

HM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 8416

2017
ANNUAL REPORT
年度報告

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This report, for which the directors (the “**Directors**”) of HM International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

	Page
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Directors and Senior Management	13
Report of Directors	20
Corporate Governance Report	32
Independent Auditors' Report	43
Consolidated Statement of Profit or Loss and Other Comprehensive Income	48
Consolidated Statement of Financial Position	49
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cash Flows	51
Notes to the Consolidated Financial Statements	52
Financial Summary	96

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Chi Ming
Mr. Tse Kam Wing Walter
Mr. Chan Wai Lin

Independent Non-executive Directors

Mr. Ng Jack Ho Wan
Mr. Choi Hon Ting Derek
Mr. Wan Chi Wai Anthony

COMPANY SECRETARY

Ms. Chan Sau Ling, ACIS, ACS (PE)

COMPLIANCE OFFICER

Mr. Chan Wai Lin

AUTHORISED REPRESENTATIVES

Mr. Yu Chi Ming
Mr. Chan Wai Lin

AUDIT COMMITTEE

Mr. Ng Jack Ho Wan (*Chairman*)
Mr. Choi Hon Ting Derek
Mr. Wan Chi Wai Anthony

REMUNERATION COMMITTEE

Mr. Choi Hon Ting Derek (*Chairman*)
Mr. Wan Chi Wai Anthony
Mr. Yu Chi Ming

NOMINATION COMMITTEE

Mr. Wan Chi Wai Anthony (*Chairman*)
Mr. Ng Jack Ho Wan
Mr. Chan Wai Lin

INDEPENDENT AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

COMPLIANCE ADVISER

Messis Capital Limited
Room 1606, 16/F, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Citibank, N.A., Hong Kong Branch
21/F Citi Tower
One Bay East
83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

Hang Seng Bank Limited
Head Office
83 Des Voeux Road Central
Hong Kong

WEBSITE

www.hetermedia.com

STOCK CODE

8416

CHAIRMAN'S STATEMENT

Dear Shareholders,

Last year was a challenging year for HM International Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”). We managed to demonstrate that our team has the capability to sustain our core businesses, while never losing sight on optimising our client experiences and continuing to develop client-centric solutions, and at the same time earning a reasonable profit for our investors. In 2017, we have accomplished one of the goals as stated last year on improving the overall infrastructure and facilities by renovating the Infinitus Plaza office, relocating a downtown office to Central and adding state-of-the-art facilities to offer an unparalleled experience to our clients. During these years, we have been diligently focusing on strengthening three major areas to stand out from the crowd in the industry, and they are Creativity, Service and Technology – the elements allowing us to continuously become a stronger and safer company.

More importantly, I am proud to work for this great Company and with such talented employees. Our seasoned management team and employees have built an extraordinary organisation that is one of the most trusted and respected players within the industry. It has been their dedication, diligence and commitment which made the Group outstanding.

COMPANY OVERVIEW

The Group has an operating history of over 17 years in Hong Kong, offering best-in-class business process outsourcing (“**BPO**”) solutions that cover financial printing and marketing collateral printing projects, as well as value-added new media services. We have a diverse client base made up of corporations listed or seeking to list on the Stock Exchange, multinational financial institutions such as fund houses and insurance companies, education organisations, and private companies in hospitality, marketing and advertising and legal sectors.

The Group has a balanced business makeup with content output falling broadly into three categories, namely 1) listing-related content, 2) fund investment and insurance content, and 3) marketing collaterals. In addition, the Group is expanding its business to cover value-added new media services, such as website design, video production, e-book and APP production, electronic marketing presentation material production, etc., which are increasingly in demand among corporate clients.

To serve complex and time-critical BPO service needs, the Group operates around the clock and throughout the year including public holidays. Affording excellent in-house concept creation and artwork designs that blend innovation with imagination which are supported by strong technical knowledge and execution expertise, the Group is able to offer bespoke solutions that meet clients’ needs. This is proudly evidenced by the over 218 prestigious international awards it has garnered for its efficient and reliable BPO services. The Group has also been accredited the Forest Stewardship Council (“**FSC**”) Chain of Custody certification, and has a keen respect for environmental sustainability. The Group’s outstanding creativity and execution allow us to provide exceptional and environmentally-conscious services.

CHAIRMAN'S STATEMENT

MISSION

Our mission is to deliver quality services and to meet the ever-changing demands of our clients with the "CARE" attitude: C – Confidentiality; A – Accuracy; R – Reliability; and E – Ease of Mind.

Our greatest strength is our dedicated yet talented team, who enables us to deliver best-in-class products and services. We understand the importance of experience, trust, precision and security – they are our foundation in building lasting partnerships with our clients. We proactively reach out to our clients for feedback in order to exceed their expectations.

PROSPECT

The listing of the Company on the Stock Exchange has fortified the Group's corporate image and strengthened its financial position. To strengthen our service quality, the Group also plans to enhance its IT systems and infrastructure, including the adaptation/implementation of a secured mobile office system. We will continue to recruit experienced personnel, and at the same time train, nurture and motivate our team members to provide excellent services.

ACKNOWLEDGEMENT

Here, on behalf of the board of Directors (the "Board") of the Company, I hereby wish to extend my gratitude for the hard work contributed by all employees and the Directors, as well as the support to the Group from all the shareholders. We will adhere to advanced development concept, follow development trend, grasp market opportunities, and make continuous efforts to create greater value for our shareholders and make new contribution to the community.

Yu Chi Ming
Chairman

Hong Kong, 15 March 2018

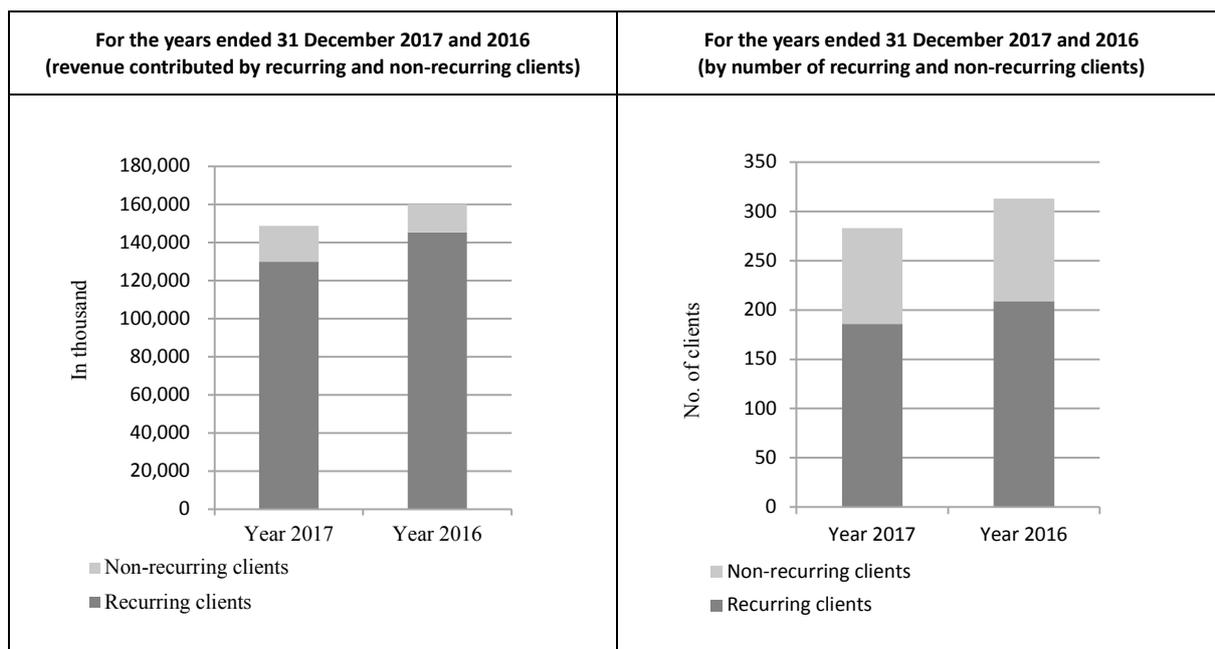
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We provide integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong. We offer a wide spectrum of services from financial printing services for corporations which are listed on the Stock Exchange and potential listing applicants to, fund houses and insurance companies to marketing collateral printing services and new bespoke non-printing services, such as website design enhancement and revamp, video production, e-book, APP production and maintenance, electronic marketing presentation material production, etc.

With years of presence and development in the market, the Group has successfully built up a broad client base including blue chips, state-owned enterprises, global fund houses and major insurance companies. We believe that the Group's ability to maintain recurring clients demonstrates their recognitions of its quality service and we consider these recognitions as one of the key factors leading to its success in the industry. For the years ended 31 December 2017 and 31 December 2016, approximately 65.7% and 66.6% of its clients respectively, were recurring clients who contributed to approximately 87.4% and 90.9% of the Group's total revenue for the respective period.

Composite of revenue contributed by recurring and non-recurring clients and number of recurring and non-recurring clients for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, are provided as follows:



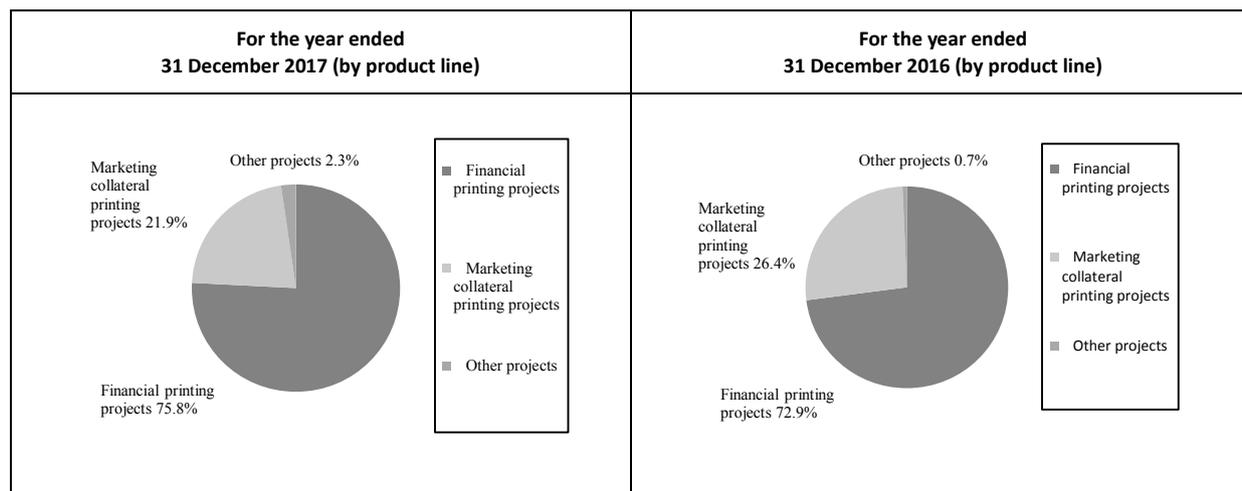
MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue generated from financial printing projects decreased by approximately 3.5% from approximately HK\$116.7 million for the year ended 31 December 2016 to approximately HK\$112.7 million for the year ended 31 December 2017. Such decrease was mainly due to the decrease in number of financial printing projects including (i) IPO prospectuses; and (ii) fund investment content outputs.

