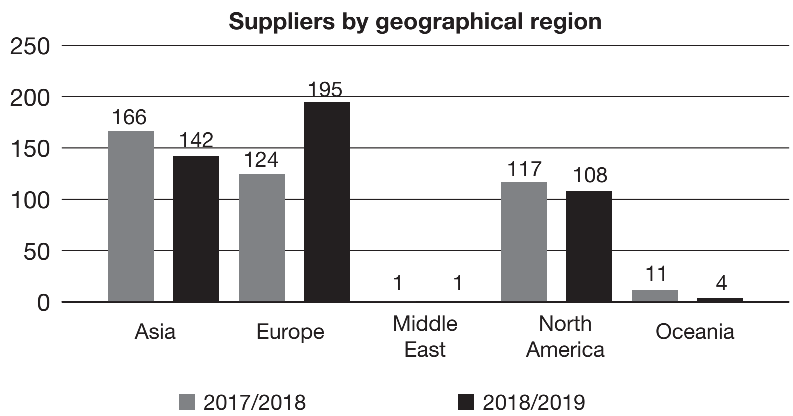
The Group values the importance of ethical business conduct by ourselves and by our business partners. In order to do so, the Group established a supply chain management policy to encourage suppliers to maintain high standards in various operational aspects, including but not limited to anti-corruption policies, open and fair competition, and respect of intellectual property rights.

In order to maintain long-lasting and sustainable business relationships with our suppliers and vendors, the Group conducts a strict vetting and assessment process prior to working with new business partners, including but not limited to business and due diligence meetings, office and factory visits, product sampling and inspection, quality control checks and labour practices reviews. The Group is dedicated to continually monitoring and working closely with our suppliers to maintain our sustainable and socially responsible practices.

The Group's suppliers provide us with homeware, packaging material, logistic services, footwear, clothing and accessories. They are located in different regions[16], including Asia, Europe, Middle East, North America and Oceania. The following bar chart shows the number of suppliers by geographical region.

No. of Supplier	**2018/2019**	2017/2018
Total	**450**	419

[16] Asia: China, Hong Kong, Japan, Korea and Taiwan
Europe: Belgium, Denmark, Finland, France, Germany, Italy, Poland, Portugal, Spain, Sweden and the United Kingdom
Middle East: Israel
North America: Canada and the United States of America
Oceania: Australia



B6 Product Responsibility

Quality Management

E-commerce Business

The Group insists on delivering the highest quality products to our customers. The Group was in compliance with relevant laws and regulations that have a significant impact on the issue relating to product responsibility, health and safety, including but not limited to Supply of Services (Implied Terms) Ordinance in Hong Kong, Consumer Product Safety Act (the "CPSA"), The Flammable Fabrics Act (the "FFA") and the Textile Fibre Products Identification Act (the "TFPIA") in the USA and the Customer Rights Act 2015 in the UK. During the reporting period, the Group did not have any significant non-compliance issues in this regard.

We have in place quality control procedures to ensure all products that arrive at our warehouse and ultimately sent out to our customers are carefully inspected so as to meet our standard of quality. When goods arrive at the warehouse, the warehousing team inspects and crosschecks each item to ensure they are brand new products and that have no visible defects. Once inspection is complete, the team will carefully store the item on an assigned shelf within our warehouse.

The Group's products are stored in a secured warehouse with 24-hour surveillance and securely locked to prevent unauthorized access. The warehouse is air conditioned year round to prevent humidity and other damage.

When a customer order comes in, the logistics team performs a final inspection to ensure there are no damages or defects before packing the order for shipment to the customer.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Digital Media business

The Group implements various quality control policies with regard to our digital media business, including policies for monitoring the quality of the editorial posts we upload to our digital media platforms and the quality of the photos or videos produced by our production team, as well as policies for monitoring of our visitors' posts on our discussion forum.

We have a dedicated senior editorial team to oversee all digital content and to ensure that all digital content is properly processed and published. The senior editorial team focuses on screening the articles, videos and photos to ensure that all third-party sourced materials are identified and acknowledged. Where practicable, members of the senior editorial team will obtain third-party consent before posting if the author of the original work can be identified.

Every senior editor is experienced to ensure that all aspects, ranging from written text and imagery to public reception, comply with our quality standards. The editor-in-chief or senior editors of our websites[17] screen, review and approve all articles before they are posted on the websites and magazines. The editorial teams are headed by Mr. Ma, an executive Director, the chief executive officer and the chairman of the Board and Ms. Lee, an executive Director respectively.

Our sales team and production team maintain regular contact with our customers to ensure that the final products satisfy the requirements of our customers. Senior members in the editorial, sales and production teams also review the materials to ensure the quality and the conformance with ethical and moral standards. Members of our social media team also monitor our discussion forum and will remove any objectionable content.

Customer Inquires

Delivering the highest level of customer service to our customers is highly important to the Group. The Group has a team of customer support representatives to handle customer enquiries through email, online live chat and phone calls. The Group has established written policy and procedures for handling customer complains. Customers worldwide can submit enquiries about their orders through any of the aforementioned channels and expect a response typically within 3 to 4 business hours. The customer service manager reviews and monitors the handling of customer enquiries, and any complaints are handled personally to ensure that a high quality of service is consistently provided to our customers. The customer service manager also monitors customer feedback at least on a weekly basis through our customer feedback survey results to ensure quality standards are constantly maintained.

[17] Hypebeast, Hypebae, Hypekids or Popbee

Complaint Received[18]	2018/2019	2017/2018
No. of cases	283	226
Percentage of complaint received	0.08%	0.11%

Intellectual Property

The Group attaches great importance to the respect of intellectual property rights. A policy of the Group stipulates that pirated software is forbidden to be downloaded or used in the Group. We also actively monitor copyrights attached to our published media content and pictures used in our editorial operations to ensure we have provided credit to all sources and are compliant to any required copyright laws and standards, such as the Copyright Ordinance in Hong Kong. During the reporting period, the Group did not have any significant non-compliance issues in this regard.

Advertising and labelling

Regarding the digital media business, the Group strictly abides by the laws and regulations relating to advertising, including but not limited to the Trade Descriptions Ordinance, Control of Obscene and Indecent Articles Ordinance in Hong Kong, the UK Code of Non-broadcast Advertising and Sales Promotion and Direct Marketing (the "CAP Code") in the UK. During the reporting period, the Group did not have any significant non-compliance issues in this regard.

The Group has established guidelines to ensure our editorial work is legal, responsible and professional. Contents relating to drugs or nudity are handled carefully. For the quality control of the editorial work, please referring to the section headed "Quality Management".

For e-commerce business, the Group is not involved in product labelling activities as products sold are sourced from suppliers.

Consumer Privacy

As the Group provides a payment platform for its e-commerce operations with a large number of public users, protection of customers' privacy and safeguard of personal information is essential to our business.

The Group has strict access controls to only allow certain staff to access customer information. Our servers are protected behind a software firewall, and data is backed up regularly. Stability of our IT network is constantly monitored by our engineering team and any abnormal network disconnections are prevented by multiline, built-in redundancies, spare machines and 24-hour maintenance and monitoring.

Regarding the update of the European Union (EU) General Data Protection Regulation (GDPR) during the reporting period, the Group has updated our Privacy Policy, which is available on our website: https://hypebeast.com/gdpr.

18 The total number of complaints received relative to the total number of orders placed.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has strictly complied with laws and regulations relating to privacy, including but not limited to the EU General Data Protection Regulation (GDPR) and Personal Data (Privacy) Ordinance in Hong Kong. During the reporting period, the Group did not have any significant non-compliance issues in this regard.

B7 Anti-corruption

The Group has in place Anti-fraud Policy and has complied with related laws and regulations that have a significant impact on it relating to bribery, extortion, fraud and money laundering during the reporting period, including the Prevention of Bribery Ordinance in Hong Kong, the American Anti-Corruption Act (AACA) in the USA, the Bribery Act 2010 in the UK, the Unfair Competition Prevention Act (Act No 47 of 1993) (the UCPA) and the Penal Code (Act No 45 of 1907) (the Penal Code) in Japan.

The Group has a zero-tolerance approach on fraud and corruption in all Company activities. The detection and management of fraud and corruption is an integral part of good governance and management practice, and a culture of honesty and integrity within the organization is maintained to ensure the effective prevention, detection, reporting and management of fraud and corruption, misappropriation, and other irregularities. All employees are actively involved in the management of fraud and corruption risk.

The Group has strict policies on employees' acceptance of gifts and entertainment and on the solicitation of discounts from brands and retailers. Company store discount abuse and company branded merchandise abuse are strictly prohibited.

Under our purchasing policy, the Group evaluates suppliers on a number of factors, including reputation, social and environmental efficacy, social media impact and future growth prospects.

The Group has in place a whistleblower policy as a communication channel for employees to report concerns relating to ethical business or personal conduct, accounting and financial matters, integrity and professionalism, or allegations of retaliation for having reported matters in good faith. Employees are welcomed to send his/her concerns via email.

Community

B8 Community Investment

The Group encourages and supports our staff to participate in acts of community involvement such as donations and volunteering events to care for different people in need. The Group has in place a Community Investment Policy to encourage the development of long term relations with our community stakeholders. The Group supports initiatives that serve the need of those who are socio-economically disadvantaged.

The details of the community activities supported during the reporting period are as follows:

Hong Kong Red Cross Blood Donation

Staff in Hong Kong made effort in Hong Kong Red Cross Blood Donation campaign so as to save other lives and spread the message of "Help Others" in the workplace, contributing a total of 8 service hours.

