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

2018
ANNUAL REPORT
年 度 報 告

Characteristics of GEM of the Stock Exchange of Hong Kong Limited (The "Stock Exchange")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

This report, for which the directors of HM International Holdings Limited (the "Company" and the "Directors", respectively) 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 and its subsidiaries (collectively, the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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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, FCIS, FCS (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

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Certified Public Accountants
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The Landmark
11 Pedder Street
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Hong Kong

COMPLIANCE ADVISER

Messis Capital Limited
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Level 22, Hopewell Centre
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Hong Kong

PRINCIPAL BANKERS

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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 another challenging year for HM International Holdings Limited (the "Company") and its subsidiaries (together the "Group"). We however managed to sustain our core businesses, while continued to focus on our development in technology which would allow us to enhance our clients' experiences with client-centric solutions, and at the same time earning a reasonable profit for our investors. Other than technology, we have also continued to focus on strengthening the other two out of three core areas given the intense competition in various aspects. As stated in the previous reports, our core areas are Creativity, Service and Technology – these elements have become so important not only by giving us new opportunities but also an edge to impress our clients. To take this further, we achieved one of the goals on strengthening our information security in 2018 with the Group certified under ISO 27001 as planned after the listing, which would definitely allow us to offer our clients an extra level of confidence. More importantly, talents management was another major component that we continuously invest in as we believe talents are the key to our growth. I am proud to be part of this great company with such talented employees and I strongly believe that we are one of the most trusted and respected players within the industry. With the ongoing market volatility in 2019, our Group remaining to be outstanding is the perfect demonstration of our dedication, diligence and commitment.

COMPANY OVERVIEW

The Group has an operating history for nearly two decades in Hong Kong, offering the best-in-class business process outsourcing 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. The Group has also been accredited the Forest Stewardship Council ("FSC") Chain of Custody certification, and has a keen respect for environmental sustainability. And as mentioned earlier, we were accredited the ISO 27001 to prove our determination on securing our client data/ information due to the rising concern on information security.

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

Looking forward, we are still reasonably optimistic to sustain the core business given all the economic uncertainties in 2019. However, we remain committed to the strategies that we have promised our shareholders before being listed and will continue to seek for the best possible opportunities to grow our business by leveraging our current client base. With the emergence of competition and rising concern of information security, we have meticulously scrutinised our internal workflow and procedures to enhance our core structure by taking advantage of technology.

For the last 12 months, we have diligently focused on the IT development and identified potential business partners for further collaborations on various possibilities. With these partnerships, we will be able to position the Group as a premium-quality solution provider of professional digital services. The partnerships are going to provide us with a powerful competitive advantage in the markets where we have a strong presence, whereas our strengths can be integrated to achieve an optimal mix between both traditional printing and new media, making sure all our clients can stay ahead of the highly competitive and dynamic business environment.

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, 11 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

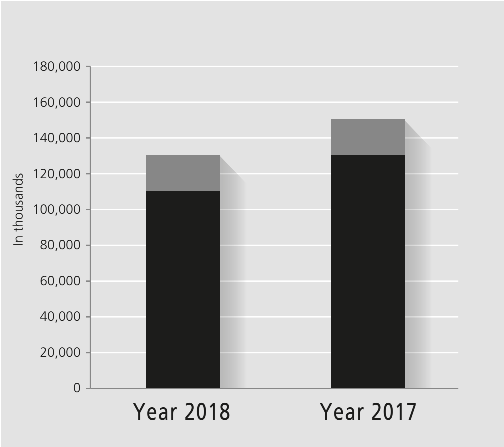
We provide integrated printing services for corporate clients mainly in the financial and capital market in Hong Kong. We mainly offer a wide spectrum of services from financial printing services for corporations which are listed on the Stock Exchange and potential listing applicants to, fund houses and insurance companies to marketing collateral printing services.

With years of presence and development in the market, we have successfully built up a broad client base including blue chips, state-owned enterprises, global fund houses and major insurance companies. We believe that our 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 2018 and 31 December 2017, approximately 73.5% and 65.7% of our clients respectively, were recurring clients who contributed to approximately 85.3% and 87.4% of the Group’s total revenue for the respective period.

MANAGEMENT DISCUSSION AND ANALYSIS

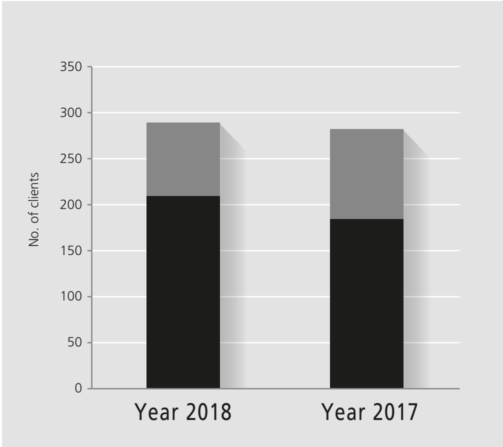
Composite of revenue contributed by recurring and non-recurring clients and number of recurring and non-recurring clients for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, are provided as follows:

For the years ended 31 December 2018 and 2017
(revenue contributed by recurring and non-recurring clients)



● Recurring clients
● Non-recurring clients

For the years ended 31 December 2018 and 2017
(by number of recurring and non-recurring clients)