Our revenue generated from marketing collateral printing project decreased by approximately 22.9% from approximately HK\$42.2 million for the year ended 31 December 2016 to approximately HK\$32.5 million for the year ended 31 December 2017. Such decrease was mainly due to the decrease in number of marketing collateral printing projects from 678 in the year of 2016 to 493 in the year of 2017.

Our revenue from other projects increased by approximately 210.7% from approximately HK\$1.1 million for the year ended 31 December 2016 to approximately HK\$3.4 million for the year ended 31 December 2017. Such increase was contributed by the increment of 29 projects.

Composite of revenue by product line for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, are provided as follows:



FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$11.4 million, or 7.1%, from approximately HK\$160.0 million for the year ended 31 December 2016 to approximately HK\$148.6 million for the year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The breakdown of our Group's revenue is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Financial printing projects	112,675	116,729
Marketing collateral printing projects	32,531	42,211
Other projects	3,405	1,096
	148,611	160,036

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$1.1 million, or 1.6%, from approximately HK\$68.1 million for the year ended 31 December 2016 to approximately HK\$67.1 million for the year ended 31 December 2017. It was mainly due to the decrease in the revenue from marketing collateral printing projects. Our gross profit margins for the year ended 31 December 2016 and 2017 were approximately 42.6% and 45.1% respectively.

Selling Expenses

The Group's selling expenses increased by approximately HK\$0.5 million, or 4.5%, from approximately HK\$10.7 million for the year ended 31 December 2016 to approximately HK\$11.2 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in staff cost in relation to sales staff.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$5.1 million, or 13.1%, from approximately HK\$38.5 million for the year ended 31 December 2016 to approximately HK\$43.6 million for the year ended 31 December 2017, which was mainly attributable to the increase in (i) professional and other costs in relation to the compliance with the GEM Listing Rules and other regulations applicable to the Group for maintaining the listing status; (ii) office rental and building management fee; and (iii) depreciation expenses in relation to purchase of office facilities and renovation work.

Taxation

Income tax expense decreased by approximately HK\$1.3 million, or 33.4%, from approximately HK\$3.8 million for the year ended 31 December 2016 to approximately HK\$2.5 million for the year ended 31 December 2017. The decrease was primarily attributable to the decrease in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year and Net Profit Margin

Profit after tax of the Group decreased by approximately HK\$5.0 million, or 33.7%, from approximately HK\$15.0 million for the year ended 31 December 2016 to approximately HK\$9.9 million for the year ended 31 December 2017. Such decrease was mainly due to the combined effect of (i) the decrease in revenue and (ii) increase in administrative expenses for the year ended 31 December 2017 as compared to the year ended 31 December 2016. Our net profit margins for the years ended 31 December 2017 and 2016 were approximately 6.7% and 9.4% respectively.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2017,

- (a) the Group's total assets increased to approximately HK\$115.4 million (2016: approximately HK\$59.9 million) while the total equity increased to approximately HK\$87.9 million (2016: approximately HK\$24.9 million);
- (b) the Group's current assets increased to approximately HK\$103.3 million (2016: approximately HK\$56.6 million) while the current liabilities decreased to approximately HK\$26.9 million (2016: approximately HK\$34.6 million);
- (c) the Group had approximately HK\$62.3 million in cash and bank balances (2016: approximately HK\$14.3 million), which included cash and bank balances in Renminbi ("RMB") of approximately RMB1.6 million, in US dollars ("USD") of approximately USD38,000, and approximately HK\$60.1 million, and the current ratio of the Group was approximately 3.8 times (2016: approximately 1.6 times);
- (d) the Group had finance leases liabilities of approximately HK\$0.3 million (2016: approximately HK\$0.8 million); and
- (e) the gearing ratio (calculated based on debts including payables incurred not in the ordinary course of business divided by total equity as at the respective period ended and multiplied 100%) of the Group was approximately 0.3% (2016: approximately 3.2%).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Looking forward, we are optimistic to maintain the growth momentum of the Group in 2018. We remains committed to the strategies that we have mapped out to the shareholders as presented in the prospectus dated 29 December 2016 (the “**Prospectus**”) and will consistently strive to enhance shareholder value by managing our businesses to our best capability.

After listing, we are in a stronger financial and liquidity position and so we will devote more resources towards the IT development applicable to our industry and if appropriate, explore selective cooperation and partnership in order to strengthen our revenue base and maximise both the long term returns to our shareholders and the value of the Group.

CAPITAL EXPENDITURE

As at 31 December 2017, the Group had approximately HK\$12.1 million of capital expenditure (2016: approximately HK\$1.6 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group did not hold any significant investments (2016: Nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 118 employees (2016: 125) in Hong Kong. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors’ emoluments) were approximately HK\$43.4 million for the year ended 31 December 2017 (2016: approximately HK\$44.4 million). The remuneration packages of the Group’s employees include fees, salaries, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group’s operating results, employees’ individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group’s staff during the year ended 31 December 2017 are generally appreciated and recognised.

In addition, the Group adopted a share option scheme (the “**Scheme**”) on 15 December 2016. Since its adoption, no share options have been granted or agreed to be granted pursuant to the Scheme and therefore, there were no outstanding share options as at 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2017, the Group had assets with the carrying amount of approximately HK\$7.6 million pledged to secure general banking facilities and the finance leases obligations (2016: approximately HK\$7.1 million).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

Prior to the listing of the Company's shares (the "Shares") on GEM on 11 January 2017 (the "Listing Date"), the Company underwent corporate reorganisation, the details of which are set out in the section headed "History, Reorganisation and Development" in the Prospectus.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries by the Group during the year ended 31 December 2017.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in Hong Kong. The sales and purchases are mainly denominated in HK\$ and customers rarely request to settle our billing by other foreign currencies such as USD and RMB.

The Group's assets, liabilities and transactions are mainly denominated in HK\$. Only a little portion of the Group's deposits with bank are denominated in USD and RMB which is freely convertible into HK\$. The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and, therefore, no hedging arrangements were made during the year ended 31 December 2017. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

USE OF NET PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds received by the Company from the placing of 100,000,000 Shares at a price of HK\$0.60 each on the Listing Date, after the deduction of actual listing expenses and underwriting commission, amounted to approximately HK\$40.0 million. Accordingly, the Group has applied the proceeds in the same manner and proportion as shown in the Prospectus.

During the year, the Group has used (i) approximately HK\$11.5 million for setting up the new office and improving the facilities in the Infinitus Plaza office; (ii) approximately HK\$3.2 million for enhancing the IT systems and infrastructures, and (iii) set approximately HK\$1.0 million for enhancing the workforce. The balance of funds would be utilised as intended. As at 31 December 2017, all of the unused proceeds were deposited in a licensed bank in Hong Kong. As at 31 December 2017, the net proceeds utilised are set out as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

	Proposed amount to be used up to 31 December 2017 <i>HK\$ '000</i>	Actual amount utilised up to 31 December 2017 <i>HK\$'000</i>
Set up the new office and improve the facilities in the Infinitus Plaza office	14,335	11,490
Enhance our IT systems and infrastructures	9,610	3,232
Enhance our workforce	1,349	993
	25,294	15,715

ACHIEVEMENT OF BUSINESS OBJECTIVES AND COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 30 June 2017 and the year ended 31 December 2017 respectively.

Business objectives up to 30 June 2017 as set out in the Prospectus	Actual implementation plan up to 30 June 2017
Set up the new office and improve the facilities in the Infinitus Plaza office	The Group was in the progress of setting up the new office and improving the facilities in the Infinitus Plaza office.
Enhance our IT systems and infrastructures	The Group purchased a human resources administration system and continued to invest in our IT systems and infrastructures.
Enhance our workforce	Certain additional translation staff and operation staff were recruited, the Group was still in the process of further recruitment.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives up to 31 December 2017 as set out in the Prospectus	Actual implementation plan up to 31 December 2017
Set up the new office and improve the facilities in the Infinitus Plaza office	We completed the setting up of the new office in August 2017 with some minor works are still on-going.
Enhance our IT systems and infrastructures	We implemented a new human resources administration system in August 2017. Owing to re-arranging of our manpower in IT department, we have prolonged enhancing our data server, implementing a secured mobile office system, enhancing our software systems and upgrading our hardware equipment.
Enhance our workforce	Additional employees in our customer service, operations and translation functions were recruited. We are still in the process of further recruiting of employees.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors	Profile
<p>Yu Chi Ming Chairman & Executive Director</p>	<p>Mr. Yu Chi Ming ("Mr. Yu"), aged 59, is an executive Director and the chairman of our Group and is mainly responsible for formulating the overall financial and strategic planning of our Group. Mr. Yu has more than 30 years of experience in the printing industry. Mr. Yu obtained a Diploma in Management for Executive Development from The Chinese University of Hong Kong in September 1991. From April 1982 to February 1992, he was the production supervisor at Speedflex Asia Limited, a financial pre-press services provider, and was subsequently promoted to the position of general manager of production, mainly responsible for managing its printing factory. In January 1992, Mr. Yu was appointed as a director of Sunland Printing Limited ("Sunland") and he resigned from the role in September 2014. Since March 2000, Mr. Yu has been the chairman of HeterMedia Services Limited ("HM Services"). Mr. Yu is currently a director of each of HM Immediate Holdings Limited ("HM Immediate"), HM Information Services Limited ("HM Information"), HM Services, HM Too Limited ("HM Too"), HM Too (Asia) Limited ("HM Asia") and HM Language Services Limited ("HM Language").</p>
<p>Tse Kam Wing Walter Vice Chairman & Executive Director</p>	<p>Mr. Tse Kam Wing Walter ("Mr. Tse"), aged 58, is an executive Director and the vice chairman of our Group and is mainly responsible for the overall business development and corporate planning of our Group. Mr. Tse has over 30 years of experience in the printing industry. He joined our Group in March 2002, as managing director of HM Services, responsible for developing and implementing a strategic plan. In December 1994, he obtained a degree of Master of Business Administration from Newport University, USA. From July 1982 to March 1988, Mr. Tse worked at Jardine Printing, a division of Jardine Marketing Services Ltd. which is a subsidiary of Jardine Matheson & Co. Ltd., during which he was promoted to the role of business development manager and was mainly responsible for business and products development. Between August 1988 to May 1990, he became the sales manager at Times Ringier (HK) Limited, a company which principally engages in magazine printing services, mainly responsible for building relationship with clients. Between February 1991 and August 1992, Mr. Tse was employed as district manager of the systemedia division at NCR (Hong Kong) Limited, mainly responsible for the provision of financial instrument printing services. From April 1995 to February 2002, Mr. Tse worked at Elegance Finance Printing Services Limited as general manager, mainly responsible for the day-to-day management and was subsequently promoted to the role of director. Mr. Tse is currently a director of each of HM Immediate, HM</p>