The Hong Kong Green Run 2019

The Group made a sponsorship of HK$5,000 and participated in the Hong Kong Green Run organised by the Green Council, contributing a total of 10 service hours. The event aimed at raising public awareness about environmental conservation, protection, and responsibility, as well as to promoting the transformation of Hong Kong into a greener and more sustainable city.

Donation to the Community Chest of Hong Kong

The Group supported the Community Chest of Hong Kong through making a donation of HK$1,000,000 to make contribution to the organisation's major services on children & youth, elderly, family & child welfare, medical & health, rehabilitation & aftercare, and community development, making every effort to contribute to a better Hong Kong.

Future Development of the Group

The Group continues to make efforts to address social responsibility through identifying opportunities to participate and sponsor for donations and other community programs, as well as encouraging staff to engage in such community outreach events.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
ENVIRONMENTAL			
Aspect A1 Emissions			
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emissions	35
KPI A1.1	The types of emissions and respective emissions data	Emissions	35-36
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	35-36
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	37
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	37
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	37
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions	37
Aspect A2 Use of Resources			
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials	Use of Resources	37
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ‘000s) and intensity (e.g. per meal)	Use of Resources	37-38
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources	39
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	37-38
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of Resources	39
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Use of Resources	38

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	The Environment and Natural Resources	39
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	The Environment and Natural Resources	39
SOCIAL			
Employment and Labour Practice			
Aspect B1 Employment			
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment	40-41
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Employment	41
KPI B2.1	Employee turnover rate by gender, age group and geographical region	Employment	42
Aspect B2 Health and Safety			
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	42
KPI B2.1	Number and rate of work-related fatalities	Health and Safety	43
KPI B2.2	Lost days due to work injury	Health and Safety	43
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Health and Safety	43

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	43
KPI B3.1	The percentage of employees trained by gender and employee category	Development and Training	44
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and Training	Not Applicable
Aspect B4 Labour standards			
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour	Labour Standards	44
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Labour Standards	44
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Labour Standards	44
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of supply chain	Supply Chain Management	45
KPI B5.1	Number of suppliers by geographical region	Supply Chain Management	45-46
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Supply Chain Management	45

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Aspect B6 Product Responsibility			
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Product Responsibility	46
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	No products sold or shipped subject to recalls for safety and health reasons	Not Applicable
KPI B6.2	Number of products and service related complaints received and how they are dealt with	Product Responsibility	47-48
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility	48
KPI B6.4	Description of quality assurance process and recall procedures	Product Responsibility	46-47
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Product Responsibility	48-49
Aspect B7 Anti-corruption			
General Disclosure	Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption	49
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	No concluded case	Not Applicable
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	49

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIs		Section/ Statement	Page number
Community			
Aspect B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	50
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	50
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment	50

REPORT OF DIRECTORS

The Directors hereby present this annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2019.

CORPORATE REORGANISATION

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

In preparation for the Listing, the Company underwent Reorganisation, becoming the holding company of the group of companies, together comprising the Group, The Reorganisation was completed on 30 October 2015, details of the Reorganisation are set out in the Prospectus.

The shares of the Company were listed on GEM with effect from 11 April 2016 and were transferred to be listed on the Main Board of the Stock Exchange with effect from 8 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of digital content and website advertisement spaces and operation of an online retail platform.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 76 to 155 of this annual report.

PROPOSED SPECIAL DIVIDEND

The Board has recommended the payment of a special dividend of HK0.242 cent per share of the Company for the year ended 31 March 2019 to celebrate the transfer of the listing of the Company's shares from GEM to the Main Board of the Stock Exchange (the "Proposed Special Dividend"). The Proposed Special Dividend is subject to approval by shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 9 August 2019 (the "Annual General Meeting"). The Proposed Special Dividend will be paid in cash on Thursday, 5 September 2019 to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 20 August 2019.

REPORT OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 6 August 2019 to Friday, 9 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22 (for lodgement of documents on or before Wednesday, 10 July 2019) and Level 54 (for lodgement of documents on or after Thursday, 11 July 2019), Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 August 2019.

For determining the entitlement to the Proposed Special Dividend, the register of members of the Company will be closed from Friday, 16 August 2019 to Tuesday, 20 August 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Special Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at the address shown above, for registration not later than 4:30 p.m. on Thursday, 15 August 2019.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2019, which includes a description of the principal risks and uncertainties facing the Group, an analysis of financial key performance indicators of the Group's business, particulars of important events affecting the Group, review of likely future developments in the Group's business, and a discussion on the Company's environmental policies and performance and the relationships with its stakeholders, can be found in the sections headed "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report. The review forms part of this Directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year ended 31 March 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Law of Cayman Islands, amounted to approximately HK$26.3 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements of the Company for the last five years ended 31 March 2019 is set out on page 156 of the annual report. This summary does not form part of the audited financial statements.

SHARE OPTION SCHEMES

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. The principal terms of the share option schemes are summarized below:

REPORT OF DIRECTORS

	Details	Pre-IPO Scheme	Post-IPO Scheme
1.	Purpose	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group.	To motivate eligible persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.
2.	Participants	Any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.	
3.	Total number of shares available for issue	No further options can be granted under the Pre-IPO Scheme.	159,737,500 shares (being approximately 8.0% of the issued share capital as at the date of this annual report)
4.	Maximum entitlement of each participant	Determined by the Board.	Substantial shareholders/independent non-executive directors: 0.1% of the issued shares/aggregate value not exceeding HK$5 million in the 12-month period up to and including the date of such grant Other participants: in any 12-month period shall not exceed 1% of the issued shares from time to time

	Details	Pre-IPO Scheme	Post-IPO Scheme
5.	Period within which the securities must be taken up under an option	An option may be exercised within a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.	
6.	Minimum period for which an option must be held before it can be exercised	Determined by the Board.	
7.	Acceptance of offer	A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.	
8.	Basis of determining the exercise price	Determined by the Board.	Determined by the Board but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options; (ii) the average of the closing prices of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of an ordinary share of the Company.
9.	Remaining life of the scheme	Expired on 11 April 2016.	Valid and effective for a period of 10 years commencing on 11 April 2016.

Details of the movements within the two share option schemes of the Company for the year ended 31 March 2019 are set out below:

REPORT OF DIRECTORS

(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 31 March 2019
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				18,500,000	18,500,000

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 year ended 31 March 2019.

(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	Number of share options: Granted during the year	Number of share options: As at 31 March 2019
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
	10 August 2018	From 10 August 2021 to 9 August 2028	0.62	–	10,000,000	10,000,000
Total				30,262,500	10,000,000	40,262,500

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

(2) No share options have been exercised/cancelled/lapsed under the Post-IPO Scheme during the year ended 31 March 2019.

(3) The closing price of the shares of the Company immediately before the date of grant on 10 August 2018 was HK$0.63.

Further details of the share option schemes of the Company are set out in note 27 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

REPORT OF DIRECTORS

DIRECTORS

The Directors of the Company during the year ended 31 March 2019 and up to the date of this report were as follows:

Executive Directors
Mr. Ma Pak Wing Kevin
Ms. Lee Yuen Tung Janice

Independent non-executive Directors
Ms. Poon Lai King
Ms. Kwan Shin Luen Susanna
Mr. Wong Kai Chi

In accordance with the Company's articles of association, Mr. Ma Pak Wing Kevin and Mr. Wong Kai Chi will retire from office by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 19 to 21 of the annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2019 or at any time during the year ended 31 March 2019.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with our Company for a term of three years, during which either party may terminate the service agreement by giving the other not less than three-months written notice.

Each of the independent non-executive Directors were appointed for a term of three years. The letters of appointment are subject to termination in accordance with their respective terms by not less than one-month notice in writing served by independent non-executive Director or the Company.

Save as disclosed above, none of the Directors entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment compensation other than the statutory compensation.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Company are set out in note 11 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options granted under the share option scheme.

REPORT OF DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, 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 (Note 1)	1,485,000,000	74.25%
	Beneficial Owner	5,860,000	0.29%
		1,490,860,000	74.54%
Ms. Lee Yuen Tung Janice	Interest of spouse (Note 2)	1,490,860,000	74.54%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2019.

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 1,490,860,000 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 (Note)	1	100%

* The percentage represents the number of ordinary shares divided by the number of CORE Capital's issued shares as at 31 March 2019.

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

Save as disclosed above, as at 31 March 2019, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from those as disclosed in the above paragraph under "Directors' and Chief Executives' Interests and Short Positions in the Shares, the Underlying Shares or Debentures of the Company and its Associated Corporations", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 year or age, or were any rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable to the Directors to acquire such rights in any other body corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, THE UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

As at 31 March 2019, 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:

REPORT OF DIRECTORS

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 (Note)	1,485,000,000	74.25%

* The percentage represents the number of ordinary shares divided by the number of the Company's issued shares as at 31 March 2019.

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 31 March 2019, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the percentage of revenue attributable to the Group's major customers is set out below:

Revenue

— The largest customer: 7.0%

— The total of the five largest customers: 14.5%

For the year ended 31 March 2019, the percentage of cost of services attributable to the Group's major suppliers is set out below:

Cost of Revenue

— The largest supplier: 13.7%

— The total of the five largest suppliers: 31.9%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major customers and major suppliers noted above.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

During the year ended 31 March 2019, the Group did not enter into any connected transactions or continuing connected transactions that are not exempted from annual reporting requirement under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the Listing Rules.

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 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 year ended 31 March 2019.

None of the Directors, the controlling shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, or has any other conflict of interests with the Group during year ended 31 March 2019, and confirm that none of them is engaged in any business which directly or indirectly, competes or is likely to compete with the business of the Company and any of its subsidiaries or has interest in such business.