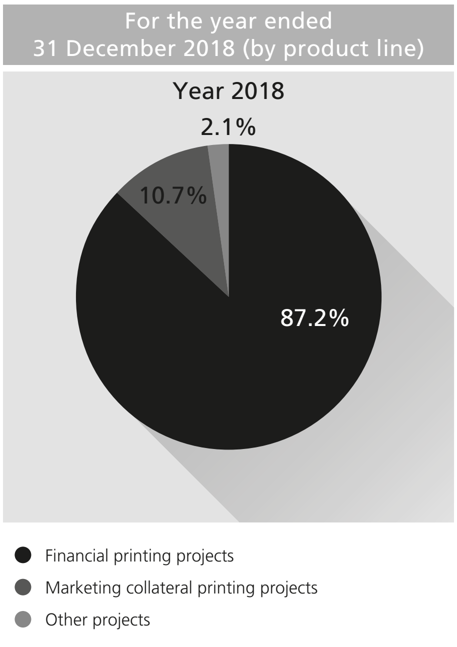
● Recurring clients
● Non-recurring clients

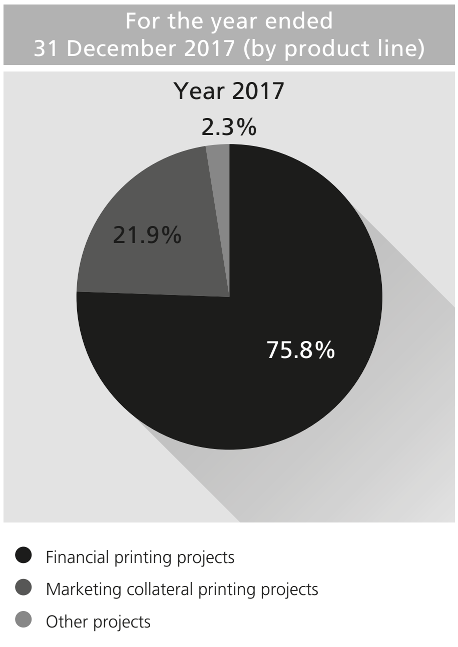
Our revenue generated from financial printing projects remained relatively stable at approximately HK$114.0 million for the year ended 31 December 2018 as compared to approximately HK$112.7 million for the year ended 31 December 2017.

Our revenue generated from marketing collateral printing project decreased by approximately 56.9% from approximately HK$32.5 million for the year ended 31 December 2017 to approximately HK$14.0 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in number of marketing collateral printing projects from 493 in the year of 2017 to 230 in the year of 2018.

Our revenue from other projects decreased by approximately 17.9% from approximately HK$3.4 million for the year ended 31 December 2017 to approximately HK$2.8 million for the year ended 31 December 2018. Such decrease was attributed to the decrement of 7 projects.

Composite of revenue by product line for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, are provided as follows:





FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$17.8 million, or 12.0%, from approximately HK$148.6 million for the year ended 31 December 2017 to approximately HK$130.8 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in marketing collateral printing projects.

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

	2018	2017
	HK$'000	*HK$'000*
Financial printing projects	**113,981**	112,675
Marketing collateral printing projects	**14,017**	32,531
Other projects	**2,794**	3,405
	130,792	148,611

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK$6.1 million, or 9.1%, from approximately HK$67.1 million for the year ended 31 December 2017 to approximately HK$60.9 million for the year ended 31 December 2018. It was mainly due to the decrease in the revenue from marketing collateral printing projects. However, our gross profit margin for the years ended 31 December 2018 and 2017 were approximately 46.6% and 45.1% respectively.

Selling Expenses

The Group's selling expenses increased by approximately HK$0.8 million, or 7.4%, from approximately HK$11.2 million for the year ended 31 December 2017 to approximately HK$12.0 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in staff cost of sales staff.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK$2.8 million, or 6.4%, from approximately HK$43.6 million for the year ended 31 December 2017 to approximately HK$40.8 million for the year ended 31 December 2018, which was mainly attributable to the decrease in listing expenses which was incurred in 2017.

Taxation

Income tax expense decreased by approximately HK$1.5 million, or 60.9%, from approximately HK$2.5 million for the year ended 31 December 2017 to approximately HK$1.0 million for the year ended 31 December 2018. The decrease was primarily attributable to the decrease in profit before tax.

Profit for the year and Net Profit Margin

Profit after tax of the Group decreased by approximately HK$2.8 million, or 27.8%, from approximately HK$9.9 million for the year ended 31 December 2017 to approximately HK$7.2 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in revenue for the year ended 31 December 2018 as compared to the year ended 31 December 2017.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2018,

(a) the Group's total assets decreased to approximately HK$107.3 million (2017: approximately HK$115.4 million) while the total equity decreased to approximately HK$84.9 million (2017: approximately HK$87.9 million);

(b) the Group's current assets decreased to approximately HK$98.7 million (2017: approximately HK$103.3 million) while the current liabilities decreased to approximately HK$22.2 million (2017: approximately HK$26.9 million);

(c) the Group had approximately HK$58.8 million in cash and bank balances (2017: approximately HK$62.3 million), which included cash and bank balances in Renminbi ("RMB") of approximately RMB1.4 million, in US dollars ("USD") of approximately USD67,000, and approximately HK$56.6 million, and the current ratio of the Group was approximately 4.4 times (2017: approximately 3.8 times);

(d) the Group had no finance leases liabilities (2017: approximately HK$0.3 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 zero (2017: approximately 0.3%).