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors	Profile
	Information, HM Services, HM Too, HM Asia and HM Language.
<p>Chan Wai Lin</p> <p>Chief Executive Officer, Executive Director & Compliance Officer</p>	<p>Mr. Chan Wai Lin (“Mr. Chan”), aged 45, is an executive Director and the chief executive officer of our Group and is mainly responsible for overall business management and making overall operational decisions of our Group. He joined our Group in November 2012 as a director of HM Too. Mr. Chan has over 14 years of experience in the financial printing industry. In December 1998, Mr. Chan obtained a degree of Bachelor of Arts in Economics from the University of Missouri, USA. In December 2000, he obtained a degree of Master of Arts in Finance from Webster University, USA. Mr. Chan also obtained a degree of Master of Business Administration from Webster University, USA, in August 2001.</p> <p>Mr. Chan worked at State Street – Kansas City (formerly known as IFTC (Investors Fiduciary Trust Company)) as fund accountant/portfolio administrator in March 1999 and as financial analyst from May 2000 to March 2001. He was mainly responsible for preparing financial reports and conducting ad hoc analysis on profitability of new fund accounts. Mr. Chan was employed by RR Donnelley Roman Financial Limited, a financial printer, from March 2002 to March 2008 and his last position was head of office in the business process outsourcing department. He was mainly responsible for developing production strategies, planning projects and developing and implementing procedures and systems. In March 2008, Mr. Chan was appointed as director of Dragon Globe Holdings Limited (formerly known as Xuanda Group Limited; HeterMedia Group Limited (軒達資訊集團有限公司)); and HeterMedia Holdings Limited (軒達資訊控股有限公司)) (“HMG”), until May 2012. During June 2012 and November 2012, he was appointed as executive director of Williams Lea Asia, Limited responsible for strategic sourcing in Asia excluding Japan. Mr. Chan is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia and HM Language.</p>

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors	Profile
<p>Choi Hon Ting Derek</p> <p>Independent Non-Executive Director</p>	<p>Mr. Choi Hon Ting Derek (“Mr. Choi”) (formerly known as Choi Kwan Wai Derek), aged 49, is an independent non-executive Director and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He joined our Group on 15 December 2016. Mr. Choi has over 24 years of experience in the trading of specialised engineering equipment. Mr. Choi is the co-founder of Symbior Energy Limited, whose principal business activities are mainly investing in energy ventures, where he has been its president, responsible for China business operations since August 2010. Since May 2010, Mr. Choi has served as the managing director of Pure Technologies (China) Limited, a company engaged in the development and application of innovative technologies for inspection, monitoring and management of physical infrastructure and was responsible for the overall management of the company. Since December 1991, Mr. Choi has worked at Balama Prima Engineering Co., Ltd., the core business of which includes infrastructure environmental conservation and agricultural-related business and he is currently its managing director, responsible for its overall management.</p> <p>Mr. Choi graduated with a degree of Bachelor of Science in Agricultural Engineering from Purdue University, USA in May 1991.</p> <p>Mr. Choi has been appointed as an executive director of D&G Technology Holding Company Limited (stock code: 1301) since 11 September 2014, which is listed on the Main Board of the Stock Exchange. Mr. Choi has resigned as an independent non-executive director of IPE Group Limited (stock code: 929), which is also listed on the Main Board of the Stock Exchange, with effect from 2 June 2017.</p>

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors	Profile
<p>Ng Jack Ho Wan</p> <p>Independent Non-Executive Director</p>	<p>Mr. Ng Jack Ho Wan (“Mr. Ng”) (formerly known as Ng Ho Wan), aged 41, was appointed as an independent non-executive Director on 15 December 2016 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He has over 18 years of experience in accounting, auditing, asset management and fund administration. He worked in PricewaterhouseCoopers LLP, Canada from September 1997 until February 2001. He then joined KPMG in Hong Kong and was an audit partner during July 2008 and October 2012, where he was responsible for overseeing audit and advisory projects in the wealth and fund management sectors both in China and Hong Kong. He has been the managing director of Jack H.W. Ng CPA Limited since June 2013.</p> <p>In May 2000, Mr. Ng graduated from Simon Fraser University, Canada with a degree of Bachelor of Business Administration (Co-operative Education).</p> <p>Mr. Ng has been a fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. He was accredited as certified information systems auditor in January 2007. In September 2007, he was certified as chartered financial analyst by the CFA Institute. He was awarded with a specialist certificate in asset management in February 2005.</p>

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors	Profile
<p>Wan Chi Wai Anthony</p> <p>Independent Non-Executive Director</p>	<p>Mr. Wan Chi Wai Anthony (“Mr. Wan”), aged 42, was appointed as an independent non-executive Director on 15 December 2016 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. Mr. Wan possesses professional experience in both the accounting and legal fields. In November 1997, Mr. Wan graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration in Accounting. He subsequently obtained a degree of Bachelor of Laws in August 2003 from the University of London, United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004. He was admitted as a solicitor in Hong Kong in September 2006.</p> <p>Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as senior associate. He was mainly responsible for auditing and accountancy in Hong Kong companies. In October 2001, he joined Wellink Services Limited as accounting manager and resigned in January 2002. He was mainly responsible for handling accounting and financing matters of the company. From April 2002 to September 2003, Mr. Wan worked as an assistant manager of finance in the business services division of MLC (Hong Kong) Limited, and was mainly responsible for accounting and finance matters of the company.</p> <p>Mr. Wan is an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006. Mr. Wan is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong.</p> <p>Since December 2015, he has been an independent non-executive director of Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.) (stock code: 2289), the shares of which are listed on the Main Board of the Stock Exchange. Since 12 January 2018, he has been appointed as independent non-executive director of FDB Holdings Limited (stock code: 1826), the shares of which are also listed on the Main Board of the Stock Exchange.</p>

DIRECTORS AND SENIOR MANAGEMENT

Senior Management	Profile
<p>Chan Wai Chung Caroline</p> <p>Chief Operations Officer</p>	<p>Ms. Chan Wai Chung Caroline, aged 44, is the chief operations officer of our Group and is responsible for overall business operation and management of our Group. She is primarily responsible for supervising the day-to-day operations of our business units. She joined our Group in August 2010. She obtained a degree in Bachelor of Commerce from Deakin University, Australia, in September 1996. She obtained a degree of Master of Environmental and Business Management from the University of Newcastle, Australia, in December 2005 and a degree of Master of Business Administration jointly issued by the University of Sydney, Australia and the University of New South Wales, Australia, in September 2003. She obtained a degree of Master of Arts in Computer-Aided Translation from The Chinese University of Hong Kong in December 2010.</p> <p>Between September 1999 and January 2000, she was a customer service supervisor of Roman Financial Press Limited, where she was mainly responsible for the daily operations of the international customer service department. During January 2001 to February 2008, She was employed by RR Donnelley Roman Financial Limited with her last position held as financial services service delivery supervisor in the service delivery department. She was mainly responsible for staff training.</p>
<p>Cheng Shuk Wa</p> <p>Shared Services Officer</p>	<p>Ms. Cheng Shuk Wa (“Ms. Cheng”), aged 49, is the shared services officer of our Group and is responsible for supervising all the shared services units such as translation, administration and human resources of our Group. Ms. Cheng joined our Group in June 2012 as human resources and administration manager of HM Services. Ms. Cheng attended University of Victoria, Canada, and obtained a degree of Bachelor of Arts majoring in Economics in May 1994. During May 2003 to June 2004, she was sales administration manager at The Essentials on behalf of Home Apply Limited, where she was mainly responsible for the supervision of sales support team to provide administrative support to business unit. Between June and December 2005, Ms. Cheng was an assistant administration manager at Sun Power Container Services Limited, where she was responsible for running the personnel and general administration functions.</p>
<p>Yung Suk Man</p> <p>Financial Controller</p>	<p>Ms. Yung Suk Man (“Ms. Yung”), aged 50, is the financial controller of our Group and is responsible for reviewing financial reports, overseeing financial and accounting</p>

DIRECTORS AND SENIOR MANAGEMENT

Senior Management	Profile
	<p>matters of our Group. Ms. Yung was an accountant of Sunland from May 1995, and subsequently joined HM Services as an accounting manager in September 2014. Ms. Yung graduated from Curtin University of Technology, Australia with a degree of Bachelor of Commerce in Accounting and Finance in September 2004. In May 2015, Ms. Yung obtained a degree of Master of Business Administration from European University, through distance learning.</p>
Company Secretary	Profile
<p>Chan Sau Ling Company Secretary</p>	<p>Ms. Chan Sau Ling is the company secretary of our Company and is responsible for the company secretarial and related matters of our Company. She was appointed as the company secretary on 5 September 2016. She has over 20 years of company secretarial experience. She is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, the United Kingdom since October 2002, and holds a practitioner's endorsement certificate from The Hong Kong Institute of Chartered Secretaries. She is a director of the corporate services division of Tricor Services Limited. Between October 2010 and October 2015, She was a company secretary of Evergreen International Holdings Limited (stock code: 238), which is listed on the Main Board of the Stock Exchange. During February 2013 to June 2016, she was a company secretary of China New Town Development Company Limited (stock code: 1278), which was dual-listed on the Main Board of the Stock Exchange and Singapore Exchange Securities Trading Limited and was delisted from Singapore Exchange Securities Trading Limited on 17 February 2017. She is currently the joint company secretary of China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (stock code: 916), which is listed on the Main Board of the Stock Exchange. (Note: The Company has engaged Tricor Services Limited as external service provider and appointed she as the Company's company secretary since 5 September 2016.)</p>

**For identification purpose only*

REPORT OF DIRECTORS

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the “**Consolidated Financial Statements**”).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of integrated printing services, concept creation and artwork design, IT and languages services. The principal activities of the Company’s subsidiaries are set forth in Note 31 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2017, a discussion on the Group’s future business development, particulars of important events affecting the Group since the year ended 31 December 2017 and an analysis of the Group’s performance using financial key performance indicators are provided in the “Management Discussion and Analysis” on pages 5 to 12. In addition, discussions on the principal risks and uncertainties facing the Group, the Group’s environmental policies and performance, the Group’s compliance with the relevant laws and regulations that have a significant impact on the Group and key relationships with its stakeholders are contained in this “Report of Directors”.

PRINCIPAL RISK AND UNCERTAINTIES

Our Group’s financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to our Group’s business. The following are the key risks and uncertainties identified by our Group.

We generally do not enter into any long-term contracts with our clients. We may not be successful in maintaining our relationship with existing clients or attracting new clients, which may expose us to potential volatility with respect to our business performance.

We provide integrated printing services for corporate clients mainly in the financial and capital markets in Hong Kong. We, in general, do not enter into any long-term contracts with our clients, and we are engaged by our clients on a project-by-project basis. Most of our projects are non-recurring in nature, such as financial printing projects related to fund investment content outputs, and the availability of these projects are subject to the financial market condition.

We engage subcontractors to conduct part of the works in our productions and the performance of these subcontractors may affect the quality of our overall services to our clients.

We outsource part of our productions, in particular the printing and binding/packaging works, to our subcontractors. As we do not operate any printing factory, all of our printing and binding/packaging works are outsourced to third party printing houses. Generally, our final content outputs are delivered to our clients’ designated locations directly by our subcontracted printing houses or through third party logistic service providers.

REPORT OF DIRECTORS

ENVIRONMENTAL POLICY

With the aim of thriving together with the environment and the society, we are dedicated to leading a business driven primarily by sustainability through tides of change. We highlight the significance of sustainable development in our operational strategies as we believe to act responsibly, we must plan sustainably.