REPORT OF DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on pages 22 to 31 of this annual report.

AUDITOR

There has been no change in auditor of the Company since the incorporation of the Company.

A resolution will be proposed at the forthcoming annual general meeting to re-appoint Messrs Deloitte Touche Tohmatsu as external auditor of the Company.

By order of the Board
Ma Pak Wing Kevin
Chairman and Executive Director

Hong Kong, 20 June 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF HYPEBEAST LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hypebeast Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 155, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Impairment assessment of trade receivables

We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As at 31 March 2019, the Group's net trade receivables amounting to HK$130,745,000, and out of these trade receivables of approximately HK$50,541,000 were past due. As explained in note 2 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" ("HKFRS 9") and the directors of the Company considered that the measurement of ECL has no material impact to the Group's accumulated profits as at 1 April 2018.

How our audit addressed the key audit matter

Our procedures in relation to impairment assessment of trade receivables included:

- Understanding key controls on how the management estimates the loss allowance for trade receivables;
- Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 1 April 2018 and 31 March 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents;
- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 1 April 2018 and 31 March 2019, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information);

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

Impairment assessment of trade receivables (Continued)

As disclosed in notes 17 and 29 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors by geographical locations, after considering aging, repayment history, economic environment of different geographical locations and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that with significant balances or credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

As disclosed in note 29 to the consolidated financial statements, the Group recognised an additional amount of HK$681,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 March 2019 amounted to HK$261,000, while amount of HK$420,000 has been written off during the year ended 31 March 2019.

How our audit addressed the key audit matter

- Evaluating the disclosures regarding the impairment assessment of trade receivables in note 29 to the consolidated financial statements; and

- Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yuen Wing Hang.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	NOTES	**2019 HK$'000**	2018 HK$'000
Revenue	5	**672,192**	385,079
Cost of revenue		**(336,838)**	(181,194)
Gross profit		**335,354**	203,885
Other gains and losses	8	**(653)**	2,014
Selling and marketing expenses		**(152,719)**	(83,643)
Administrative and operating expenses		**(92,734)**	(65,887)
Professional fee relating to transfer of listing		**(7,402)**	–
Impairment loss recognised on trade receivables		**(681)**	(234)
Finance costs	7	**(615)**	(288)
Share of result of a joint venture		**(3,901)**	(653)
Profit before tax		**76,649**	55,194
Income tax expense	9	**(14,851)**	(10,023)
Profit for the year	10	**61,798**	45,171
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**13**	(1)
Total comprehensive income for the year		**61,811**	45,170
Earnings per share	13		
– Basic (HK cent)		**3.09**	2.26
– Diluted (HK cent)		**3.04**	2.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**9,837**	5,478
Rental deposits		**2,308**	1,014
Interest in a joint venture	16	**1,333**	5,234
		13,478	11,726
Current assets			
Inventories	15	**67,802**	28,990
Trade and other receivables	17	**173,894**	98,631
Contract assets	20	**8,936**	–
Amount due from a joint venture	18	**6,715**	133
Pledged bank deposits	19	**6,723**	1,881
Bank balances and cash	19	**55,727**	58,581
		319,797	188,216
Current liabilities			
Trade and other payables	21	**89,662**	47,104
Contract liabilities	25	**3,215**	–
Obligation under finance lease – due within one year	23	**–**	272
Bank borrowings – due within one year	22	**26,990**	4,663
Tax payables		**7,088**	6,223
		126,955	58,262
Net current assets		**192,842**	129,954
Total assets less current liabilities		**206,320**	141,680
Non-current liabilities			
Obligation under finance lease – due after one year	23	**–**	261
Deferred tax liabilities	24	**353**	170
		353	431
Net assets		**205,967**	141,249
Capital and reserves			
Share capital	26	**20,000**	20,000
Share premium		**25,275**	25,275
Reserves		**160,692**	95,974
		205,967	141,249

The consolidated financial statements on pages 76 to 155 were approved and authorised for issue by the Board of Directors on 20 June 2019 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
At 1 April 2017	20,000	25,275	–	–	49,055	94,330
Profit for the year	–	–	–	–	45,171	45,171
Exchange differences arising on translation of foreign operations	–	–	(1)	–	–	(1)
Total comprehensive (expense) income for the year	–	–	(1)	–	45,171	45,170
Recognition of equity-settled share-based payments	–	–	–	1,749	–	1,749
At 31 March 2018	20,000	25,275	(1)	1,749	94,226	141,249
Profit for the year	–	–	–	–	61,798	61,798
Exchange differences arising on translation of foreign operations	–	–	13	–	–	13
Total comprehensive income for the year	–	–	13	–	61,798	61,811
Recognition of equity-settled share-based payments	–	–	–	2,907	–	2,907
At 31 March 2019	20,000	25,275	12	4,656	156,024	205,967

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**76,649**	55,194
Adjustments for:		
Depreciation of property, plant and equipment	**2,755**	1,823
Share-based payment expense	**2,907**	1,749
Loss (gain) on disposal of property, plant and equipment	**56**	(13)
Impairment loss recognised on trade receivables	**681**	234
Write-down of inventories	**319**	755
Share of result of a joint venture	**3,901**	653
Finance costs	**615**	288
Bank interest income	**(29)**	–
Operating cash flows before movements in working capital	**87,854**	60,683
Increase in inventories	**(39,131)**	(17,928)
Increase in trade and other receivables and rental deposits	**(77,238)**	(42,410)
Increase in contract assets	**(8,936)**	–
Increase in trade and other payables	**42,918**	1,441
Increase in contract liabilities	**2,855**	–
Cash generated from operations	**8,322**	1,786
Income taxes paid	**(13,803)**	(5,482)
NET CASH USED IN OPERATING ACTIVITIES	**(5,481)**	(3,696)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(16,228)**	(3,702)
Purchase of property, plant and equipment	**(7,842)**	(2,515)
Advance to a joint venture	**(6,582)**	(133)
Investment in a joint venture	**–**	(5,887)
Withdrawal of pledged bank deposits	**11,386**	6,822
Proceeds from disposal of property, plant and equipment	**660**	596
Bank interest received	**29**	–
NET CASH USED IN INVESTING ACTIVITIES	**(18,577)**	(4,819)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(9,564)**	(20,669)
Interest paid on bank borrowings	**(599)**	(265)
Repayment of obligation under finance lease	**(533)**	(196)
Interest paid on finance lease	**(16)**	(23)
Proceeds from bank borrowings	**31,891**	20,319
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**21,179**	(834)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,879)**	(9,349)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**58,581**	67,931
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**25**	(1)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**55,727**	58,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. GENERAL

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 first listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 April 2016 and have been transferred from the GEM to Main Board of the Stock Exchange on 8 March 2019 pursuant to the approval granted by the Stock Exchange on 28 February 2019.

Its registered office is located at P.O. Box 10008, Willow House, Cricket Square Grand Cayman KY1-1001, Cayman Islands. The address of its principal place of business is located at 10/F, KC100, 100 Kwai Cheong Road, Kwai Chung, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of digital content and website advertisement spaces and operation of online stores. Its parent and ultimate holding company is CORE Capital Group Limited ("CORE Capital"), a private company incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Ma Pak Wing Kevin ("Mr. Ma").

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following sources which arise from contracts with customers:

- Sales of goods through online stores;
- Commission fee from consignment sales;
- Provision of advertising spaces;
- Provision of services for creative agency projects; and
- Publication of magazines

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15

The application on HKFRS 15 has no material impact on the Group's accumulated profits at 1 April 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK$'000	HK$'000 (Note)	HK$'000
Current Liabilities			
Trade and other payables	47,104	(360)	46,744
Contract liabilities	–	360	360

Note: As at 1 April 2018, receipts in advance from the provision of advertising spaces of HK$360,000 previously included in trade and other payables were reclassified to contract liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Assets			
Trade and other receivables	173,894	8,936	182,830
Contract assets (note (a))	8,936	(8,936)	–
Current Liabilities			
Trade and other payables	89,662	3,215	92,877
Contract liabilities (note (b))	3,215	(3,215)	–

Notes:

(a) In relation to the Group's contracts with customers for provision of advertising spaces, taking into account the contract terms, because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs and hence should be recognised over time upon application of HKFRS 15, accordingly unbilled revenue of HK$8,936,000 which are conditional on the Group's achieving specified target impression rate or click rate stipulated in the contracts are recognised as contract assets.

(b) Receipts in advance from the provision of advertising spaces and sales of goods through online stores of HK$2,229,000 and HK$986,000, respectively, are recognised as contract liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

Impact on the consolidated statement of cash flows

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Increase in trade and other receivables	(77,238)	(8,936)	(86,174)
Increase in contract assets	(8,936)	8,936	–
Increase in trade and other payables	42,918	2,855	45,773
Increase in contract liabilities	2,855	(2,855)	–

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and contract assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39").

The directors of the Company (the "Directors") considered that there is no material impact on the classification of the financial assets and financial liabilities as at 1 April 2018 resulting from application of HKFRS 9.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 *Financial Instruments* (Continued)

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate groupings. The contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

ECL for other financial assets at amortised cost, including other receivables, amount due from a joint venture, pledged bank deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

The Directors considered that the measurement of ECL has no material impact to the Group's accumulated profits at 1 April 2018.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the individual line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018 HK$'000 (audited)	HKFRS 15 HK$'000	HKFRS 9 HK$'000	1 April 2018 HK$'000 (restated)
Current Liabilities				
Trade and other payables	47,104	(360)	–	46,744
Contract liabilities	–	360	–	360

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and revised HKFRSs and interpretation to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretation to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases* ("HKFRS 16")

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* ("HKAS 17") and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 *Leases* ("HKFRS 16") (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$28,703,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$6,366,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Directors assess that such changes may increase the consolidated assets and consolidated liabilities of the Group but would not result in a significant impact on the financial performance of the Group upon adoption of HKFRS 16.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except leasing transactions that are within the scope of HKAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. When necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and event in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassified the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (such as sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (prior to 1 April 2018)

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, consignment sales, provision of advertising spaces, provision of services for creative agency projects and publication of magazines.