FUTURE PROSPECTS

Looking forward, we are still reasonably optimistic to sustain the core business given all the economic uncertainties in 2019. However, we remain committed to the strategies that we have promised our shareholders before being listed and will continue to seek for the best possible opportunities to grow our business by leveraging our current client base. With the emergence of competition and rising concern of information security, we have meticulously scrutinised our internal workflow and procedures to enhance our core structure by taking advantage of technology. In 2018, we were accredited with ISO 27001 which would definitely allow us to offer our clients an extra level of confidence.

For the last 12 months, we have diligently focused on the IT development and identified potential business partners for further collaborations on various possibilities. With these partnerships, we will be able to position the Group as a premium-quality solution provider of professional digital services. The partnerships are going to provide us with a powerful competitive advantage in the markets where we have a strong presence, whereas our strengths can be integrated to achieve an optimal mix between both traditional printing and new media, making sure all our clients can stay ahead of the highly competitive and dynamic business environment.

CAPITAL EXPENDITURE

As at 31 December 2018, the Group had approximately HK$1.2 million of capital expenditure (2017: approximately HK$12.1 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group did not hold any significant investments (2017: nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 116 employees (2017: 118) in Hong Kong and 3 employees (2017: nil) in the People's Republic of China (the "PRC"). 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$43.1 million for the year ended 31 December 2018 (2017: approximately HK$43.4 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 2018 are generally appreciated and recognised.

In addition, the Group adopted a share option scheme (the "Scheme") on 15 December 2016. On 16 March 2018, 1,560,000 share options were granted for HK$1.00 consideration to employees under the Scheme. No options were exercised during the year ended 31 December 2018 (2017: nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2018, the Group had assets with the carrying amount of approximately HK$4.0 million pledged to secure general banking facilities. As at 31 December 2017, the Group has assets with the carrying amount of approximately HK$7.6 million pledged to secure general banking facilities and the finance leases obligations.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries by the Group during the year ended 31 December 2018.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are mainly 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 2018. 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 of the Company (the "Shares") (the "Placing") at a price of HK$0.60 each on 11 January 2017 (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 of the Company dated 29 December 2016 (the "Prospectus").

During the year, the Group has used (i) approximately HK$15.3 million for setting up the new office and improving the facilities in the Infinitus Plaza office; (ii) approximately HK$6.1 million for enhancing the IT systems and infrastructures, and (iii) set approximately HK$3.8 million for enhancing the workforce. The balance of funds would be utilised as intended. As at 31 December 2018, all of the unused proceeds were deposited in a licensed bank in Hong Kong. As at 31 December 2018, the net proceeds utilised are set out as follows:

	Proposed amount to be used up to 31 December 2018 *HK$'000*	**Actual amount utilised up to 31 December 2018** ***HK$'000***
Set up the new office and improve the facilities in the Infinitus Plaza office	17,487	**15,297**
Enhance our IT systems and infrastructures	14,962	**6,106**
Enhance our workforce	3,817	**3,794**
	36,266	**25,197**

COMPARISON OF BUSINESS OBJECTIVES 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 the year ended 31 December 2018.

Business objectives up to 31 December 2018 as set out in the Prospectus	Actual implementation plan up to 31 December 2018
Enhance our IT systems and infrastructures	The Group continued to invest in our IT systems and infrastructures.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors	Profile
Yu Chi Ming Chairman & Executive Director	Mr. Yu Chi Ming ("Mr. Yu"), aged 60, 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") and WordFlow Limited.
Tse Kam Wing Walter Vice Chairman & Executive Director	Mr. Tse Kam Wing Walter ("Mr. Tse"), aged 59, 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 Information, HM Services, HM Too, HM Asia and HM Language, Talesis Limited and WordFlow Limited.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors	Profile
Chan Wai Lin Chief Executive Officer, Executive Director & Compliance Officer	Mr. Chan Wai Lin ("Mr. Chan"), aged 46, 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. 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, Talesis Limited and WordFlow Limited.

Independent Non-Executive Directors	Profile
Choi Hon Ting Derek Independent Non-Executive Director	Mr. Choi Hon Ting Derek ("Mr. Choi") (formerly known as Choi Kwan Wai Derek), aged 50, 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 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. Mr. Choi graduated with a degree of Bachelor of Science in Agricultural Engineering from Purdue University, USA in May 1991. 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. Mr. Choi has resigned 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 since September 2018.

Independent Non-Executive Directors	Profile
Ng Jack Ho Wan Independent Non-Executive Director	Mr. Ng Jack Ho Wan ("Mr. Ng") (formerly known as Ng Ho 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. 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. In May 2000, Mr. Ng graduated from Simon Fraser University, Canada with a degree of Bachelor of Business Administration (Co-operative Education). 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. Mr. Ng has been appointed as an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (stock code: 1743) since 21 June 2018, which is listed on the Main Board of the Stock Exchange.

Independent Non-Executive Directors	Profile
Wan Chi Wai Anthony Independent Non-Executive Director	Mr. Wan Chi Wai Anthony ("Mr. Wan"), aged 43, 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. 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. 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. 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 Dafy Holdings Limited (formerly known as FDB Holdings Limited) (stock code: 1826), the shares of which are also listed on the Main Board of the Stock Exchange.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management	Profile
Chan Wai Chung Caroline Chief Operations Officer	Ms. Chan Wai Chung Caroline, aged 45, 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. 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.
Cheng Shuk Wa Shared Services Officer	Ms. Cheng Shuk Wa (“Ms. Cheng”), aged 50, 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.