We acknowledge that our industry owes a duty to pay special attention to sustainable use of resources. As part of our environmental impact mitigation measures, we have obtained the Chain of Custody Certification issued by the Forest Stewardship Council (“FSC”) and all A4 office papers our employees use are FSC-certified. Beyond responsible use of paper products, the switch to electronic documents is another significant step towards sustainability. Through launching apps and e-books, we encourage clients to join us on a more sustainable journey by reducing their paper consumption.

Environmental policy is set out in the section of “Environmental, Social and Governance Report” which will be published on the websites of the Company and of the Stock Exchange in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2017.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48.

The Board does not recommend the payment of dividend for the year ended 31 December 2017 (2016: Nil).

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited Consolidated Financial Statements or the Prospectus, is set out on page 96 of this report. This summary does not form part of the Consolidated Financial Statements.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2017 are set out in consolidated statement of changes in equity on page 50.

DISTRIBUTABLE RESERVES

The Company had reserves of approximately HK\$83,855,000 (2016: approximately HK\$24,924,000) available for dividend distribution to shareholders of the Company (the “Shareholders”) as at 31 December 2017.

REPORT OF DIRECTORS

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 22 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

The Company has adopted the Scheme as approved by a resolution of the Shareholders passed on 15 December 2016.

Details of the Scheme are as follows:

1. Purpose of the Scheme

To provide an incentive or a reward to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.
2. Eligible participants to the Scheme

Any employee (full-time or part-time), director, partner or joint-venture partner, supplier and customer of the Group or any invested entity; any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any invested entity; and any person (who in the sole discretion of the Board) has contributed or may contribute to the Group or any invested entity.
3. Total number of shares available for issue under the Scheme and percentage to the issued shares as at the date of this annual report

40,000,000 shares (equivalent to 10% of the total number of Shares in issue as at the date of this annual report).
4. Maximum entitlement of each participant under the Scheme

Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.
5. The period within which the shares must be taken up under an option

A period which shall not be more than ten (10) years after the offer date and subject to the provisions for early termination as contained in the Scheme.

REPORT OF DIRECTORS

- | | | |
|----|--|---|
| 6. | The minimum period for which an option must be held before it can be exercised | Unless otherwise determined by the Board, there is no performance target required to be achieved and no minimum period required under the Scheme for the holding of an option before it can be exercised. |
| 7. | The amount payable on application or acceptance of the option and the period within which payments or calls must be made | The payment or remittance of HK\$1.00 within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules. |
| 8. | The basis of determining the exercise price | Being determined by the Board and shall be at least the highest of :-

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the offer date; and

(c) the nominal value of a Share on the offer date. |
| 9. | The remaining life of the Scheme | The Scheme is valid and effective for a period of ten (10) years commencing on 15 December 2016 (being the date of adoption of the Scheme). |

No share option has been granted under the Scheme since its adoption and up to the date of this annual report.

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.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2017 are set out in Note 31 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2017 are set out in Note 14 to the Consolidated Financial Statements.

REPORT OF DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package and long term career development to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the year ended 31 December 2017, there was no material and significant dispute between our Group and its business partners or bank enterprises.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float required under the GEM Listing Rules.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group made charitable donations totaling approximately HK\$49,000 (2016: approximately HK\$29,000).

KEY RELATIONSHIPS

Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

Our majority of customers are either corporations listed on the Stock Exchange and/or financial institutions such as fund houses, insurance companies and banks. We will endeavor to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers

Our Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. All of our major suppliers are our subcontractors. It is our Group's policy to subcontract all printing and binding/packaging works to third parties. Our Group has set up an approved list of suppliers and we select suppliers based on their equipment used, production environment, qualifications and certifications and service/product quality.

REPORT OF DIRECTORS

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2017, the five largest clients accounted for approximately 36.6% (2016: approximately 39.9%) of the Group's total revenue and the five largest suppliers of the Group accounted for approximately 71.6% (2016: approximately 71.1%) of the Group's total purchase. The largest client of the Group accounted for approximately 13.3% (2016: approximately 17.6%) of the Group's total revenue while the largest supplier of the Group accounted for approximately 30.7% (2016: approximately 34.1%) of the Group's total purchase.

None of the Directors, their close associates, or any substantial Shareholders (which, to the knowledge of the Board, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year ended 31 December 2017 are disclosed in Note 29 to the Consolidated Financial Statements. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements pursuant to the GEM Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTION

On 24 December 2015, a tenancy agreement was entered into between Unique Concept Development Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Mr. Yu, and HM Services (as tenant), in respect of a property situated at House 77, Tycoon Place, 38 Lo Fai Road, Tai Po, New Territories, Hong Kong, for a term of 36 months commencing on 1 January 2016 and ending on 31 December 2018 (both days inclusive) at a monthly rental of HK\$50,000. There is no option to renew the tenancy agreement. Based on the fixed monthly rent under the tenancy agreement, the annual cap in respect of the annual rental payable by the Group to Unique Concept Development Limited for each of the three years ending 31 December 2018 will be HK\$600,000. Each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the rental annual cap is less than 5% and the annual consideration is less than HK\$3,000,000. Accordingly, the entering into of the tenancy agreement constitutes an exempt continuing connected transaction of the Company under Rule 20.74 of the GEM Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out in the section headed "Directors and Senior Management" of this report.

REPORT OF DIRECTORS

DIRECTORS

The Directors who held office during the year ended 31 December 2017 were:

Executive Directors

Mr. Yu Chi Ming

Mr. Tse Kam Wing Walter

Mr. Chan Wai Lin

Independent Non-executive Directors

Mr. Ng Jack Ho Wan

Mr. Choi Hon Ting Derek

Mr. Wan Chi Wai Anthony

Detailed information of the Directors standing for re-election will be set out in the circular in relation to the forthcoming annual general meeting of the Company to be dispatched to the Shareholders.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive 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 (Chapter 571 of the Laws of Hong Kong)) (the "SFO"), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein (the "Register"); or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

REPORT OF DIRECTORS

Long Position in the Shares of the Company

As at 31 December 2017

Name of Director	Nature of interests	Number of ordinary Shares held	Percentage of shareholding
Mr. Yu	Interests held jointly with another person; interest in a controlled corporation (<i>Note</i>)	300,000,000	75%
Mr. Tse	Interests held jointly with another person; interest in a controlled corporation (<i>Note</i>)	300,000,000	75%
Mr. Chan	Interests held jointly with another person; interest in a controlled corporation (<i>Note</i>)	300,000,000	75%

Note: HM Ultimate Holdings Limited (“**HM Ultimate**”) is beneficially owned as to 53% by Mr. Yu, 24.5% by Mr. Tse and 22.5% by Mr. Chan. Mr. Yu, Mr. Tse and Mr. Chan together control all the Shares held by HM Ultimate.

Long Position in the Shares of the Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of interests	Number of ordinary Shares held	Percentage of shareholding interest
Mr. Yu	HM Ultimate	Beneficial owner	530	53%
Mr. Tse	HM Ultimate	Beneficial owner	245	24.5%
Mr. Chan	HM Ultimate	Beneficial owner	225	22.5%

Save as disclosed above, as at 31 December 2017, none of the Directors and the chief executive 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) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the Register, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 31 December 2017, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting Shares:

Long Position in the Shares of the Company

As at 31 December 2017

Name of shareholder	Nature of interests	Number of ordinary Shares held	Percentage of shareholding
HM Ultimate (<i>Note 1</i>)	Beneficial owner	300,000,000	75%
Ms. Wong Mee Che Lilian	Interest of spouse (<i>Note 2</i>)	300,000,000	75%
Ms. Wong Yuk Sim Kathy	Interest of spouse (<i>Note 3</i>)	300,000,000	75%
Ms. Tang Wai Kwan May	Interest of spouse (<i>Note 4</i>)	300,000,000	75%

Note 1: HM Ultimate is beneficially owned as to 53% by Mr. Yu, 24.5% by Mr. Tse and 22.5% by Mr. Chan. Mr. Yu, Mr. Tse and Mr. Chan together control all the Shares held by HM Ultimate.

Note 2: Ms. Wong Mee Che Lilian is the spouse of Mr. Yu. Ms. Wong Mee Che Lilian is deemed to be interested in the same number of Shares in which Mr. Yu is interested by virtue of the SFO.

Note 3: Ms. Wong Yuk Sim Kathy is the spouse of Mr. Tse. Ms. Wong Yuk Sim Kathy is deemed to be interested in the same number of Shares in which Mr. Tse is interested by virtue of the SFO.

Note 4: Ms. Tang Wai Kwan May is the spouse of Mr. Chan. Ms. Tang Wai Kwan May is deemed to be interested in the same number of Shares in which Mr. Chan is interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any persons who/entities which had any interest or short position in the Shares or underlying Shares that would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the Substantial Shareholders' Register required to be kept under section 336 of the SFO.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 10 and Note 11 to the Consolidated Financial Statements respectively.

REPORT OF DIRECTORS

DIRECTORS' SERVICE AGREEMENTS

Each of the independent non-executive Directors is appointed for a term of three years.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company and/or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option as disclosed in the section headed "Share Option Scheme" of this report, during the year ended 31 December 2017, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries or the holding company a party to any arrangement which enabled the Directors to acquire such rights in any other body corporate.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 29 to the Consolidated Financial Statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries or any related company was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from the Listing Date to 31 December 2017, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely HM Ultimate, Mr. Yu Chi Ming, Mr. Tse Kam Wing Walter, and Mr. Chan Wai Lin, entered into the Deed of Non-Competition in favour of the Company on 15 December 2016 (the "Deed"), details of which have been set out in the Prospectus. The Company has received an annual confirmation from the controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed throughout the period from the Listing Date to 31 December 2017. The independent non-executive Directors have also reviewed the compliance and enforcement of the non-competition undertakings under the Deed by the controlling Shareholders and confirmed that the controlling Shareholders have not been in breach of the Deed from the Listing Date to 31 December 2017.

REPORT OF DIRECTORS

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, cost, charges, losses, damages and expenses incurred or sustained by him as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2017.

REMUNERATION POLICY

As at 31 December 2017, the Group had 118 employees (2016: 125) in Hong Kong. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors' emoluments) were approximately HK\$43.4 million for the year ended 31 December 2017 (2016: approximately HK\$44.4 million). The remuneration packages of the Group's employees include fees, salaries, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2017 are generally appreciated and recognised.

In addition, the Group adopted the Scheme on 15 December 2016. Since its adoption, no share options have been granted or agreed to be granted pursuant to the Scheme and therefore, there were no outstanding share options as at 31 December 2017.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2017.

INTERESTS OF COMPLIANCE ADVISER

As notified by Messis Capital Limited ("**Messis**"), the Company's compliance adviser, except for the compliance adviser agreement dated 6 September 2016 entered into between the Company and Messis, neither Messis nor any of its directors or employees or close associates had any interest in the securities of the Company or any member of the Group as at 31 December 2017 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

REPORT OF DIRECTORS

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

COMPANY SECRETARY

Ms. Chan Sau Ling, is the company secretary of our Company. Please refer to her biography in the section headed “Directors and Senior Management” for details.