Sales of goods through online stores

Revenue from the sale of goods through online stores is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Consignment sales

When the goods sold on the Group's online stores are derived from consignment arrangements under which the Group in substance acts as an agent that takes physical possession of the goods, but does not assume all of the risks and rewards, the consideration received and receivable is recognised as revenue net of all costs borne by the consignor and consignor's margin at which time all the above conditions in relation to the sales of goods through online stores are satisfied.

Provision of advertising spaces

Income from the provision of advertising spaces is recognised on a straight-line basis over the period of publicity, at which time all the following conditions are satisfied:

- it is probable that the economic benefits associated with the transaction will flow to the Group upon the satisfaction of target impression rate or click rate set out in respective contract; and
- the relevant services which related to the production of the advertisement has been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (prior to 1 April 2018) (Continued)

Provision of services for creative agency projects

Creative agency projects consist of project-based production of advertisement (including photo shooting, video production and editorial work prior to the publishing on advertising spaces) and the provision of advertising spaces. Creative agency projects comprised of large-scale projects and small-scale projects.

For large-scale projects, the Group will typically sign a service contract with the customer. Taking into account the contract terms, income from large-scale creative agency projects is recognised on a straight-line basis over the period of publicity, at which time all the following conditions are satisfied:

- it is probable that the economic benefits associated with the transaction will flow to the Group upon the satisfaction of target impression rate or click rate set out in respective contract; and

- the relevant services which related to the production of the advertisement has been rendered.

For small-scale projects, the Group typically issue the insertion order (more details set out in note 5(ii)(c)) to the customer. Taking into the contract terms, the small-scale creative agency projects is recognised upon services rendered and completion of the relevant project.

Publication of magazines

Income from publication of magazines is recognised when the magazines has been published and delivered to the subscribers.

Others

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases are classified as finance leases whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Retirement benefit costs

Payments to state-managed retirement schemes/the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to directors of the Company and employees of the Group who have contributed or will contribute to the Group are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Such liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to settle the carrying amount of its liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including motor vehicles (classified as finance leases) held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit loss, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, contract assets, amount due from a joint venture, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instruments' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables and contract assets, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and geographical locations of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a joint venture, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowing costs

Borrowing costs which are not capitalised to qualifying assets are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of trade receivables

Before the application of HKFRS 9 on 1 April 2018, in determining the recoverability of trade receivables, the management assesses the recoverable amount of each individual receivables at the end of the reporting period based on objective evidence such as the default rates of prior years, historical payment pattern of customers, aging profile of receivable balances, and settlements subsequent to year end. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of trade receivables as at 31 March 2018 was HK$85,832,000. Impairment of HK$234,000 have been provided during the year ended 31 March 2018.

Upon application of HKFRS 9, except for debtors with significant outstanding balances or credit-impaired which individually assessed for ECL, the Group uses provision matrix to calculate ECL for trade receivables. The Group uses debtors' aging to assess the impairment for its customers which grouped by different geographical locations because these customers consist of numbers of customers with similar loss patterns, repayment history, economic environment of different geographical locations and past due status that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision rates that applied are based on historical default rates from respective segments taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. Different default rates are applied to the different customers groupings. In addition, receivables with significant balances or credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The carrying amount of trade receivables as at 31 March 2019 was HK$130,745,000. Impairment of HK$681,000 have been provided during the year.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 29 and 17, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments

	Digital Media		E-Commerce		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Sales of goods through online stores	**–**	–	**238,477**	120,145	**238,477**	120,145
Commission fee from consignment sales	**–**	–	**3,046**	5,071	**3,046**	5,071
Provision of advertising spaces	**282,684**	189,009	**–**	–	**282,684**	189,009
Provision of services for creative agency projects	**146,029**	68,943	**–**	–	**146,029**	68,943
Publication of magazines	**1,956**	1,911	**–**	–	**1,956**	1,911
Total revenue from contracts with customers	**430,669**	259,863	**241,523**	125,216	**672,192**	385,079
Geographical markets						
Hong Kong	**44,640**	39,285	**47,035**	14,066	**91,675**	53,351
The People's Republic of China (the "PRC")	**82,852**	27,249	**23,821**	19,970	**106,673**	47,219
United States ("US")	**171,086**	128,087	**50,533**	28,999	**221,619**	157,086
Other countries	**132,091**	65,242	**120,134**	62,181	**252,225**	127,423
Total	**430,669**	259,863	**241,523**	125,216	**672,192**	385,079
Timing of revenue recognition						
A point in time	**110,039**	53,498	**241,523**	125,216	**351,562**	178,714
Over time	**320,630**	206,365	**–**	–	**320,630**	206,365
Total	**430,669**	259,863	**241,523**	125,216	**672,192**	385,079

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

a) Sales of goods through online stores

The Group sells branded clothing, shoes and accessories to customers through its online retail platform in Hong Kong, the PRC and the US and other countries.

Taking into consideration of the relevant contract terms that entered into with customers on sales of goods through online stores, the Group concluded that the Group does not have an enforceable right to payment prior to the relevant products shipped/delivered to customers.

Revenue from sales of goods through online stores is therefore recognised at a point in time when the goods is shipped/delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable. No credit period is granted to customers from online retail platform.

The Group typically receive payment in full before the sales orders processed. When the Group receives the payment in full before the goods is shipped/delivered to customers, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers.

b) Commission fee from consignment sales

Commission fee from consignment sales represents commission received by the Group when the Group acts as consignee for certain suppliers on selling their clothing, shoes and accessories to customers through its online retail platform on consignment basis.

The Group is an agent under the consignment sales contracts as its performance obligation is to sell the products supplied by another party. In this regards, the Group does not control the products provided by another party before those goods sold and shipped/delivered to customers. Accordingly, the Group recognises revenue in the amount of commission to be received pursuant to the consignment sales contracts and is therefore recognised at a point in time when the goods is shipped/delivered to customers, being at the point that the customer obtains the control of the goods and the Group has present right to payment and collection of the consideration is probable. No credit period is granted to consignors from consignment sales commission income.

c) Provision of advertising spaces

Revenue from provision of advertising spaces is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these advertising services based on insertion order agreed by both parties using output method over the period that the advertisement launched. The normal credit term is 30 to 60 days in accordance with the invoice date.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (Continued)

c) Provision of advertising spaces (Continued)

The insertion order includes total contract value, period of advertisement launched in the online platform or social media platform and the target impression rate or click rate required by customers.

The Group receives 50% of the contract value as deposits from new customers when they sign the contracts for provision of advertising spaces. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers.

d) Provision of services for creative agency projects

Creative agency projects consist of project-based production of advertisement (including photo shooting, video production and editorial work prior to the publishing on advertising spaces). The relevant deliverables (i.e. completed advertisement) specified in the contracts are based on customer's specifications with no alternative use. Creative agency projects comprised of large-scale projects and small-scale projects.

For large-scale projects, the Group will typically sign a service contract with the customer, taking into consideration of the relevant contract terms, the Group concluded that the Group has an enforceable right to payment prior to the completion of the relevant services and delivered to customers. Accordingly, revenue from the provision of services for large-scale creative agency projects is therefore recognised based on the agreed payment schedule pursuant to the contracts using output method over the period of the projects.

For small-scale projects, the Group will typically issue the insertion order to the customer. There is no contract terms to mention an enforceable right to payment prior to the completion of relevant services and delivered to customers. Accordingly, revenue from the provision of services for small-scale creative agency projects is therefore recognised at a point in time when the completed advertisement is delivered to customers, being at the point that the customer obtains the control of the advertisement and the Group has present right to payment and collection of the consideration is probable.

The normal credit term is 30 to 60 days in accordance with the invoice date for both large-scale and small-scale projects.

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers (Continued)

e) Publication of magazines

The Group publishes its own magazine every quarter and delivers to its customers upon subscription made.

Taking into consideration of the relevant contract terms that entered into with customers on the subscription of magazines, the Group concludes that the Group does not have an enforceable right to payment prior to the magazines published and shipped/delivered to customers.