Senior Management	Profile
Yung Suk Man Financial Controller	Ms. Yung Suk Man ("Ms. Yung"), aged 51, is the financial controller of our Group and is responsible for reviewing financial reports, overseeing financial and accounting 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.

Company Secretary	Profile
Chan Sau Ling Company Secretary	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, a Chartered Governance Professional, and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, the United Kingdom 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. 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) and Wisdom Sports Group (stock code: 1661) respectively and the company secretary of CSMall Group Limited (stock code: 1815), which are 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.)

* *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 2018 (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 33 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2018, a discussion on the Group's future business development, particulars of important events affecting the Group since the year ended 31 December 2018 and an analysis of the Group's performance using financial key performance indicators are provided in the "Management Discussion and Analysis" on pages 6 to 13. 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.

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 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 2018.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil), save for an interim dividend for the six months ended 30 June 2018 of HK2.5 cents per share, amounting to HK$10 million, as declared by the Board on 25 July 2018 and paid to the existing shareholders on 31 August 2018.

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited Consolidated Financial Statements or the Prospectus, is set out on page 120 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 2018 are set out in consolidated statement of changes in equity on page 55.

DISTRIBUTABLE RESERVES

The Company had reserves of approximately HK$62,446,000 (2017: approximately HK$72,297,000) available for dividend distribution to shareholders of the Company (the "Shareholders") as at 31 December 2018.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 23 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, 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.
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).

On 16 March 2018 (the "Date of Grant"), 1,560,000 share options were granted for HK$1.00 consideration to employees under the Scheme (no share options were granted during the year ended 31 December 2017). Each option gives the holder of the Scheme the right to subscribe for one ordinary Share. These share options will be vested after one or two year(s) from the Date of Grant, and then be exercisable until 15 March 2022 and 15 March 2023 respectively. The exercise price is HK$0.70, being the weighted average closing price for the five trading days of the ordinary Shares immediately before the Date of Grant. The closing price of the Shares immediately before the Date of Grant is HK$0.69. 210,000 share options lapsed during the year ended 31 December 2018. No options were exercised and cancelled during the year ended 31 December 2018 (2017: nil).

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 2018 are set out in Note 33 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 2018 are set out in Note 14 to the Consolidated Financial Statements.

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 2018, 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 2018, the Group made charitable donations totalling approximately HK$86,000 (2017: approximately HK$49,000).

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 endeavour 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.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2018, the five largest clients accounted for approximately 22.1% (2017: approximately 36.6%) of the Group's total revenue and the five largest suppliers of the Group accounted for approximately 49.5% (2017: approximately 71.6%) of the Group's total purchase. The largest client of the Group accounted for approximately 6.9% (2017: approximately 13.3%) of the Group's total revenue while the largest supplier of the Group accounted for approximately 17.3% (2017: approximately 30.7%) 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 2018 are disclosed in Note 31 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. The Group was terminated the tenancy agreement on 28 February 2018. The total rental expense during the year to Unique Concept Development Limited was HK$100,000. 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.

DIRECTORS

The Directors who held office during the year ended 31 December 2018 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 2018, 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 5.48 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:

Long Position in the Shares of the Company

As at 31 December 2018

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 *(Note)*	297,000,000	74.25%
Mr. Tse	Interests held jointly with another person; interest in a controlled corporation *(Note)*	297,000,000	74.25%
Mr. Chan	Interests held jointly with another person; interest in a controlled corporation *(Note)*	297,000,000	74.25%

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 2018, 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 5.48 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.

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 2018, 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 2018

Name of shareholder	Nature of interests	Number of ordinary Shares held	Percentage of shareholding
HM Ultimate *(Note 1)*	Beneficial owner	297,000,000	74.25%
Ms. Wong Mee Che Lilian	Interest of spouse *(Note 2)*	297,000,000	74.25%
Ms. Wong Yuk Sim Kathy	Interest of spouse *(Note 3)*	297,000,000	74.25%
Ms. Tang Wai Kwan May	Interest of spouse *(Note 4)*	297,000,000	74.25%

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 2018, 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.

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 2018, 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 31 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 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2018, 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 year ended 31 December 2018. 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 throughout the year ended 31 December 2018.

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 2018.

REMUNERATION POLICY

As at 31 December 2018, the Group had 116 employees (2017: 118) in Hong Kong and 3 employees (2017: nil) in PRC. 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$43.1 million for the year ended 31 December 2018 (2017: approximately HK$43.4 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 2018 are generally appreciated and recognised.

In addition, the Group adopted the Scheme on 15 December 2016. On 16 March 2018, 1,560,000 share options were granted for HK$1.00 consideration to employees under the Scheme. No options were exercised and cancelled during the year ended 31 December 2018 (2017: nil)

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 2018.

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 2018 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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 of 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 REPORTING DATE

As from 31 December 2018 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, 11 March 2019

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.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

In the opinion of the Directors, throughout the year ended 31 December 2018, 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 year ended 31 December 2018.

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 year ended 31 December 2018, 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 14 to 20 of this annual report.

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

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 year ended 31 December 2018, 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 year ended 31 December 2018, 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.