COMPLIANCE OFFICER

Mr. Chan Wai Lin, who is also an executive Director, is the compliance officer of our Company. Please refer to Mr. Chan’s biography in the section headed “Directors and Senior Management” for details.

REVIEW BY AUDIT COMMITTEE

The audit committee (the “**Audit Committee**”) consists three members who are Mr. Ng Jack Ho Wan, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. Mr. Ng Jack Ho Wan is the chairman of the Audit Committee. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including review of the Consolidated Financial Statements.

EVENTS AFTER THE BALANCE SHEET DATE

As from 31 December 2017 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

AUDITORS

The Consolidated Financial Statements were audited by HLB Hodgson Impey Cheng Limited, the auditors, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of HLB Hodgson Impey Cheng Limited, as the independent auditors of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditors since the date of the Listing.

On behalf of the Board
HM International Holdings Limited
Yu Chi Ming
Chairman

Hong Kong, 15 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules.

In the opinion of the Directors, throughout the period from the Listing Date to 31 December 2017, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings") as the code of conduct regarding Directors' securities transactions.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the period from the Listing Date to 31 December 2017.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. Throughout the period from the Listing Date to 31 December 2017, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises the following Directors:

Executive Directors

Mr. Yu Chi Ming (Chairman)
Mr. Tse Kam Wing Walter
Mr. Chan Wai Lin (Chief Executive Officer)

Independent Non-executive Directors

Mr. Choi Hon Ting Derek
Mr. Ng Jack Ho Wan
Mr. Wan Chi Wai Anthony

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 13 to 19 of this annual report.

None of the members of the Board is related to one another.

CORPORATE GOVERNANCE REPORT

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the period from the Listing Date to 31 December 2017, the Board held 4 meetings.

The attendance records of each Director for the period under review are set out in the section headed "Attendance Records of Directors and Board Committee Members" of this annual report.

Chairman and Chief Executive Officer

The positions of chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**Chief Executive Officer**") are held by Mr. Yu Chi Ming and Mr. Chan Wai Lin respectively. The Chairman provides leadership and is responsible for formulating the overall financial and strategic planning of the Group. The Chief Executive Officer focuses on the Company's overall business management and making overall operational decisions.

Independent Non-executive Directors

During the period from the Listing Date to 31 December 2017, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election.

According to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation and re-election at least once every three years.

The articles of association of the Company also provides that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting after his appointment and be subject to re-election at such meeting whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Each of the executive Directors, Mr. Yu Chi Ming, Mr. Tse Kam Wing Walter and Mr. Chan Wai Lin, has entered into a service contract with the Company for a term of three years commencing from 13 January 2016. Either party may terminate the service contract by giving the other party not less than three months' notice in writing, which notice shall not expire until after the initial fixed term.

Each of the independent non-executive Directors, Mr. Choi Hon Ting Derek, Mr. Ng Jack Ho Wan and Mr. Wan Chi Wai Anthony, has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board assumes responsibility for leadership and control of the Company; oversees the Group's businesses, strategic decisions and performance; and is collectively responsible for directing and supervising the Company's affairs. The Board should take decisions objectively in the best interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board should regularly review the contribution required from each Director to perform his responsibilities to the Company.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the period from the Listing Date to 31 December 2017 are summarised as follows:

Directors	Types of Training ^{Note}
<i>Executive Directors</i>	
Mr. Yu Chi Ming	A & B
Mr. Tse Kam Wing Walter	A & B
Mr. Chan Wai Lin	A & B
<i>Independent Non-Executive Directors</i>	
Mr. Choi Hon Ting Derek	A
Mr. Ng Jack Ho Wan	A
Mr. Wan Chi Wai Anthony	A & B

Note:

Types of Training

A: *Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops*

B: *Reading relevant news alerts, newspapers, journals, magazines and relevant publications*

Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, corporate governance, update on the GEM Listing Rule amendments etc. In addition, relevant reading materials including directors' manual, legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board established three committees, namely, the Audit Committee, the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) on 15 December 2016, for overseeing particular aspects of the Company’s affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company’s website and the GEM website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under “Corporate Information” on page 2 of this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Ng Jack Ho Wan, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. Mr. Ng Jack Ho Wan is the chairman of the Audit Committee. At least one of the Audit Committee members possesses appropriate professional qualifications or accounting or related financial management expertise and none of the Audit Committee members is a former partner of the Company’s existing external auditor.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and relationship with external auditors, and arrangements to enable employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2017.

During the period from the Listing Date to 31 December 2017, the Audit Committee held 4 meetings to review the Group’s consolidated financial statements, results announcements and reports for the year ended 31 December 2016, for the three months ended 31 March 2017, for the six months ended 30 June 2017 and for the nine months ended 30 September 2017; the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function; re-appointment of external auditors and engagement of non-audit services and relevant scope of works; and arrangements for employees to raise concerns, in confidence, about possible improprieties.

The attendance records of each Audit Committee member are set out in the section headed “Attendance Records of Directors and Board Committee Members” of this annual report.

The Audit Committee also met the external auditors once without the presence of the executive Directors.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony, independent non-executive Directors, and Mr. Yu Chi Ming, executive Director. Mr. Choi Hon Ting Derek is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the period from the Listing Date to 31 December 2017, the Remuneration Committee held one meeting to review and make recommendations to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

The attendance records of each Remuneration Committee member are set out in the section headed "Attendance Records of Directors and Board Committee Members" of this annual report.

Details of the remuneration of the senior management by band are set out below:

	2017
	Number of individuals
HK\$500,000 to HK\$1,000,000	3

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Wan Chi Wai Anthony and Mr. Ng Jack Ho Wan, independent non-executive Directors, and Mr. Chan Wai Lin, executive Director. Mr. Wan Chi Wai Anthony is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

CORPORATE GOVERNANCE REPORT

In identifying and selecting suitable candidates for directorships, the Nomination Committee would use public advertising or the service of external recruiters to facilitate the recruitment process, and would consider the candidate's character, qualifications, experience, time commitments, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the period from the Listing Date to 31 December 2017, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors; and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of each Nomination Committee member are set out in the section headed "Attendance Records of Directors and Board Committee Members" of this annual report.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the period from the Listing Date to 31 December 2017, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

ATTENDANCE RECORDS OF DIRECTORS AND BOARD COMMITTEE MEMBERS

The attendance records of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the period from the Listing Date to 31 December 2017 are set out in the table below:

Name of Director	Attendance / Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr. Yu Chi Ming	4/4	-	1/1	-	1/1
Mr. Tse Kam Wing Walter	4/4	-	-	-	1/1
Mr. Chan Wai Lin	4/4	-	-	1/1	1/1
Mr. Choi Hon Ting Derek	4/4	4/4	1/1	-	0/1
Mr. Ng Jack Ho Wan	4/4	4/4	-	1/1	1/1
Mr. Wan Chi Wai Anthony	4/4	3/4	0/1	1/1	0/1

One meeting was held between the Chairman and the independent non-executive Directors without the presence of executive Directors during the period from the Listing Date to 31 December 2017.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the establishment, maintenance and review of the Group's risk management and internal controls system. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board oversees the Group's the overall risk management and internal control systems on an ongoing basis. At the same time, the Group endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis establishing mitigation plans to manage the risks identified;
2. The management is responsible for overseeing the Group's risk management and internal control activities attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented;
3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls systems.

The risk management framework, coupled with our internal controls, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite. The Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Group and for reviewing its effectiveness.

Our independent internal control consultant has performed an assessment on our internal control systems including reviewing guidelines and policies which are implemented through our operational process. An internal audit function is set up to examine key issues in relation to the financial and operational matters/practices and to provide its findings and any recommendations for improvement to the Audit Committee.

The Group's risk management and internal control 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 responsibility to maintain the adequacies of resources, and to enhance qualifications and experiences of staff by providing training programs. The Board concluded that the Group's risk management and internal control systems were in place and effective.

CORPORATE GOVERNANCE REPORT

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure that the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2017.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the Consolidated Financial Statements is set out in the independent auditors' report on pages 43 to 47.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditors.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of audit services for the year ended 31 December 2017 is set out below:

Service Category	Fees Paid / Payable <i>HK\$</i>
Audit Services	<u>860,000</u>

COMPANY SECRETARY

Ms. Chan Sau Ling of Tricor Services Limited, external service provider, has been appointed as the Company's company secretary with effect from 5 September 2016. The primary contact person at the Company is Ms. Yung Suk Man, financial controller of the Company.

During the year ended 31 December 2017, Ms. Chan Sau Ling has complied with Rule 5.15 of the GEM Listing Rules of taking not less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels and a shareholders' communication policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the websites of the Company and of the GEM after each general meeting.

Procedure for Convening an Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meetings

Shareholders may put forward proposals at general meetings by requesting an extraordinary general meeting.

Pursuant to Article 64 of the articles of association of the Company, extraordinary general meetings can be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company (principal place of business of the Company in Hong Kong: 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong) for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to the requisitioner(s) by the Company.

Procedure for Shareholders to Put Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests for publicly available information and comments and suggestions to Directors or management of the Company to the following:

Address: 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
(For the attention of the Board of Directors)
Fax: +852.3102.0908
Email: enquiry@hetermedia.com

CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The Company recognises the importance of the Shareholders' privacy and will not disclose the Shareholders' information without their consent, unless required by law to do so. Shareholders may call the Company at +852.2121.1551 for any assistance.

Shareholders should direct their questions about their shareholdings by mail to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by telephone at +852.2980.1333, who has been appointed by the Company to deal with Shareholders for share registration and related matters.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

To promote effective communication, the Company maintains a website at www.hetermedia.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the year under review, the Company has not made any changes to its memorandum and articles of association. An up to date version of the memorandum and articles of association of the Company is also available on the Company's website and the GEM website.

INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**TO THE MEMBERS OF
HM INTERNATIONAL HOLDINGS LIMITED**
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HM International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 48 to 95, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 December 2017, 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 *Auditors’ 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Refer to Note 5 to the consolidated financial statements.	
<p>The Group recognised revenue of approximately HK\$148,611,000 from provision of integrated printing services for the year ended 31 December 2017.</p> <p>Revenue from service contract is recognised based on the stage of completion of the related contracts, which requires management judgements and estimates about the work performed and estimated costs to complete.</p>	<p>Our procedures in relation to revenue recognition mainly included:</p> <ul style="list-style-type: none"> • Inspecting quotations and agreements with customers to understand the terms of the sales transactions to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards; • Assessing the Group's revenue recognition is based on a reasonable measurement of the progress of contracts toward completion of the contracts; and • Checking the accuracy of the incurred costs to date and assessing judgements and estimates about budgeted costs to complete and expected gross profits.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 auditors' 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 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. This report is made solely to you, as a body, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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 auditors' 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 auditors' 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.