Revenue from publication of magazines is therefore recognised at a point in time when the published magazines is shipped/delivered to customers, being at the point that the customer obtains the control of the magazines and the Group has present right to payment and collection of the consideration is probable. No credit period is granted to subscribers of magazines.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

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

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

Digital media segment	–	Provision of advertising spaces, provision of services for creative agency projects and publication of magazines
E-commerce segment	–	Operation of online retail platform for the sale of third-party branded clothing, shoes and accessories

6. SEGMENT INFORMATION (CONTINUED)

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

Year ended 31 March 2019

	Digital Media HK$'000	E-Commerce HK$'000	Consolidated HK$'000
Segment revenue – external customers:			
Provision of advertising services	428,713	–	428,713
Publication of magazines	1,956	–	1,956
Operation of online retail platform (Note)	–	241,523	241,523
Total segment revenue	430,669	241,523	672,192
Segment results	107,390	21,152	128,542
Finance costs			(615)
Share of result of a joint venture			(3,901)
Share-based payment expense			(2,907)
Professional fee relating to transfer of listing			(7,402)
Unallocated expenses			(37,068)
Profit before tax			76,649

6. SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2018

	Digital media HK$'000	E-commerce HK$'000	Consolidated HK$'000
Segment revenue – external customers:			
Provision of advertising services	257,952	–	257,952
Publication of magazines	1,911	–	1,911
Operation of online retail platform (Note)	–	125,216	125,216
Total segment revenue	259,863	125,216	385,079
Segment results	68,256	11,268	79,524
Finance costs			(288)
Share of result of a joint venture			(653)
Share-based payment expense			(1,749)
Unallocated expenses			(21,640)
Profit before tax			55,194

Note: Included in revenue from operation of online retail platform for each of the years ended 31 March 2019 and 2018, total amount of commission fee from consignment sales are HK$3,046,000 and HK$5,071,000 respectively. The remaining amount of HK$238,477,000 and HK$120,145,000 respectively represents sales of goods through the online retail platform.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of finance costs, share of result of a joint venture, share-based payment expense, professional fee relating to transfer of listing and other unallocated expenses including depreciation expenses, rental expenses and directors' remuneration that are not directly attributable to segments as disclosed in the above tables. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	2019 HK$'000	2018 HK$'000
Reportable segment assets		
Digital media	**153,708**	80,910
E-commerce	**81,207**	38,049
Total segment assets	**234,915**	118,959
Reconciliation of reportable segment total to group total:		
Segment assets	**234,915**	118,959
Unallocated assets:		
Property, plant and equipment	**9,837**	5,478
Interest in a joint venture	**1,333**	5,234
Amount due from a joint venture	**6,715**	133
Deposits, other receivables and prepayments	**18,025**	9,676
Pledged bank deposits	**6,723**	1,881
Bank balances and cash	**55,727**	58,581
Consolidated total assets	**333,275**	199,942

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

	2019 HK$'000	2018 HK$'000
Reportable segment liabilities		
Digital media	**61,975**	22,593
E-commerce	**13,888**	7,245
Total segment liabilities	**75,863**	29,838
Reconciliation of reportable segment total to group total:		
Segment liabilities	**75,863**	29,838
Unallocated liabilities:		
Other payables and accrued expenses	**17,014**	17,266
Obligation under finance lease	**–**	533
Bank borrowings	**26,990**	4,663
Tax payables	**10,474**	6,223
Deferred tax liabilities	**353**	170
Consolidated total liabilities	**130,694**	58,693

For the purposes of monitoring segment performances and collecting resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, interest in a joint venture, deposits, other receivables and prepayments, amount due from a joint venture, pledged bank deposits and bank balances and cash that are not attributable to respective segment.

- all liabilities are allocated to operating segments other than other payables and accrued expenses, obligation under finance lease, bank borrowings, current and deferred tax liabilities that are not attributable to respective segment.

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

2019

Amounts included in the measure of segment profit or loss and segment assets:

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Impairment loss recognised on trade receivables	**681**	**–**	**681**	**–**	**681**
Share-based payment expense	**–**	**–**	**–**	**2,907**	**2,907**
Write-down of inventories	**–**	**319**	**319**	**–**	**319**

Amounts regularly provided to the CEO but not included in the measure of segment profit or loss and segment assets:

	HK$'000
Interest in a joint venture	**1,333**
Share of result of a joint venture	**3,901**
Addition to non-current assets	**7,842**
Loss on disposal of property, plant and equipment	**56**
Depreciation	**2,755**

2018

Amounts included in the measure of segment profit or loss and segment assets:

	Digital media HK$'000	E-commerce HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowance for doubtful debts	234	–	234	–	234
Share-based payment expense	–	–	–	1,749	1,749
Write-down of inventories	–	755	755	–	755

Amounts regularly provided to the CEO but not included in the measure of segment profit or loss and segment assets:

	HK$'000
Interest in a joint venture	5,234
Share of result of a joint venture	653
Addition to non-current assets	3,244
Gain on disposal of property, plant and equipment	(13)
Depreciation	1,823

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

An analysis of the Group's revenue from external customers by geographical location, determined based on the location of the online sales request for e-commerce segment and the location of customers for digital media segment, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers Year ended 31 March		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
US	**221,619**	157,086	**2,048**	6,007
Hong Kong	**91,675**	53,351	**11,219**	5,234
The PRC	**106,673**	47,219	**29**	–
Others (Note)	**252,225**	127,423	**182**	485
	672,192	385,079	**13,478**	11,726

Note: Including other countries which individually contributing less than 10% of the total revenue of the Group for each respective reporting period.

Information about major customer

No single customer has been accounted for 10% or more of the Group's revenue for both reporting periods.

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on:		
Bank borrowings	**599**	265
Finance lease	**16**	23
	615	288

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Net exchange losses (gains)	**2,692**	(1,962)
Loss (gain) on disposal of property, plant and equipment	**56**	(13)
Penalty on customers for overdue settlement	**(2,008)**	–
Bank interest income	**(29)**	–
Others	**(58)**	(39)
	653	(2,014)

9. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong Profits Tax		
– current year	**13,609**	9,034
– overprovision in prior year	**(1,414)**	–
Other jurisdictions	**2,473**	1,040
Deferred tax (note 24):		
Charge (credit) for the year	**183**	(51)
	14,851	10,023

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (the “BVI”) pursuant to the rules and regulations in those jurisdictions.

9. INCOME TAX EXPENSE (CONTINUED)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, 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, starting from the current year, the Hong Kong Profits Tax 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.

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

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**76,649**	55,194
Tax at the Hong Kong Profits Tax rate of 16.5%	**12,647**	9,107
Tax effect of share of result of a joint venture	**644**	108
Tax effect of income not taxable for tax purpose	**(1,157)**	(249)
Tax effect of expenses not deductible for tax purpose	**3,059**	636
Income tax at concessionary rate	**(165)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,149**	526
Overprovision in prior year	**(1,414)**	–
Others	**88**	(105)
Income tax expense for the year	**14,851**	10,023

10. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration (note 11)	**2,554**	5,208
Other staff costs		
– salaries and allowances	**100,242**	74,182
– discretionary bonus	**10,434**	9,811
– retirement benefits scheme contribution	**4,912**	2,919
– share-based payment expense	**2,907**	1,749
Total directors and other staff costs	**121,049**	93,869
Auditor's remuneration	**1,370**	1,100
Cost of inventories recognised as expense (included in cost of revenue)	**120,979**	60,560
Depreciation of property, plant and equipment	**2,755**	1,823
Website content update expense (Note)	**2,121**	2,746
Write-down of inventories	**319**	755

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and disclosure requirements of the CO, is as follows:

	Mr. Ma HK$'000 (Note)	Ms. Lee Yuen Tung, Janice HK$'000	Ms. Kwan Shin Luen, Susanna HK$'000	Mr. Wong Kai Chi HK$'000	Ms. Poon Lai King HK$'000	Total HK$'000
2019						
Fees	**600**	**960**	**180**	**180**	**180**	**2,100**
Other emoluments						
Salaries, allowances and other benefits	**409**	**–**	**–**	**–**	**–**	**409**
Discretionary bonuses	**–**	**–**	**–**	**–**	**–**	**–**
Retirement benefits scheme contribution	**27**	**18**	**–**	**–**	**–**	**45**
	1,036	**978**	**180**	**180**	**180**	**2,554**

	Mr. Ma HK$'000 (Note)	Ms. Lee Yuen Tung, Janice HK$'000	Ms. Kwan Shin Luen, Susanna HK$'000	Mr. Wong Kai Chi HK$'000	Ms. Poon Lai King HK$'000	Total HK$'000
2018						
Fees	600	360	144	144	144	1,392
Other emoluments						
Salaries, allowances and other benefits	180	–	–	–	–	180
Discretionary bonuses	2,400	1,200	–	–	–	3,600
Retirement benefits scheme contribution	18	18	–	–	–	36
	3,198	1,578	144	144	144	5,208

Note: Mr. Ma was appointed as an executive director with effect from 25 September 2015. Mr. Ma is also the CEO of the Company and his emoluments disclosed above include those for services rendered by him as the CEO.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION (CONTINUED)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the independent non-executive directors shown above were mainly for their services as the Directors.

Employees' remuneration

Of the five individuals with the highest emoluments in the Group, none of the individuals (2018: one) was the director whose emolument is included in the disclosures above. The emoluments of the remaining five (2018: four) individuals were as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	**10,115**	11,045
Discretionary bonus	**1,772**	1,202
Retirement benefits scheme contribution	**291**	136
Share-based payment expense	**1,989**	1,749
	14,167	14,132

Their emoluments were fell within the following band:

	No. of employees 2019	2018
HK$2,000,001 to HK$2,500,000	**3**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**2**	1
HK$3,500,001 to HK$4,000,000	**–**	1
	5	4

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 March 2019 and 2018.