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 and renewable automatically for successive terms of one year after the expiry of the then current term. 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 term or any term thereafter.

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 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.

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 year ended 31 December 2018 are summarised as follows:

Directors	Type of Training [Note]
Executive Directors	
Mr. Yu Chi Ming	***A & B***
Mr. Tse Kam Wing Walter	***A & B***
Mr. Chan Wai Lin	***A & B***
Independent Non-Executive Directors	
Mr. Choi Hon Ting Derek	***A & B***
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.

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 3 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 2018.

During the year ended 31 December 2018, the Audit Committee held 4 meetings to review the Group's consolidated financial statements, results announcements and reports for the year ended 31 December 2017, for the three months ended 31 March 2018, for the six months ended 30 June 2018 and for the nine months ended 30 September 2018; 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 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.

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 year ended 31 December 2018, 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:

	2018 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. 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.

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 relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2018, 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.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of the Company's strategic objectives and sustainable development.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the GEM Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2018, there was no change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

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 year ended 31 December 2018, 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 year ended 31 December 2018 are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	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	–	1/1
Mr. Ng Jack Ho Wan	4/4	4/4	–	1/1	0/1
Mr. Wan Chi Wai Anthony	3/4	3/4	0/1	0/1	0/1

One meeting was held between the Chairman and the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2018.

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 endeavours 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.

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 2018.

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 47 to 51.

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 2018 is set out below:

Service Category	Fees Paid/Payable HK$
Audit Services	860,000

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 2018, 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.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels.

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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(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

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.

Policies relating to Shareholders

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board for a financial year or period and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in the annual report of the Company.

INDEPENDENT AUDITORS' REPORT

HLB 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 (collectively referred to as the "Group") set out on pages 52 to 119, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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.

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.	
The Group recognised revenue of approximately HK$130,792,000 from provision of integrated printing services for the year ended 31 December 2018. Revenue from provision of integrated printing services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Management used significant judgements and estimations to determine the progress towards complete satisfaction of the performance obligation at the reporting date.	Our procedures in relation to revenue recognition mainly included: • Inspecting quotations and agreements with customers to understand the terms of the provision of integrated printing services 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 value of performance completed to date of the individual contract as a percentage of total transaction price; and • Checking the accuracy of the incurred costs to date and assessing judgements and estimates about budgeted costs to complete and expected gross profits.

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.

As part of an audit in accordance with HKSAs, 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.

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

- 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.

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, 11 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**130,792**	148,611
Cost of sales		**(69,848)**	(81,548)
Gross profit		**60,944**	67,063
Other income and (losses)/gains	6	**(23)**	165
Selling expenses		**(11,979)**	(11,152)
Administrative expenses		**(40,793)**	(43,600)
Finance costs	7	**(2)**	(37)
Profit before tax		**8,147**	12,439
Income tax expense	8	**(985)**	(2,517)
Profit for the year	9	**7,162**	9,922
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations		**(35)**	–
Total comprehensive income for the year		**7,127**	9,922
Profit for the year attributable to:			
Owners of the Company		**7,162**	9,922
Non-controlling interest		**–**	–
		7,162	9,922
Total comprehensive income for the year attributable to:			
Owners of the Company		**7,127**	9,922
Non-controlling interest		**–**	–
		7,127	9,922
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	13	**1.79**	2.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**8,471**	11,825
Intangible assets	15	**83**	292
Deferred tax assets	22	**36**	–
		8,590	12,117
Current assets			
Contract assets	16	**2,554**	–
Amounts due from customers on service contracts	17	**–**	1,849
Trade and other receivables	18	**32,307**	29,650
Current tax assets		**1,092**	2,505
Pledged bank deposits	19	**4,008**	7,000
Cash and bank balances	19	**58,761**	62,283
		98,722	103,287
Total assets		**107,312**	115,404
Current liabilities			
Contract liabilities	16	**3,961**	–
Trade and other payables	20	**18,035**	26,257
Finance leases obligations	21	**–**	262
Current tax liabilities		**214**	337
		22,210	26,856
Net current assets		**76,512**	76,431
Total assets less current liabilities		**85,102**	88,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities	*22*	**166**	693
Net assets		**84,936**	87,855
Capital and reserves			
Share capital	*23*	**4,000**	4,000
Reserves	*24*	**80,931**	83,855
Equity attributable to owners of the Company		**84,931**	87,855
Non-controlling interest		**5**	–
Total equity		**84,936**	87,855

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 11 March 2019 and are signed on its behalf by:

Mr. Yu Chi Ming
Director

Mr. Chan Wai Lin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 23)	Share premium HK$'000	Special reserve HK$'000 (Note)	Share option reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2017	–	–	138	–	–	24,786	24,924	–	24,924
Profit and total comprehensive income for the year	–	–	–	–	–	9,922	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	–	60,000
Shares issuance costs	–	(6,991)	–	–	–	–	(6,991)	–	(6,991)
Balance at 31 December 2017	4,000	49,009	138	–	–	34,708	87,855	–	87,855
Impact on initial application of HKFRS 9	–	–	–	–	–	(179)	(179)	–	(179)
Balance at 1 January 2018	4,000	49,009	138	–	–	34,529	87,676	–	87,676
Profit and total comprehensive (expense)/income for the year	–	–	–	–	(35)	7,162	7,127	–	7,127
Capital contribution by non-controlling interest	–	–	–	–	–	–	–	5	5
Recognition of equity-settled share-based payments *(Note 25)*	–	–	–	149	–	–	149	–	149
Forfeiture of share options *(Note 25)*	–	–	–	(21)	–	–	(21)	–	(21)
Payments of dividends *(Note 12)*	–	(10,000)	–	–	–	–	(10,000)	–	(10,000)
Balance at 31 December 2018	**4,000**	**39,009**	**138**	**128**	**(35)**	**41,691**	**84,931**	**5**	**84,936**