We communicate with the Audit Committee 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 the Audit Committee 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

From the matters communicated with the Audit Committee, 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 auditors' 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 director on the audit resulting in this independent auditors' report is Lo Kin Kei.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Lo Kin Kei
Practising Certificate Number: P06413

Hong Kong, 15 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Revenue	5	148,611	160,036
Cost of sales		(81,548)	(91,903)
Gross profit		67,063	68,133
Other income and gains/(losses)	6	165	(41)
Selling expenses		(11,152)	(10,670)
Administrative expenses		(43,600)	(38,547)
Finance costs	7	(37)	(128)
Profit before tax		12,439	18,747
Income tax expense	8	(2,517)	(3,778)
Profit and total comprehensive income for the year attributable to owners of the Company	9	9,922	14,969
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted	13	2.50	4.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	14	11,825	2,817
Intangible assets	15	292	461
		<u>12,117</u>	<u>3,278</u>
Current assets			
Amounts due from customers on service contracts	16	1,849	899
Trade and other receivables	17	29,650	35,410
Current tax assets		2,505	-
Pledged bank deposits	18	7,000	6,000
Cash and bank balances	18	62,283	14,301
		<u>103,287</u>	<u>56,610</u>
Total assets		<u>115,404</u>	<u>59,888</u>
Current liabilities			
Trade and other payables	19	26,257	33,486
Finance leases obligations	20	262	546
Current tax liabilities		337	588
		<u>26,856</u>	<u>34,620</u>
Net current assets		<u>76,431</u>	<u>21,990</u>
Total assets less current liabilities		<u>88,548</u>	<u>25,268</u>
Non-current liabilities			
Finance leases obligations	20	-	262
Deferred tax liabilities	21	693	82
		<u>693</u>	<u>344</u>
Net assets		<u>87,855</u>	<u>24,924</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	22	4,000	-
Reserves	23	83,855	24,924
Total equity		<u>87,855</u>	<u>24,924</u>

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 15 March 2018 and are signed on its behalf by:

Mr. Yu Chi Ming
Director

Mr. Tse Kam Wing Walter
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000 (Note 22)	Share premium HK\$'000	Special reserve HK\$'000 (Note)	Retained earnings HK\$'000	
Balance at 1 January 2016	138	-	-	18,317	18,455
Profit and total comprehensive income for the year	-	-	-	14,969	14,969
Arising from the Reorganisation	(138)	-	138	-	-
Payments of dividends	-	-	-	(8,500)	(8,500)
Balance at 31 December 2016 and 1 January 2017	-	-	138	24,786	24,924
Profit and total comprehensive income for the year	-	-	-	9,922	9,922
Shares issued pursuant to the capitalisation issue	3,000	(3,000)	-	-	-
Shares issued under placing	1,000	59,000	-	-	60,000
Shares issuance costs	-	(6,991)	-	-	(6,991)
Balance at 31 December 2017	4,000	49,009	138	34,708	87,855

Note: Special reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the Reorganisation (as explained in Note 1).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Profit before tax		12,439	18,747
Adjustments for:			
Amortisation of intangible assets		307	1,038
Depreciation of property, plant and equipment		2,854	1,606
Net losses on disposals of property, plant and equipment		91	15
Interest income		(18)	(17)
Finance costs recognised in profit or loss		37	128
		15,710	21,517
Movements in working capital			
(Increase)/decrease in amounts due from customers on service contracts		(950)	2,440
Decrease in trade and other receivables		5,760	17,128
Decrease in trade and other payables		(7,229)	(1,535)
		13,291	39,550
Cash generated from operations		13,291	39,550
Interest paid on bank overdrafts		(4)	(1)
Income tax paid		(4,662)	(5,787)
		8,625	33,762
Cash flows from investing activities			
Proceeds on disposals of property, plant and equipment		6	390
Payments for intangible assets		(138)	(102)
Payments for property, plant and equipment		(11,959)	(1,482)
Increase in pledged bank deposits		(1,000)	-
Interest received		18	17
		(13,073)	(1,177)
Net cash used in investing activities		(13,073)	(1,177)
Cash flows from financing activities			
Proceeds from issue of shares		60,000	-
Shares issuance costs		(6,991)	-
Interest paid		(33)	(127)
Advance to related companies		-	(19,642)
Dividends paid to owners of the Company		-	(8,500)
Repayment of bank borrowings		-	(4,083)
Repayment on finance leases obligations		(546)	(534)
		52,430	(32,886)
Net cash generated from/(used in) financing activities		52,430	(32,886)
Net increase/(decrease) in cash and cash equivalents		47,982	(301)
Cash and cash equivalents at the beginning of year		14,301	14,602
Cash and cash equivalents at the end of year		62,283	14,301
Analysis of balances of cash and cash equivalents			
Cash and bank balances	18	62,283	14,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability. Its parent and ultimate holding company is HM Ultimate Holdings Limited (“**HM Ultimate**”), a company incorporated in the British Virgin Islands (“**BVI**”) and owned by Mr. Yu Chi Ming (“**Mr. Yu**”), Mr. Tse Kam Wing Walter (“**Mr. Tse**”) and Mr. Chan Wai Lin (“**Mr. Chan**”) (collectively referred to as the “**Controlling Parties**”). The Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622) on 12 April 2016. Its shares were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 January 2017.

The address of the registered office of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and the principal place of business is 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the provision of integrated printing services.

Prior to the corporate reorganisation undertaken in preparation for the listing of the Company’s shares on GEM of the Stock Exchange (the “**Reorganisation**”), the group entities were under the control of the Controlling Parties. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 15 December 2016. Accordingly, for the purpose of the preparation of the consolidated financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the years presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of the Controlling Parties prior to and after the Reorganisation.

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). 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 years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“**HK\$’000**”) unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 28. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 28, the application of these amendments has had no impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ³
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ¹
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ³
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ³
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ³
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle ³
Amendments to HKAS 40	Transfers of Investment Property ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycles ²

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2018.

⁴ Effective for annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments* (continued)

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

The directors of the Company do not anticipate that the application of the HKFRS 9 will have a material effect on the amounts recognised in the Group’s consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

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* 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. 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.

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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases* (continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, 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 December 2017, the Group has non-cancellable operating lease commitments of approximately HK\$17,405,000 as disclosed in Note 27. 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 application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The Group is in the process of making an assessment on what the impact of the other new or revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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 GEM of the Stock Exchange (the “**GEM Listing Rules**”) and by the Hong Kong Companies Ordinance.

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 are determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Parties.

The net assets of the combining entities or businesses are consolidated using the existing book values from the Controlling Parties' perspectives. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Parties' interests.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue from provision of integrated printing services is recognised when (i) the services are provided and the transactions can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the Group; and (iii) the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from service contract is recognised based on the stage of completion of the contracts as described in the accounting policy for service contracts below. The recognition of revenue on this basis provides information on the extent of service activities and performance at the end of the reporting period as considerable portion of integrated printing services are spanned for months and sometimes across different reporting periods.

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 the asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service contracts

Where the outcome of a service contract can be estimated reliably and it is probable that the contract will be profitable, service revenue is recognised over the period of the contract by reference to the stage of completion of service contract activity at the end of each of the reporting period.

When the outcome of a service contract cannot be estimated reliably, service revenue is recognised only to the extent of service costs incurred that are likely to be recoverable.

The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total estimated service cost of the contract.

The Group presents as an asset the gross amounts due from customers on service contracts for all service contracts in progress for which service costs incurred plus recognised profits exceed progress billings. The Group presents as a liability the gross amounts due to customers on service contracts in progress for which the progress billings exceed the service costs incurred plus recognised profits. Progress billings not yet paid by customers are included within trade and other receivables.

Leasing

Leases are classified as finance leases whenever the terms of the 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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting 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 expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of 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 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 financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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 and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or 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 assets (other than properties under construction) 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.

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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on tangible and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

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. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of reporting period. Financial assets are considered to be impaired when 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 investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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 the 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.

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

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 instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and finance leases obligations) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any number of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influence by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are 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 estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

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

Revenue recognition

The Group recognises contract revenue and profit of a service contract in relation to provision of integrated printing services according to the management's estimation of the total outcome of the contract as well as the percentage of completion of the service contract. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the service contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

5. REVENUE AND SEGMENT INFORMATION

HKFRS 8 *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment which is the provision of integrated printing services.

In addition, all of the Group's revenue is generated in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, the Group does not present separately segment information.

Revenue

	2017 HK\$'000	2016 HK\$'000
Integrated printing services	<u>148,611</u>	<u>160,036</u>

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the respective reporting period are as follows:

	2017 HK\$'000	2016 HK\$'000
Customer A	<u>19,781</u>	<u>28,170</u>

6. OTHER INCOME AND GAINS/(LOSSES)

	2017 HK\$'000	2016 HK\$'000
Bank interest income	18	17
Sundry income	58	12
Net losses on disposals of property, plant and equipment	(91)	(15)
Net foreign exchange gains/(losses)	<u>180</u>	<u>(55)</u>
	<u>165</u>	<u>(41)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

7. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on bank overdrafts	4	1
Interest on bank borrowings	14	96
Finance leases charges	19	31
	<u>37</u>	<u>128</u>

8. INCOME TAX EXPENSE

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax		
Current tax		
- Current year	1,972	4,118
Overprovision in prior year	(66)	(150)
Deferred tax (Note 21)		
- Current year	611	(190)
Total income tax recognised in profit or loss	<u>2,517</u>	<u>3,778</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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

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

	2017 HK\$'000	2016 HK\$'000
Profit before tax	<u>12,439</u>	<u>18,747</u>
Tax at the domestic income tax rate	2,052	3,093
Tax effect of expenses not deductible for tax purpose	1,140	1,163
Tax effect of income not taxable for tax purpose	(545)	(328)
Utilisation of tax losses previously not recognised	(64)	-
Overprovision in respect of prior year	(66)	(150)
Income tax expense for the year	<u>2,517</u>	<u>3,778</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2017 HK\$'000	2016 HK\$'000
Employee benefits expense (including directors' emoluments) (Note 10):		
Salaries, allowances and other benefits in kind	41,784	42,891
Contributions to retirement benefits schemes	1,600	1,491
	<hr/>	<hr/>
Total employee benefits expense	43,384	44,382
	<hr/>	<hr/>
	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration	860	800
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	307	1,038
Depreciation of property, plant and equipment	2,854	1,606
Listing expenses	2,997	5,149
Operating lease rentals in respect of:		
- rental premises	11,158	8,563
- equipment	23	27
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

10. DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company for the year were as follows:

Year ended 31 December 2017

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive directors					
Mr. Yu (Note (a))	-	1,200	432	18	1,650
Mr. Tse (Note (a))	-	960	640	18	1,618
Mr. Chan (Notes (a) and (b))	-	961	640	18	1,619
Independent non-executive directors					
Mr. Choi Hon Ting Derek (Note (c))	200	-	-	-	200
Mr. Ng Jack Ho Wan (Note (c))	200	-	-	-	200
Mr. Wan Chi Wai Anthony (Note (c))	200	-	-	-	200
Total emoluments	600	3,121	1,712	54	5,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

10. DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Year ended 31 December 2016

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive directors					
Mr. Yu (Note (a))	-	1,200	432	18	1,650
Mr. Tse (Note (a))	-	960	640	18	1,618
Mr. Chan (Notes (a) and (b))	-	961	1,780	18	2,759
Independent non-executive directors					
Mr. Choi Hon Ting Derek (Note (c))	9	-	-	-	9
Mr. Ng Jack Ho Wan (Note (c))	9	-	-	-	9
Mr. Wan Chi Wai Anthony (Note (c))	9	-	-	-	9
Total emoluments	27	3,121	2,852	54	6,054

Notes:

- (a) Mr. Yu, Mr. Tse and Mr. Chan were appointed as directors of the Company on 13 January 2016.
- (b) Mr. Chan is also the chief executive of the Company and his emoluments disclosed above including these for services rendered by him as the chief executive.
- (c) Mr. Choi Hon Ting Derek, Mr. Ng Jack Ho Wan and Mr. Wan Chi Wai Anthony were appointed as independent non-executive directors on 15 December 2016.