12. DIVIDENDS

Subsequent to the end of the reporting period, a special dividend in respect of the year ended 31 March 2019 of HK0.242 cent (2018: nil) per ordinary share, in an aggregate amount of HK$4,840,000 (2018: nil), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 March 2019 and 2018 is based on the following data:

	2019 **HK$'000**	2018 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**61,798**	45,171

	2019 **'000**	2018 '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	**35,734**	11,207
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,035,734**	2,011,207

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furnitures and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1 April 2017	3,369	1,705	4,428	437	9,939
Additions	6	237	2,175	826	3,244
Disposals	–	(62)	(634)	(437)	(1,133)
At 31 March 2018	3,375	1,880	5,969	826	12,050
Additions	5,274	729	1,839	–	7,842
Disposals	–	–	(87)	(826)	(913)
Exchange translation	–	(4)	(10)	–	(14)
At 31 March 2019	8,649	2,605	7,711	–	18,965
ACCUMULATED DEPRECIATION					
At 1 April 2017	2,081	646	2,135	437	5,299
Provided for the year	541	315	816	151	1,823
Eliminated on disposals	–	(1)	(112)	(437)	(550)
At 31 March 2018	2,622	960	2,839	151	6,572
Provided for the year	1,243	379	1,105	28	2,755
Eliminated on disposals	–	–	(18)	(179)	(197)
Exchange translation	–	–	(2)	–	(2)
At 31 March 2019	3,865	1,339	3,924	–	9,128
CARRYING VALUES					
At 31 March 2019	4,784	1,266	3,787	–	9,837
At 31 March 2018	753	920	3,130	675	5,478

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	25%, or over the lease terms, whichever is shorter
Furnitures and fixtures	20%
Office equipment	20%
Motor vehicles	20%

A motor vehicle with a carrying amount of HK$675,000 as at 31 March 2018 was under finance lease arrangement (note 23).

15. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**67,802**	28,990

16. INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Cost of investment in a joint venture unlisted investment	**5,887**	5,887
Share of post-acquisition results and other comprehensive income, net of dividends received	**(4,554)**	(653)
	1,333	5,234

On 8 February 2018, Hypebeast Inc., a wholly owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") and contribution agreement with The Berrics, LLC, an independent third party, in relation to the formation and capital contribution of The Berrics Company, LLC ("The Berrics"). Pursuant to certain terms and conditions stated in the JV Agreement, the financial and operating policies of The Berrics require unanimous approval from all joint venture partners. The Berrics was jointly controlled by the Group and another joint venture partner and, as such, it was accounted for as a joint venture of the Group.

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation	Principal place of business	Percentage of interest in ownership held by the Group 2019 %	2018 %	Principal activities
The Berrics	US	US	**51**	51	Provision of skateboarding related digital content and advertising and offline event organisation services

16. INTEREST IN A JOINT VENTURE (CONTINUED)

Summarised financial information of joint venture

Summarised financial information of The Berrics is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2019 **HK$'000**	2018 HK$'000
Current assets	**3,887**	5,325
Non-current assets		
– Property, plant and equipment	**11,931**	11,930
– Others	**525**	526
	12,456	12,456
Current liabilities	**13,730**	7,519
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**846**	1,455
Current financial liabilities (excluding trade and other payables and provisions)	**9,586**	3,001
Revenue	**9,865**	1,167
Loss and total comprehensive expense for year	**(7,649)**	(1,281)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements using the equity method of accounting is as follow:

	2019 **HK$'000**	2018 HK$'000
Net assets of the joint venture	**2,613**	10,262
Proportion of the Group's ownership interest in joint venture	**51%**	51%
Carrying amount of the Group's interest in joint venture	**1,333**	5,234

17. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	131,006	85,832
Less: allowance for credit losses	(261)	–
	130,745	85,832
Advance to staff	1,951	604
Rental and utilities deposits	7,584	3,969
Prepayments	19,785	7,991
Other receivables	13,829	235
Total	173,894	98,631

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 retail platform, consignor from consignment sales commission income and subscribers of magazines. The following is an aging analysis of trade receivables net of impairment losses presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within 60 days	87,648	47,042
61 – 90 days	18,668	25,128
91 – 180 days	14,862	10,374
181 – 365 days	9,143	1,842
Over 365 days	424	1,446
	130,745	85,832

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$50,541,000 (2018: HK$58,714,000) which are past due as at the reporting date. Out of the past due balances, HK$11,504,000 (2018: HK$13,662,000) has been past due 90 days or more and is not considered as in default as there had not been a significant change in credit quality and amounts were still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

During the year ended 31 March 2019, the Group will further charge at 1.5% on the overdue balances pursuant to the contracts upon negotiation as a penalty of overdue settlement.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging of trade receivables which were past due but not impaired:

	2018 HK$'000
Within 60 days	19,924
61 – 90 days	25,128
91 – 180 days	10,374
181 – 365 days	1,842
Over 365 days	1,446
	58,714

Movement in the allowance for credit losses for trade receivables

	HK$'000
As at 1 April 2017	–
Impairment losses recognised on receivables	234
Written off	(234)
As at 31 March 2018	–

As at 31 March 2018, the management had reviewed the repayment history of these long overdue customers, considering their deteriorating credit quality and no amount had been settled subsequent to the end of the reporting period, accordingly, full impairment was recognised.

Included in the allowance for trade receivables were individually impaired trade receivables with an aggregate balance of HK$234,000 which had either been placed under liquidation or in severe financial difficulties.

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 29.

18. AMOUNT DUE FROM A JOINT VENTURE

The amount was non-trade nature, unsecured, non-interest bearing and repayable on demand.

Details of impairment assessment of amount due from a joint venture for the year ended 31 March 2019 is set out in note 29.

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Deposits amounting to HK$6,723,000 as at 31 March 2019 (2018: HK$1,811,000) have been pledged to secure a bank borrowings and the banking facilities which carry interest at prevailing market rates at 0.3% per annum (2018: 0.01%).

Bank balances carry interest at prevailing market rates at 0.01% per annum as at 31 March 2019 and 2018.

Details of impairment assessment of pledged bank deposits and bank balances for the year ended 31 March 2019 are set out in note 29.

20. CONTRACT ASSETS

	31.3.2019 **HK$'000**	1.4.2018 HK$'000
Provision of advertising spaces (Note)	**8,936**	–

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 receivables upon the satisfaction of the target impression rate or click rate and the end of advertising period.

As at 31 March 2019, all contract assets are expected to be settled within 1 year, and accordingly classified as current.

Note: The significant increase in the current year is the result of the increase of contracts relating to provision of advertising spaces at the end of the year which the relevant advertisements are still launching in the online platform or social media platform but the target impression rate or click rate are yet to be satisfied, while all of the revenue from provision of advertising spaces recognised during the year ended 31 March 2018 were billed as the target impression rate or click rate within the advertising period has been achieved before 31 March 2018.

Details of the impairment assessment of contract assets for the year ended 31 March 2019 is set out in note 29.

21. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**25,148**	7,245
Deferred revenue	**–**	360
Commission payable to staff	**13,640**	4,044
Accrual for campaign cost (Note)	**33,860**	18,189
Accrual for staff bonus	**1,459**	2,023
Other payables and accrued expenses	**15,555**	15,243
	89,662	47,104

Note: Accrual for campaign cost represents the accrued 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:

	2019 HK$'000	2018 HK$'000
Within 30 days	**16,374**	6,043
31 – 60 days	**2,470**	42
61 – 90 days	**284**	46
Over 90 days	**6,020**	1,114
	25,148	7,245

22. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans, secured with variable rate	**26,990**	4,663
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**19,643**	4,663
– In more than one year but not more than two years	**1,956**	–
– In more than two years but not more than five years	**5,391**	–
	26,990	4,663
Carrying amount that contain a repayment on demand clause (shown under current liabilities)	**26,990**	4,663

The range of effective interest rates (which are also equalled to contractual interest rates) on the Group's borrowings are as follows:

	2019	2018
Effective interest rate (per annum):		
Variable-rate borrowings	**2.3% to 3.625%**	2.3% to 4.25%

23. OBLIGATION UNDER FINANCE LEASE

	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**–**	272
Non-current liabilities	**–**	261
	–	533

It was the Group's policy to lease motor vehicles under finance lease. The original lease term was 3 years. Interest rates underlying obligation under finance lease was fixed at contract date at 4.85% per annum.

23. OBLIGATION UNDER FINANCE LEASE (CONTINUED)

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Obligation under finance lease payable:				
Within one year	–	292	–	272
Within a period of more than one year but not more than two years	–	267	–	261
	–	559	–	533
Less: future finance charges	–	(26)	–	N/A
Present value of lease obligations	–	533	–	533
Less: amounts due within one year (shown under current liabilities)			–	(272)
Amount due for settlement after one year			–	261

24. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised by the Group and movements thereon during the years ended 31 March 2019 and 2018:

	Accelerated tax depreciation HK$'000
At 1 April 2017	(221)
Credit to profit or loss	51
At 31 March 2018	(170)
Charge to profit or loss	(183)
At 31 March 2019	(353)

25. CONTRACT LIABILITIES

	31.3.2019	1.4.2018*
	HK$'000	HK$'000
Provision of advertising spaces (Note a)	**2,229**	360
Sales of goods through online stores (Note b)	**986**	–
	3,215	360

* The amount in this column is after the adjustment from the application of HKFRS 15.

Notes:

a) The Group receives 50% of the contract value as deposits from new customers when they sign the contracts for provision of advertising spaces. The deposits and advance payment schemes result in contract liabilities being recognised until the advertisement launched in relevant spaces and relevant benefits received by the customers.

During the year ended 31 March 2019, the Group has recognised revenue of HK$360,000 that was included in the contract liabilities balance at the beginning of the year. All contract liabilities attributable to the provision of advertising spaces as at 31 March 2019 are expected to be recognised as revenue within one year.

b) When the Group receives the payment in full before the goods is shipped/delivered, this will give rise to contract liabilities at the start of a contract, until the revenue recognised when the goods is shipped/delivered to the customers.

All contract liabilities attributable to the sales of goods through online stores as at 31 March 2019 are expected to be recognised as revenue within one year.

26. SHARE CAPITAL

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

	Number of shares	**Share capital HK$**
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	6,000,000,000	60,000,000
Issued:		
At 1 April 2017, 31 March 2018 and 31 March 2019	2,000,000,000	20,000,000

27. SHARE OPTION SCHEMES

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 ("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. The principal terms of the share option schemes are summarised below:

(a) Pre-IPO Scheme

(i) Purpose of the scheme

To motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

(ii) Participants of the scheme

Any director or proposed director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.