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 in prior years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit before tax		**8,147**	12,439
Adjustments for:			
Amortisation of intangible assets		**209**	307
Provision for impairment losses on trade receivables		**27**	–
Depreciation of property, plant and equipment		**4,146**	2,854
Equity-settled share-based payments		**128**	–
Net (gains)/losses on disposals of property, plant and equipment		**(138)**	91
Interest income		**(25)**	(18)
Finance costs recognised in profit or loss		**2**	37
		12,496	15,710
Movements in working capital			
Increase in amounts due from customers on service contracts		**–**	(950)
Increase in contract assets		**(1,867)**	–
(Increase)/decrease in trade and other receivables		**(2,890)**	5,760
Decrease in contract liabilities		**(449)**	–
Decrease in trade and other payables		**(2,760)**	(7,229)
Cash generated from operations		**4,530**	13,291
Interest paid on bank overdrafts		**–**	(4)
Income tax paid		**(246)**	(4,662)
Net cash generated from operating activities		**4,284**	8,625
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		**530**	6
Payments for intangible assets		**–**	(138)
Payments for property, plant and equipment		**(1,184)**	(11,959)
Withdrawal of pledged bank deposits		**2,992**	–
Placement of pledged bank deposits		**–**	(1,000)
Interest received		**25**	18
Net cash generated from/(used in) investing activities		**2,363**	(13,073)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Dividends paid		**(10,000)**	–
Proceeds from issue of shares		**–**	60,000
Shares issuance costs		**–**	(6,991)
Interest paid		**(2)**	(33)
Repayment on finance leases obligations		**(262)**	(546)
Net cash (used in)/generated from financing activities		**(10,264)**	52,430
Net (decrease)/increase in cash and cash equivalents		**(3,617)**	47,982
Cash and cash equivalents at the beginning of year		**62,283**	14,301
Effect of foreign exchange rate changes		**95**	–
Cash and cash equivalents at the end of year		**58,761**	62,283
Analysis of balances of cash and cash equivalents			
Cash and bank balances	19	**58,761**	62,283

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, 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"). The Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622). Its shares were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 (including provision of financial printing services, marketing collateral printing services and other services).

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.

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.1 HKFRS 15 *Revenue from Contracts with Customers*

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

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

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

– Provision of financial printing services

– Provision of marketing collateral printing services

– Provision of other services

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

Summary of effects arising from initial application of HKFRS 15

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognise the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, receipts in advance which was included in trade and other payable are now reclassified to contract liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	**Carrying amounts under HKFRS 15 at 1 January 2018** ***HK$'000***
Current Assets			
Amounts due from customers on service contracts	1,849	(1,849)	**–**
Contract assets	–	765	**765**
Current Liabilities			
Trade and other payables	26,257	(5,494)	**20,763**
Contract liabilities	–	4,410	**4,410**

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and (iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

Accounting policies resulting from application of HKFRS 9 are disclosure in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.2 HKFRS 9 *Financial Instruments* (continued)

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

As at 1 January 2018, the Directors of the Company reviewed and assessed the Group's existing financial assets at amortised cost for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with HKFRS 9. The results of the assessment and the impact thereof are detailed below.

The table below illustrates the lifetime expected credit losses of trade receivables under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Trade receivables *HK$'000*
Closing balance as at 31 December 2017 – HKAS 39	23,613
Remeasurement	
– Impairment under ECL	(180)
Opening balance as at 1 January 2018 – HKFRS 9	23,433

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, pledged bank deposits and bank balances are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

No impairment loss allowance provision was recognised for contract assets, other receivables, pledged bank deposits and bank balances as at 31 December 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of HKFRS 15 and HKFRS 9

	At 31 December 2017 *HK$'000*	Impact of HKFRS 15 *HK$'000*	Impact of HKFRS 9 *HK$'000*	**At 1 January 2018** ***HK$'000***
Non-current Assets				
Deferred tax assets	–	–	1	**1**
Current Assets				
Trade and other receivables	29,650	–	(180)	**29,470**
Amounts due from customers on service contracts	1,849	(1,849)	–	**–**
Contract assets	–	765	–	**765**
Current Liabilities				
Trade and other payables	26,257	(5,494)	–	**20,763**
Contract liabilities	–	4,410	–	**4,410**
Capital and reserves				
Retained earnings	34,708	–	(179)	**34,529**

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKFRS 16 *Leases* (continued)

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

Other than certain requirements which are also applicable to lessor, 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 2018, the Group has non-cancellable operating lease commitments of approximately HK$6,124,000 as disclosed in Note 29. 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.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

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 of Hong Kong Limited (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 is 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Non-controlling interest in subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue recognition (before application of HKFRS 15 on 1 January 2018)

Revenue from provision of integrated printing services (including provision of financial printing services, marketing collateral printing services and other 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.