None of the directors waived any emoluments during the years ended 31 December 2017 and 2016. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2016: two) individuals were as follows:

	2017	2016
	HK\$'000	HK\$'000
Salaries, allowances and other benefits in kind	1,315	1,235
Discretionary bonuses	1,093	2,052
Contributions to retirement benefits schemes	36	36
	2,444	3,323

The emoluments of the highest paid employees who are not the directors of the Company whose emoluments are within the following bands:

	2017	2016
	Number of	Number of
	individuals	individuals
Nil to HK\$1,000,000	1	-
HK\$1,000,001 to HK\$1,500,000	1	-
HK\$1,500,001 to HK\$2,000,000	-	2
	2	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

12. DIVIDENDS

No dividend was proposed or paid during the year ended 31 December 2017.

During the year ended 31 December 2016, HM Language Services Limited (“**HM Language**”) declared and paid a dividend of HK\$8,500,000 to the then existing shareholder, Dragon Globe Holdings Limited (formerly known as Xuanda Group Limited; HeterMedia Group Limited; and HeterMedia Holdings Limited) (“**HMG**”) prior to the Reorganisation. The rate of dividend and the number of shares, ranking the dividend are not presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2017	2016
Profit attributable to owners of the Company (HK\$'000)	<u>9,922</u>	<u>14,969</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	<u>397,260</u>	<u>300,000</u>
Basic earnings per share (HK cents)	<u>2.50</u>	<u>4.99</u>

For the year ended 31 December 2017, the calculation of the basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares issued during the year.

For the year ended 31 December 2016, the calculation of the basic earnings per share is based on the profit attributable to owners of the Company of approximately HK\$14,969,000 and the weighted average number of ordinary shares of 300,000,000 on the assumption that the Reorganisation and the capitalisation issue (as explained in Note 22) had been completed on 1 January 2015.

No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and fixtures	Computer equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
Balance at 1 January 2016	2,543	2,919	15,548	2,326	2,829	26,165
Additions	-	29	740	713	-	1,482
Disposals	-	(13)	(4,099)	(600)	-	(4,712)
Balance at 31 December 2016 and 1 January 2017	2,543	2,935	12,189	2,439	2,829	22,935
Additions	-	2,168	1,599	1,334	6,858	11,959
Disposals	-	(2,479)	(313)	-	(2,829)	(5,621)
Balance at 31 December 2017	2,543	2,624	13,475	3,773	6,858	29,273
Accumulated depreciation						
Balance at 1 January 2016	2,543	2,812	14,608	224	2,632	22,819
Depreciation expense	-	37	777	712	80	1,606
Eliminated on disposals of assets	-	(13)	(4,099)	(195)	-	(4,307)
Balance at 31 December 2016 and 1 January 2017	2,543	2,836	11,286	741	2,712	20,118
Depreciation expense	-	259	763	832	1,000	2,854
Eliminated on disposals of assets	-	(2,448)	(313)	-	(2,763)	(5,524)
Balance at 31 December 2017	2,543	647	11,736	1,573	949	17,448
Carrying amounts						
Balance at 31 December 2017	-	1,977	1,739	2,200	5,909	11,825
Balance at 31 December 2016	-	99	903	1,698	117	2,817

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

Plant and machinery	20%
Furniture and fixtures	20%
Computer equipment	33 ¹ / ₃ %
Motor vehicles	30%
Leasehold improvements	25%

As at 31 December 2017, certain of the Group's property, plant and equipment with an aggregate carrying amounts of approximately HK\$556,000 (2016: approximately HK\$1,074,000) have been pledged to secure finance leases obligations granted to the Group (Note 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

15. INTANGIBLE ASSETS

	Computer software HK\$'000
Cost	
Balance at 1 January 2016	6,784
Additions	<u>102</u>
Balance at 31 December 2016 and 1 January 2017	6,886
Additions	<u>138</u>
Balance at 31 December 2017	<u><u>7,024</u></u>
Accumulated amortisation	
Balance at 1 January 2016	5,387
Amortisation expense	<u>1,038</u>
Balance at 31 December 2016 and 1 January 2017	6,425
Amortisation expense	<u>307</u>
Balance at 31 December 2017	<u><u>6,732</u></u>
Carrying amounts	
Balance at 31 December 2017	<u><u>292</u></u>
Balance at 31 December 2016	<u><u>461</u></u>

The above items of intangible assets are amortised on a straight-line basis at the following rate per annum:

Computer software 33^{1/3}%

16. AMOUNTS DUE FROM CUSTOMERS ON SERVICE CONTRACTS

	2017 HK\$'000	2016 HK\$'000
Contract costs incurred plus attributable profit	1,849	899
Less: progress billings to date	<u>-</u>	<u>-</u>
	<u><u>1,849</u></u>	<u><u>899</u></u>

As at 31 December 2017, no retention held by customers on service contracts (2016: Nil). Advance received from customers on service contracts amounted to approximately HK\$5,494,000 as at 31 December 2017 (2016: approximately HK\$4,912,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

17. TRADE AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Trade receivables	23,613	31,325
Other receivables and prepayments	6,037	4,085
	<u>29,650</u>	<u>35,410</u>

The following is an aged analysis of trade receivables presented based on the invoice date:

	2017 HK\$'000	2016 HK\$'000
0 - 30 days	11,041	14,889
31 - 60 days	3,094	7,963
61 - 90 days	3,220	4,803
91 - 365 days	5,370	3,558
Over 365 days	888	112
	<u>23,613</u>	<u>31,325</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period was ranging from 30 days to 90 days (2016: 30 days to 90 days). Interest could be charged on overdue receivables.

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. As at 31 December 2017, 54% (2016: 63%) of the trade receivables are neither past due nor impaired relate to a number of independent customers with good settlement history and no default on settlement had been noted.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date for which the Group has not recognised an allowance for doubtful debts because there were subsequent settlement or no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Age of trade receivables that are past due but not impaired

	2017 HK\$'000	2016 HK\$'000
Overdue by:		
1 - 30 days	3,715	5,281
31 - 60 days	1,671	3,828
61 - 90 days	1,353	1,383
91 - 365 days	3,972	1,159
Over 365 days	163	-
	<u>10,874</u>	<u>11,651</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

18. CASH AND BANK BALANCES/PLEGDED BANK DEPOSITS

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances earn interest at floating rates based on daily bank deposit rates.

Pledged bank deposits represent deposits pledged with bank to secure the banking facilities granted to the Group. As at 31 December 2017, the deposits carry effective interest at 0.24% per annum (2016: 0.25% per annum). The pledged bank deposits will be released upon expiry of the relevant banking facilities.

As at 31 December 2017, bank overdrafts were secured by (i) pledged bank deposits; and (ii) corporate guarantees by HeterMedia Services Limited (“**HM Services**”), HM Too Limited (“**HM Too**”) and the Company.

As at 31 December 2016, bank overdrafts were secured by (i) pledged bank deposit; and (ii) corporate guarantees by HM Services and HM Too.

As at 31 December 2017, included in cash and cash equivalents of the Group was approximately HK\$1,933,000 (2016: approximately HK\$1,126,000) of bank balances denominated in Renminbi place with banks in Hong Kong, which are not freely convertible into other currencies.

19. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Trade payables	14,443	17,929
Other payables and accruals	6,320	10,645
Receipts in advance	5,494	4,912
	<u>26,257</u>	<u>33,486</u>

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days (2016: 30 days to 90 days). The following is an aged analysis of trade payables presented based on the invoice date:

	2017 HK\$'000	2016 HK\$'000
0 - 30 days	6,531	9,901
31 - 60 days	3,970	3,985
61 - 90 days	2,938	2,613
91 - 365 days	1,004	1,426
Over 365 days	-	4
	<u>14,443</u>	<u>17,929</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

20. FINANCE LEASES OBLIGATIONS

The Group leased certain of its motor vehicles under finance leases. The lease terms are three years (2016: three years). Interest rates underlying all obligations under finance leases ranged from 1.18% per annum to 4% per annum for the year ended 31 December 2017 (2016: 1.18% per annum to 4% per annum).

	2017 HK\$'000	2016 HK\$'000
Minimum lease payments		
Amounts payable under leases:		
Within one year	264	565
In more than one year and not more than five years	-	264
	<u>264</u>	829
Less: future finance charges	<u>(2)</u>	(21)
Present value of leases obligations	<u>262</u>	808
Present value of minimum lease payments		
Amount due for settlement after one year, but not exceeding two years (shown under non-current liabilities)	-	262
Amount due for settlement within a year (shown under current liabilities)	<u>262</u>	546
Total present value of leases obligations	<u>262</u>	808

The Group's obligations under finance leases are secured by the lessors' titles to the leased assets (Note 14).

Finance leases obligations are denominated in HK\$.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

21. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised and movements thereon during the year:

	Accelerated tax depreciation HK\$'000
At 1 January 2016	272
Credited to profit or loss (<i>Note 8</i>)	(190)
At 31 December 2016 and 1 January 2017	82
Charged to profit or loss (<i>Note 8</i>)	611
At 31 December 2017	693

22. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company during the year ended 31 December 2017 are as follows:

	<i>Notes</i>	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each			
Authorised:			
At 13 January 2016 (date of incorporation)	<i>(a)</i>	38,000,000	380,000
Increase in authorised share capital	<i>(b)</i>	4,962,000,000	49,620,000
At 31 December 2016, 1 January 2017 and 31 December 2017		5,000,000,000	50,000,000
Issued and fully paid:			
Issue of share at 13 January 2016 (date of incorporation)		1	-
Issue of shares	<i>(c)</i>	999	10
At 31 December 2016		1,000	10
Shares issued pursuant to the capitalisation issue	<i>(d)</i>	299,999,000	2,999,990
Shares issued under placing	<i>(e)</i>	100,000,000	1,000,000
At 31 December 2017		400,000,000	4,000,000
			Amount HK\$'000
Shown on consolidated statement of financial position at 31 December 2017			4,000
Shown on consolidated statement of financial position at 31 December 2016			-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

22. SHARE CAPITAL (CONTINUED)

Notes:

- (a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 13 January 2016 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and 1 share was issued.
- (b) Pursuant to the written resolutions passed by the sole shareholder of the Company on 15 December 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$50,000,000 by the creation of an additional 4,962,000,000 new shares of HK\$0.01 each, each ranking *pari passu* with the existing share in all respects.
- (c) On 15 December 2016, the Company allotted and issued 999 shares to HM Ultimate credited as fully paid as consideration for the acquisition of the entire issued share capital of HM Immediate Holdings Limited (“**HM Immediate**”) from the Controlling Parties.
- (d) Pursuant to the written resolutions passed by the sole shareholder of the Company on 15 December 2016, the directors of the Company were authorised to allot and issue a total of 299,999,000 shares to the register of members of the Company at the close of business on 15 December 2016 in proportion to their respective shareholdings by way of capitalisation of the sum of approximately HK\$2,999,990 standing to the credit of the share premium account of the Company as a result of the placing. The shares to be allotted and issued under this resolution rank *pari passu* with the existing share in all respects. The capitalisation issue was completed on 11 January 2017.
- (e) On 11 January 2017, 100,000,000 ordinary shares of HK\$0.01 each were issued at a price HK\$0.60 per share by the way of placing. On the same day, the Company was listed on GEM of the Stock Exchange. The proceeds of HK\$1,000,000 representing the par value of the shares were credited to the Company’s share capital. The remaining proceeds of HK\$59,000,000, before issuing expenses, were credited to the share premium account.