(iii) Total number of Shares available for issue under the scheme

No further options can be granted under the Pre-IPO Scheme.

(iv) Maximum entitlement of each participant under the scheme

As determined by the board of directors (the "Board").

27. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

(v) The period within which the Shares must be taken up under an option

An option may be exercised within a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.

(vi) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(vii) The amount payable on acceptance of an option and the period within which payments shall be made

A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.

(viii) The basis of determining the exercise price

As determined by the Board.

(ix) The remaining life of the scheme

The Pre-IPO Scheme has been expired on 11 April 2016. No further options would be granted under the Pre-IPO Scheme.

27. SHARE OPTION SCHEMES (CONTINUED)

(a) Pre-IPO Scheme (Continued)

Details of the movements within the Pre-IPO Scheme of the Company for the year ended 31 March 2019 are set out below:

	Number of share options													
Category of participant	Outstanding at 1.4.2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2018 & 1.4.2018	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2019	Date of grant of share options	Exercised period	Share price at date of grant of share options HK$	Exercise price of share options HK$
Under the Pre-IPO Scheme														
Employees[1,2]	750,000	-	-	-	750,000	-	-	-	-	750,000	18.03.2016	From 18.3.2018 to 17.3.2026	N/A	0.026
Employees[1,2]	8,250,000	-	-	-	8,250,000	-	-	-	-	8,250,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.026
Employees[1,2]	4,500,000	-	-	(1,000,000)	3,500,000	-	-	-	-	3,500,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.052
Employees[1,2]	6,000,000	-	-	-	6,000,000	-	-	-	-	6,000,000	18.03.2016	From 18.3.2019 to 17.3.2026	N/A	0.078
Employees[1,2]	3,000,000	-	-	(3,000,000)	-	-	-	-	-	-	18.03.2016	From 18.3.2020 to 17.3.2026	N/A	0.104
Sub-total	22,500,000	-	-	(4,000,000)	18,500,000	-	-	-	-	18,500,000				
Share options exercisable at year end	-				750,000					18,500,000				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 18 March 2016 are divided into 5 tranches exercisable from 18 March 2018, 18 March 2019, 18 March 2019, 18 March 2019 and 18 March 2020 respectively to 17 March 2026. During the year ended 31 March 2018, a total of 4,000,000 share options were lapsed.

27. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme

(i) Purpose of the scheme

To motivate eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(ii) Participants of the scheme

Any director or proposed director (including an independent non-executive director) of any member of the Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group, a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, or a close associate (as defined under the Listing Rules) of any of the foregoing persons.

(iii) Total number of Shares available for issue under the scheme

169,737,500 Shares (being 8.5% of the issued share capital as at the date of this annual report).

(iv) Maximum entitlement of each participant under the scheme

Substantial shareholders/independent non-executive directors: 0.1% of the issued shares/ aggregate value not exceeding HK$5 million in the 12-month period up to and including the date of such grant.

Other participants: in any 12-month period shall not exceed 1% of the issued shares from time to time.

(v) The period within which the Shares must be taken up under an option

An option may be exercised within a period to be determined and notified by the Board to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the share option schemes.

27. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

(vi) The minimum period for which an option must be held before it can be exercised

As determined by the Board upon the grant of an option.

(vii) The amount payable on acceptance of an option and the period within which payments shall be made

A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.

(viii) The basis of determining the exercise price

As determined by the Board but shall not be less than whichever is the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of a Share.

(ix) The remaining life of the schemes

The Post-IPO Scheme is valid and effective for a period of 10 years commencing on 11 April 2016.

27. SHARE OPTION SCHEMES (CONTINUED)

(b) Post-IPO Scheme (Continued)

Details of the movements within the Post-IPO Scheme of the Company for the year ended 31 March 2019 are set out below:

	Number of share options													
Category of participant	Outstanding at 1.4.2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2018 & 1.4.2018	Reclassified during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2019	Date of grant of share options	Exercised period	Share price at date of grant of share options HK$	Exercise price of share options HK$
Under the Post-IPO Scheme														
Employees[1,2]	-	5,812,500	-	-	5,812,500	-	-	-	-	5,812,500	06.07.2017	From 06.07.2019 to 05.07.2027	0.198	0.198
Employees[1,2]	-	28,200,000	-	(3,750,000)	24,450,000	-	-	-	-	24,450,000	06.07.2017	From 06.07.2020 to 05.07.2027	0.198	0.198
Employees[1,3]	-	-	-	-	-	-	10,000,000	-	-	10,000,000	10.08.2018	From 10.08.2021 to 09.08.2028	0.62	0.62
Sub-total	-	34,012,500	-	(3,750,000)	30,262,500	-	10,000,000	-	-	40,262,500				
Share options exercisable at year end	-				-					-				

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The share options granted on 6 July 2017 are divided into 2 tranches exercisable from 6 July 2019 and 6 July 2020 respectively to 5 July 2027. During the year ended 31 March 2018, a total of 3,750,000 share options were lapsed.

3. The share options granted on 10 August 2018 are exercisable from 10 August 2021 to 9 August 2028.

27. SHARE OPTION SCHEMES (CONTINUED)

On 6 July 2017, the Company granted a total of 34,012,500 share options to employees, which entitle employees to subscribe for a total of 34,012,500 Shares at an exercise price of HK$0.198 per share. The validity period of the options is ten years, from 6 July 2017 to 5 July 2027. The closing price of the Shares immediately before the date on which the options were granted was HK$0.192.

The estimated fair values of the 34,012,500 share options granted on 6 July 2017 was approximately HK$4,306,000. The fair value per option granted on 6 July 2017 was HK$0.1266.

On 10 August 2018, the Company granted a total of 10,000,000 share options to employees, which entitle employees to subscribe for a total of 10,000,000 Shares at an exercise price of HK$0.62 per share. The validity period of the options is ten years, from 10 August 2018 to 9 August 2028. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$0.63.

The estimated fair values of the 10,000,000 share options granted on 10 August 2018 was approximately HK$4,201,000. The fair value per option granted on 10 August 2018 was HK$0.4201.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

Option grant date

	10 August 2018	6 July 2017
Share price at date of grant of share options	HK$0.62	HK$0.198
Exercise price	HK$0.62	HK$0.198
Expected life	10 years	10 years
Expected volatility	87.92%	79.85%
Expected dividend yield	0.31%	0%
Risk-free interest rate	2.02%	1.21%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted as appropriate, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised total expenses of approximately HK$2,907,000 for the year ended 31 March 2019 (2018: HK$1,749,000) in relation to the share options granted by the Company.

28. CAPITAL RISK MANAGEMENT

The Directors manage its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings and obligation under finance lease, as disclosed in notes 22 and 23, respectively, net of cash and cash equivalents and equity.

The Directors review the capital structure from time to time. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019	2018
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost	**225,582**	–
Loans and receivables (including cash and cash equivalents)	**–**	152,249
Financial liabilities		
At amortised cost	**67,148**	17,452

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a joint venture, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group is primarily exposed to the financial risks of changes in interest rates and foreign currency exchange rates. Details of each type of market risks are described as follows:

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. The Company currently does not enter into any hedging instrument for cash flow interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Best Lending Rate quoted by HSBC arising from the Group's Hong Kong dollars denominated borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prevailing rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit for the year ended 31 March 2019 would decrease/increase by HK$113,000 (2018: HK$19,000).

No sensitivity analysis of bank balances of the Group is presented as all bank balances carry interest rate at 0.3% per annum.

(ii) Foreign currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Foreign currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of each reporting period are as follows:

	2019		2018	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
United States Dollar ("US$")	**113,651**	**16,799**	79,967	3,766
Euro Dollar ("EURO")	**13,733**	**4,272**	27,770	3,862
Renminbi ("RMB")	**40,432**	**8,800**	2,177	–

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US$, EURO and RMB during the years ended 31 March 2019 and 2018. As HK$ is pegged with US$ under Linked Exchange Rate System, the Group's exposure to US$ exchange risk is minimal and no sensitivity analysis on US$ is presented accordingly.

The following table details the sensitivity to a 5% increase and decrease in HK$ against EURO and RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The negative number below indicates a decrease in the post-tax profit where HK$ strengthens 5% against EURO and RMB. For a 5% weakening of HK$ against EURO and RMB, there would be an equal and opposite impact on the profit or loss for the year.

	EURO		**RMB**	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the year	**(395)**	(998)	**(1,321)**	(91)

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 March 2019 and 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets. There is no significant changes in the quality of that collateral as a result of deterioration or changes in the collateral policies of the entity during both reporting periods.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix.

In relation to contract assets of receivables from provision of advertising spaces, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparties are insignificant since the counterparties are either listed or multinational companies with continuing business relationship. In addition, the management is confident that the target impression rate or click rate stipulated in the contracts will be satisfied in due course and the accrued revenue on the advertising spaces are fully recoverable but only subject to timing of satisfying the target impression rate or click rate pursuant to the contracts. Accordingly, the credit risk regarding contract assets is limited.

Other receivables, amount due from a joint venture, pledged bank deposits and bank balances

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on other receivables, amount due from a joint venture, pledged bank deposits and bank balances based on 12m ECL.

The credit risk on other receivables and amount due from a joint venture is limited because the counterparties have no historical default record and the Directors expect that the general economic conditions will not significantly change for the 12 months after the reporting date.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Based on the Group's internal credit rating, no material impairment loss allowance is recognised for other receivables, amount due from a joint venture, pledged bank deposits and bank balances.