Service contracts (before application of HKFRS 15 on 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (after application of HKFRS 15 on 1 January 2018)

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

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

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

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

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

Revenue is measured based on the consideration specified in a contract with customer. The Group recognises revenue when it transfers control of service to a customer.

The Group recognises revenue from the service revenue from provision of integrated printing services (including provision of financial printing services, marketing collateral printing services and other services) which arise from contracts with customers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (after application of HKFRS 15 on 1 January 2018) (continued)

Provision of integrated printing services (including provision of financial printing services, marketing collateral printing services and other services)

The Group provides integrated printing services (including provision of financial printing services, marketing collateral printing services and other services) under contracts with customers. Such contracts are entered into before the services begin. Revenue from provision of financial printing services, marketing collateral printing services and other services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Contract assets arise when the Group has right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration.

Contract liabilities arise when the Group has obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

Interest income

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.

Leases

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

Foreign currencies

In preparing the 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 the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

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" 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 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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities 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.

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

Current and deferred tax 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 business combination.

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 these 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).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount 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.

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 (before application of HKFRS 9 on 1 January 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (before application of HKFRS 9 on 1 January 2018) (continued)

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.

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.

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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018)

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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

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

Financial assets

Trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018.

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the time frame established by the market concerned.

All recognised financial assets are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Amortised cost and effective interest rate

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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 and prepayments (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) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments, other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables and contract assets and assesses the lifetime ECL for trade receivables and contract assets on a collective basis for portfolio that shares similar economic risk characteristics.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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

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

- Nature of financial instruments; and
- Past-due status; and
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (after application of HKFRS 9 on 1 January 2018) (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liability including trade and other payables and contract liabilities 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 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.

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 member 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.

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 of a service contract is dependent on management's estimation of the progress of satisfaction of performance obligations of a service contract over time, measured by the value of performance completed to date of the individual contract as a percentage of total transaction price. Because of the nature of the activity undertaken by the Group, the Group reviews and revises the estimates of contract revenue and contract costs, prepared for each service contract as the contract progresses. Budgeted contract costs are prepared by management on the basis of quotations provided by the vendors involved and the experience of management. In order to keep the budget accurate and up to-date, management conducts periodic reviews of the budgeted contract costs and revises the budgeted contract costs as appropriate.

Significant judgement is required in estimating the value of performance completed, contract revenue and contract costs which may have an impact on percentage of completion of the service contract and the corresponding contract revenue and profit to be recognised in an accounting period. In addition, the actual outcome in terms of total revenue or costs may be higher or lower than estimation at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of trade and other receivables and contract assets

Before application of HKFRS 9 on 1 January 2018, 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.

After application of HKFRS 9 on 1 January 2018, the Group estimates the amount of loss allowance for ECL on trade receivables and contract assets based on the credit risk and past due status of trade receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly.

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents services income from provision of integrated printing services (including provision of financial printing services, marketing collateral printing services and other services).

Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major services:

	2018 ***HK$'000***	2017 *HK$'000*
Recognised over time:		
– Provision of financial printing services	**113,981**	112,675
– Provision of marketing collateral printing services	**14,017**	32,531
– Provision of other services	**2,794**	3,405
	130,792	148,611

5. REVENUE AND SEGMENT INFORMATION (continued)

Transaction price allocated to the remaining performance obligations for contracts with customers

Provision of financial printing services, marketing collateral printing services and other services are typically provided for a period of one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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

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:

	2018 ***HK$'000***	2017 *HK$'000*
Customer A	**N/A[1]**	19,781

[1] The corresponding revenue did not contribute over 10% of total revenue of the Group.

6. OTHER INCOME AND (LOSSES)/GAINS

	2018 HK$'000	2017 HK$'000
Bank interest income	**25**	18
Sundry income	**8**	58
Net gains/(losses) on disposals of property, plant and equipment	**138**	(91)
Net foreign exchange (losses)/gains	**(194)**	180
	(23)	165

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank overdrafts	**–**	4
Interest on bank borrowings	**–**	14
Finance leases charges	**2**	19
	2	37

8. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax		
Current tax		
– Current year	**1,443**	1,972
The People's Republic of China (the "PRC") Enterprise Income Tax		
Current tax		
– Current year	**225**	–
Overprovision in prior year	**(121)**	(66)
Deferred tax *(Note 22)*		
– Current year	**(562)**	611
Total income tax recognised in profit or loss	**985**	2,517

8. INCOME TAX EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, one of the subsidiaries of the Company is subjected to the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits above HK$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profit Tax at the rate of 16.5% for the year ended 31 December 2018.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year.

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:

	2018 ***HK$'000***	2017 *HK$'000*
Profit before tax	**8,147**	12,439
Calculated at the statutory tax rate	**1,421**	2,052
Tax effect of expenses not deductible for tax purpose	**224**	1,140
Tax effect of income not taxable for tax purpose	**(371)**	(545)
Income tax at concessionary rate	**(165)**	–
Utilisation of tax losses previously not recognised	**(3)**	(64)
Overprovision in respect of prior year	**(121)**	(66)
Income tax expense for the year	**985**	2,517

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018 *HK$'000*	2017 *HK$'000*
Employee benefits expense (including directors' emoluments) *(Note 10)*:		
Salaries, allowances and other benefits in kind	**41,349**	41,784
Contributions to retirement benefits schemes	**1,593**	1,600
Equity-settled share-based payments	**128**	–
Total employee benefits expense	**43,070**	43,384