23. RESERVES

The amount of the Group’s reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 50 of the consolidated financial statements.

24. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the “**MPF scheme**”) for all qualifying employees in Hong Kong. The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK\$1,600,000 for the year ended 31 December 2017 (2016: approximately HK\$1,491,000), and represented contributions payable to these plans by the Group at rates specified in the rules of plans. Except for the voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of net debt (which includes net of cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital and reserves).

Adjusted debt-to-equity ratio

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the issuance of new shares, raise of borrowings or repayment of the existing borrowings.

The adjusted debt-to-equity ratios at the end of each of the reporting period were as follows:

	2017 HK\$'000	2016 HK\$'000
Debt (Note (i))	262	808
Less: cash and bank balances	<u>(62,283)</u>	<u>(14,301)</u>
Net debt	(62,021)	(13,493)
Equity (Note (ii))	<u>87,855</u>	<u>24,924</u>
Adjusted debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>

Notes:

- (i) Debt comprises finance leases obligations as detailed in Note 20.
- (ii) Equity includes all capital and reserves attributable to owners of the Company.

26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets		
Loans and receivables		
Trade and other receivables	27,772	34,394
Pledged bank deposits	7,000	6,000
Cash and bank balances	<u>62,283</u>	<u>14,301</u>
	<u>97,055</u>	<u>54,695</u>
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	20,763	28,574
Finance leases obligations	<u>262</u>	<u>808</u>
	<u>21,025</u>	<u>29,382</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables and finance leases obligations. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented on a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks during both years.

Foreign currency risk management

As the assets and liabilities of the Group are mainly denominated in HK\$ as at 31 December 2017 and 2016, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK\$ and other currencies and the Group's income and operating cash flows are substantially independent of changes in foreign currency exchange.

Interest rate risk management

The Group is not exposed to significant fair value interest rate risk and cash flow interest rate risk. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Price risk management

As the Group did not have any financial assets classified as financial assets at fair value through profit or loss, or available-for-sale financial assets at the end of each of the reporting period, the Group is not exposed to significant price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Credit risk management

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 provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each of the reporting period.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determining of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. In addition, the Group reviews the recoverable amount of each individual trade debt by weekly basis and debt instrument at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables as 55% (2016: 62%) of these receivables are due from the Group's largest five customers as at 31 December 2017.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings or good reputation and on trade receivables as disclosed above, the Group does not have any other significant concentration of credit risk.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

In addition, the Group had aggregate banking facilities of approximately HK\$21,000,000 (2016: approximately HK\$13,950,000) from several banks for certain banking facilities for the year ended 31 December 2017. Unused facilities as at 31 December 2017 amounted to approximately HK\$21,000,000 (2016: approximately HK\$13,950,000).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 at floating rate, the undiscounted amount is derived from applicable interest rate at the end of each of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

26. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 December 2017					
Trade and other payables	-	20,763	-	20,763	20,763
Finance leases obligations	1.79	264	-	264	262
		21,027	-	21,027	21,025
At 31 December 2016					
Trade and other payables	-	28,574	-	28,574	28,574
Finance leases obligations	2.24	565	264	829	808
		29,139	264	29,403	29,382

(c) Fair value measurements of financial instruments

At the end of each of the reporting period, the Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis.

During the years ended 31 December 2017 and 2016, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each of the reporting period, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	11,281	9,268
In the second to fifth years inclusive	6,124	13,487
	<u>17,405</u>	<u>22,755</u>

At 31 December 2017, operating leases relate to office premises with lease terms of between two years to three years (2016: one year to three years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. 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.

	Borrowings HK\$'000	Finance leases obligations HK\$'000 (Note 20)	Total HK\$'000
At 1 January 2017	-	808	808
Interest accrued	14	19	33
Financing cash outflows	(14)	(565)	(579)
	<u>-</u>	<u>262</u>	<u>262</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

29. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant related party transactions:

- (i) The Group entered into the following significant related party transactions with related parties based on the terms mutually agreed by both parties during the reporting period:

Name of related party	Nature of transaction	2017 HK\$'000	2016 HK\$'000
Unique Concept Development Limited (Note (a))	Rental expenses for director's quarter	600	600
神州軒達財經信息顧問(北京)有限公司 (Shenzhou Xuanda Financial Information Consultancy (Beijing) Limited*) ("Xuanda Beijing") (Note (b))	Integrated printing services income	-	2,688

Notes:

(a) Unique Concept Development Limited was controlled by Mr. Yu.

(b) Xuanda Beijing was controlled by the Controlling Parties until August 2016.

* English translation of the name of a Chinese company is provided for identification purpose only.

- (ii) Compensation of key management personnel

The directors of the Company are identified as key management personnel of the Group and the remuneration of key management during the reporting period is set out in Note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

30. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities and the finance leases obligations:

	2017 HK\$'000	2016 HK\$'000
Pledged bank deposits	7,000	6,000
Property, plant and equipment	556	1,074
	<u>7,556</u>	<u>7,074</u>

31. LIST OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2017 are set out as follows:

Name of company	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			2017	2016	
HM Immediate	BVI, limited liability company	Ordinary share US\$1	100% (direct)	100% (direct)	Investment holding in Hong Kong
HM Services	Hong Kong, limited liability company	Ordinary shares HK\$10,000	100% (indirect)	100% (indirect)	Provision of integrated printing services in Hong Kong
HM Information Services Limited	Hong Kong, limited liability company	Ordinary shares HK\$10,000	100% (indirect)	100% (indirect)	Provision of IT services to the Group in Hong Kong
HM Too	Hong Kong, limited liability company	Ordinary share HK\$1	100% (indirect)	100% (indirect)	Provision of commercial printing services in Hong Kong
HM Too (Asia) Limited	Hong Kong, limited liability company	Ordinary shares HK\$10,000	100% (indirect)	100% (indirect)	Provision of procurement services to the Group in Hong Kong
HM Language	Hong Kong, limited liability company	Ordinary shares HK\$100,000	100% (indirect)	100% (indirect)	Provision of translation services in Hong Kong

Note: None of the subsidiaries had issued any listed securities at the end of the reporting period. The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

32. LITIGATION

In July 2017, a writ of summons was issued against HM Services as a defendant by a customer (the “**Plaintiff**”) for the claims of loss and damage by the allegation that HM Services had issued certain notices since 6 June 2016 without authority from the Plaintiff which contained untrue information, of which HM Services emphatically denied. The directors are in the view that there was a Court order dated 14 June 2016, which showed that the change of the Plaintiff’s board of directors had not effectively taken place until and after 16 June 2016. Accordingly, HM Services had authority from the Plaintiff (controlled by the previous board of directors) to issue the alleged notices until 16 June 2016. HM Services has ceased to render further services to the Plaintiff after the change of her board of directors on and/or after 16 June 2016.

The Plaintiff is claiming loss and damage in an unknown amount caused by the above. It is estimated that if the claim was successful, the amount of loss/damage would be about HK\$200,000 to HK\$300,000. In the same action, HM Services was counter-claiming a sum of approximately HK\$163,000 plus interest amounted to approximately HK\$33,000 thereon, being fees for services already rendered to the Plaintiff. Up to the date of approval of these consolidated financial statements, the litigation is still ongoing. After consideration for the views of the Group’s legal advisor, the directors are of the view that the above would have no material adverse effect. Accordingly, no provision has been made in these consolidated financial statements.

33. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the Board of Directors on 15 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK\$'000	2016 HK\$'000
Non-current assets		
Investment in a subsidiary	<u>23,917</u>	23,917
Current assets		
Prepayments	230	-
Amounts due from subsidiaries	33,757	-
Cash and bank balances	<u>18,393</u>	-
	<u>52,380</u>	-
Total assets	<u>76,297</u>	23,917
Current liabilities		
Other payables and accruals	-	<u>28</u>
Net current assets/(liabilities)	<u>52,380</u>	(28)
Total assets less current liabilities	<u>76,297</u>	23,889
Net assets	<u>76,297</u>	23,889
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	4,000	-
Reserves	<u>72,297</u>	23,889
Total equity	<u>76,297</u>	23,889

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 15 March 2018 and are signed on its behalf by:

Mr. Yu Chi Ming
Director

Mr. Tse Kam Wing Walter
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Share premium HK\$'000	Special reserve HK\$'000 (Note)	Accumulated losses HK\$'000	Total equity HK\$'000
At 16 January 2016 (date of incorporation)	-	-	-	-
Loss and total comprehensive expense for the period	-	-	(28)	(28)
Effect of the Reorganisation	-	23,917	-	23,917
At 31 December 2016	-	23,917	(28)	23,889
Loss and total comprehensive expense for the year	-	-	(601)	(601)
Shares issued pursuant to the capitalisation issue	(3,000)	-	-	(3,000)
Shares issued under placing	59,000	-	-	59,000
Shares issuance costs	(6,991)	-	-	(6,991)
At 31 December 2017	49,009	23,917	(629)	72,297

Note: Special reserve represents the difference between the fair value of the shares of HM Immediate acquired pursuant to the Reorganisation on 15 December 2016 over the nominal value of the Company's share issued in exchange therefore.

FINANCIAL SUMMARY

	Year ended 31 December			
	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Results				
Revenue	148,611	160,036	160,369	125,343
Cost of sales	(81,548)	(91,903)	(95,899)	(78,095)
Gross profit	67,063	68,133	64,470	47,248
Other income and gains/(losses)	165	(41)	585	1,409
Selling expenses	(11,152)	(10,670)	(9,933)	(7,499)
Administrative expenses	(43,600)	(38,547)	(36,024)	(28,000)
Finance costs	(37)	(128)	(133)	(84)
Profit before tax	12,439	18,747	18,965	13,074
Income tax expense	(2,517)	(3,778)	(3,967)	(1,791)
Profit and total comprehensive income for the year	9,922	14,969	14,998	11,283
Assets and Liabilities				
Total assets	115,404	59,888	83,194	90,000
Total liabilities	27,549	34,964	64,739	62,211
Total capital and reserves	87,855	24,924	18,455	27,789

The summary of the consolidated results of the Group for the years ended 31 December 2014, 2015 and 2016 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2014, 2015 and 2016 have been extracted from the audited consolidated financial statements and the Prospectus.

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