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group is exposed to concentration of credit risk on:

- Liquid funds which are deposited with several banks with high credit ratings; and
- Amount due from a joint venture with no history of default.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 46% (2018: 58%) of the total trade receivables as at 31 March 2019.

Other than above, the Group does not have any other significant concentration of credit risk.

The tables below is the internal credit policy of the Group:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
High risk	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	12m ECL
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

31 March 2019	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amounts HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables	17	N/A	(Note)	Lifetime ECL (provision matrix)	**47,595**	
			Low risk	Lifetime ECL (individually assess)	**83,411**	
			Loss	Credit-impaired	**420**	**131,426**
Other receivables	17	N/A	Low risk	12m ECL		**25,672**
Amount due from a joint venture	18	N/A	Low risk	12m ECL		**6,715**
Pledged bank deposits	19	AA+	N/A	12m ECL		**6,723**
Bank balances	19	AA+	N/A	12m ECL		**55,702**
Other item						
Contract assets	20	N/A	(Note)	Lifetime ECL (provision matrix)		**8,936**

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status.

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, the Group uses debtors' ageing to measure ECL allowance for its customers which grouped by different geographical location because these customers consist of a numbers of customers with similar size and common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit-impaired). Trade receivables with significant outstanding balances and credit-impaired balances with gross carrying amounts of HK$83,411,000 and HK$420,000 respectively as at 31 March 2019 were assessed individually. As all these debtors with significant balances are either listed or multinational companies with good financial position and without recent default history, they are all classified as low risk and loss rate of 0.1% is applied.

Gross carrying amount of trade receivables assessed using provision matrix:

	Average loss rate	Gross trade receivables HK$'000	ECL HK$'000	Net trade receivables HK$'000
Current (not past due)	0.05%	22,611	11	22,600
1-30 days past due	0.1%	16,028	16	16,012
31-60 days past due	0.2%	2,447	4	2,443
61-90 days past due	0.5%	1,556	8	1,548
91-180 days past due	1.1%	2,530	28	2,502
181-365 days past due	4%	2,018	81	1,937
More than 365 days past due	11.1%	405	45	360
		47,595	193	47,402

The estimated loss rates are estimated based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific trade receivable is updated.

As at 31 March 2019, the Group provided HK$193,000 impairment allowance for trade receivables, based on the provision matrix. Impairment allowance of HK$68,000 and HK$420,000 were made on trade receivables with significant balances and credit impaired debtors respectively.

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit–impaired)** HK$'000	**Total** HK$'000
At 31 March 2018 under HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	–	–	–
At 1 April 2018	–	–	–
Impairment losses recognised during the current year			
– impairment losses recognised	261	420	681
– Write-offs	–	(420)	(420)
At 31 March 2019	261	–	261

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	**Repayable on demand or less than 1 year HK$'000**	**1 to 2 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount HK$'000**
As at 31 March 2019					
Non-derivative financial liabilities					
Trade and other payables	**–**	**40,158**	**–**	**40,158**	**40,158**
Bank borrowings	**3.18**	**27,987**	**–**	**27,987**	**26,990**
		68,145	**–**	**68,145**	**67,148**

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2018					
Non-derivative financial liabilities					
Trade and other payables	–	12,789	–	12,789	12,789
Obligation under finance lease	4.85	292	267	559	533
Bank borrowings	2.84	4,666	–	4,666	4,663
		17,747	267	18,014	17,985

Bank borrowings with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2019, the aggregate carrying amounts of these bank borrowings amounted to HK$26,990,000 (2018: HK$4,663,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Bank borrowings with repayment on demand clause						
As at 31 March 2019	**3.18**	**20,141**	**2,190**	**5,656**	**27,987**	**26,990**
As at 31 March 2018	2.84	4,666	–	–	4,666	4,663

Fair value measurements of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000 (note 22)	**Obligation under finance lease** HK$'000 (note 23)	**Interest payables** HK$'000
At 1 April 2017	5,013	–	–
Financing cash flows	(350)	(196)	(288)
New finance lease	–	729	–
Interest expenses	–	–	288
At 31 March 2018	4,663	533	–
Financing cash flows	22,327	(533)	(615)
Interest expenses	–	–	615
At 31 March 2019	**26,990**	**–**	**–**

31. RETIREMENT BENEFITS SCHEMES

The Group participates in MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee.

The employees of the Group's subsidiaries in US and United Kingdom ("UK") are members of respective state-managed retirement benefit scheme operated by the government of US and UK. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits respectively. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 March 2019, the total retirement benefits scheme contribution arising from the MPF Scheme and state-managed schemes charged to profit or loss were HK$4,957,000 (2018: HK$2,955,000).

32. COMMITMENTS

Operating lease

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments under operating leases during the year in respect of premises	**13,714**	6,417

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2019 HK$	2018 HK$
Within one year	**14,530**	12,370
In the second to fifth year inclusive	**14,173**	22,514
	28,703	34,884

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for one to three years.

As at 31 March 2019, operating lease commitments included commitments of HK$185,000 (2018: HK$180,000) to Mr. Lee Chung Ming and Ms. Chan Lai Kuen who are the parents-in-law of Mr. Ma (see note 34).

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2018, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK$729,000 (2019: nil).

34. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in these consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related party	Nature of transactions	Year ended 31 March 2019 HK$'000	2018 HK$'000
Mr. Lee Chung Ming and Ms. Chan Lai Kuen (Note)	Rental expense paid for Director's quarter	**185**	180

Note: Mr. Lee Chung Ming and Ms. Chan Lai Kuen are the parents-in-law of Mr. Ma.

Compensation of key management personnel

The Directors are identified as key management member of the Group, and their compensation during the years then ended was set out in note 11.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of incorporation	Issued and fully paid-up share	equity interest held by the Group				Principal activities
			Directly		Indirectly		
			2019 %	2018 %	**2019 %**	2018 %	
COREone Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
COREtwo Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
COREthree Limited	BVI[5]	US$1	**100%**	–	**–**	–	Inactive
101 Media Lab Limited	Hong Kong	HK$1,000	**–**	–	**100%**	100%	Provision of advertising services, operation of online stores and publication of magazines
102 Media lab Limited	Hong Kong[1]	HK$1,000	**–**	–	**100%**	100%	Provision of advertising services
Hypebeast UK Limited	UK[2]	GBP1	**–**	–	**100%**	100%	Provision of advertising services
Hypebeast Inc.	BVI	US$5,000	**–**	–	**100%**	100%	Investment holding
HBX New York Inc.	US	US$100	**–**	–	**100%**	100%	Provision of campaign activities
HBX 41 Division LLC	US[3]	US$100	**–**	–	**100%**	100%	Inactive
北京賀彼貿易有限公司	PRC[4]	RMB1,000,000	**–**	–	**100%**	–	Provision of creative agency services
Hypebeast Japan 株式會社	Japan[6]	JPY50,000	**–**	–	**100%**	–	Provision of advertising services

1 102 Media Lab Limited was incorporated on 10 April 2017.
2 Hyperbeast UK Limited was incorporated on 19 May 2017.
3 HBX 41 Division LLC was incorporated on 11 January 2018.
4 北京賀彼貿易有限公司was newly incorporated on 3 April 2018.
5 COREthree Limited was newly incorporated on 14 August 2018.
6 Hypebeast Japan株式會社was newly incorporated on 15 March 2019.

None of the subsidiaries had issued any debt securities at the end of both reporting periods.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Amounts due from subsidiaries (Note)	**22,154**	28,267
Unlisted investments in subsidiaries	**–**	–
	22,154	28,267
Current assets		
Amount due from a subsidiary (Note)	**32,000**	–
Other receivables (Note)	**212**	112
Bank balances and cash (Note)	**75**	257
	32,287	369
Current liabilities		
Other payables	**2,585**	5
Amount due to subsidiaries	**887**	–
	3,472	5
Net current assets	**28,815**	364
Net assets	**50,969**	28,631
Capital and reserves		
Share capital (see Note 26)	**20,000**	20,000
Share premium	**25,275**	25,275
Reserves	**5,694**	(16,644)
	50,969	28,631

Note: ECL for amounts due from subsidiaries, other receivables and bank balances are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition. No material impairment allowance is made based on the Company's internal and/or external credit rating.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium HK$'000	**Share options reserve** HK$'000	**Accumulated (losses)/ profits** HK$'000	**Total** HK$'000
At 1 April 2017	25,275	–	(15,574)	9,701
Loss and other comprehensive expense for the year	–	–	(2,819)	(2,819)
Recognition of equity-settled share-based payments	–	1,749	–	1,749
At 31 March 2018	25,275	1,749	(18,393)	8,631
Profit and other comprehensive income for the year	–	–	19,431	19,431
Recognition of equity-settled share-based payments	–	2,907	–	2,907
At 31 March 2019	25,275	4,656	1,038	30,969

FINANCIAL SUMMARY

For the five years ended 31 March 2015, 2016, 2017, 2018 and 2019

RESULTS

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**672,192**	385,079	217,620	151,863	98,931
Profit before tax	**76,649**	55,194	28,061	8,787	10,977
Income tax expense	**(14,851)**	(10,023)	(4,756)	(4,571)	(1,922)
Profit for the year	**61,798**	45,171	23,305	4,216	9,055

As at 31 March 2015, 2016, 2017, 2018 and 2019

ASSETS AND LIABILITIES

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**333,275**	199,942	146,858	72,008	33,680
Total Liabilities	**(127,308)**	(58,693)	(52,528)	(46,257)	(12,145)
Net Assets	**205,967**	141,249	94,330	25,751	21,535