	2018 *HK$'000*	2017 *HK$'000*
Auditors' remuneration	**860**	860
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	**209**	307
Depreciation of property, plant and equipment	**4,146**	2,854
Donation	**86**	49
Provision for impairment loss on trade receivables	**27**	–
Listing expenses	**–**	2,997
Operating lease rentals in respect of:		
– rental premises	**10,777**	11,158
– equipment	**22**	23

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 2018

	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	–	880	–	18	898
Mr. Tse	–	960	–	18	978
Mr. Chan *(Note)*	–	1,120	347	18	1,485
Independent non-executive directors					
Mr. Choi Hoi Ting Derek	200	–	–	–	200
Mr. Ng Jack Ho Wan	200	–	–	–	200
Mr. Wan Chi Wai Anthony	200	–	–	–	200
Total emoluments	600	2,960	347	54	3,961

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	–	1,200	432	18	1,650
Mr. Tse	–	960	640	18	1,618
Mr. Chan *(Note)*	–	961	640	18	1,619
Independent non-executive directors					
Mr. Choi Hoi Ting Derek	200	–	–	–	200
Mr. Ng Jack Ho Wan	200	–	–	–	200
Mr. Wan Chi Wai Anthony	200	–	–	–	200
Total emoluments	600	3,121	1,712	54	5,487

Note:

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.

None of the directors waived any emoluments during the years ended 31 December 2018 and 2017. 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.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2017: three) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2017: two) individuals were as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**1,339**	1,315
Discretionary bonuses	**1,121**	1,093
Contributions to retirement benefits schemes	**36**	36
Equity-settled share-based payments	**18**	–
	2,514	2,444

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

	2018	2017
	Number of individuals	Number of individuals
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

12. DIVIDENDS

	2018 *HK$'000*	2017 *HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend for the year ended 31 December 2018: HK2.50 cents (2017: Nil) per share	**10,000**	–

No final dividend was proposed or paid during the year ended 31 December 2018.

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:

	2018	2017
Profit attributable to owners of the Company (HK$'000)	**7,162**	9,922
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**400,000**	397,260
Basic earnings per share (HK cents)	**1.79**	2.50

For the years ended 31 December 2018 and 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.

No diluted earnings per share is presented for prior years as there was no potential ordinary share outstanding. The computation of diluted earnings per share for the current year does not assume the exercise of the share options because the exercise price of those share options was higher than the average market price of shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
Cost						
Balance at 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 and 1 January 2018	2,543	2,624	13,475	3,773	6,858	29,273
Additions	–	26	327	710	121	1,184
Disposals	–	–	–	(713)	–	(713)
Balance at 31 December 2018	**2,543**	**2,650**	**13,802**	**3,770**	**6,979**	**29,744**
Accumulated depreciation						
Balance at 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 and 1 January 2018	2,543	647	11,736	1,573	949	17,448
Depreciation expense	–	452	858	1,095	1,741	4,146
Eliminated on disposals of assets	–	–	–	(321)	–	(321)
Balance at 31 December 2018	**2,543**	**1,099**	**12,594**	**2,347**	**2,690**	**21,273**
Carrying amounts						
Balance at 31 December 2018	**–**	**1,551**	**1,208**	**1,423**	**4,289**	**8,471**
Balance at 31 December 2017	–	1,977	1,739	2,200	5,909	11,825

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 2018, certain of the Group's property, plant and equipment with an aggregate carrying amounts of nil (2017: approximately HK$556,000) have been pledged to secure finance leases obligations granted to the Group (Note 32).

15. INTANGIBLE ASSETS

	Computer software HK$'000
Cost	
Balance at 1 January 2017	6,886
Additions	138
Balance at 31 December 2017, 1 January 2018 and 31 December 2018	7,024
Accumulated amortisation	
Balance at 1 January 2017	6,425
Amortisation expense	307
Balance at 31 December 2017 and 1 January 2018	6,732
Amortisation expense	209
Balance at 31 December 2018	6,941
Carrying amounts	
Balance at 31 December 2018	**83**
Balance at 31 December 2017	292

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. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 31 December 2018 *HK$'000*	At 1 January 2018 *HK$'000* *(Note)*
Contract assets	**2,554**	765
Less: provision for impairment loss	**–**	–
Contract assets – net	**2,554**	765
Contract liabilities	**(3,961)**	(4,410)
	(1,407)	(3,645)

Note: The amounts in this column are after the adjustment from the application of HKFRS 15.

The contract assets primarily relate to the Group's rights to consideration for completion of financial printing services, marketing collateral printing services and other services but not yet billed under the relevant contracts at the reporting date. The contract liabilities primarily relate to the advanced consideration received from customers. The contract assets are transferred to trade receivables when the rights become unconditional. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability.

There was no retention held by customers on services contracts at the end of each reporting period.

For the year ended 31 December 2018, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped under a provision matrix based on shared credit risk characteristics. No provision was made against the gross amounts of contract assets.

As at 31 December 2018, none of the Group's contract assets were impaired.

16. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

Revenue recognised in relation to contract assets and contract liabilities

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	2018
	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**4,346**
Revenue recognised from performance obligation satisfied in prior periods	**765**

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before services is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Revenue recognised from performance obligation satisfied in previous periods

There were no significant changes in the contract asset and the contract liability balances during the reporting period.

17. AMOUNTS DUE FROM CUSTOMERS ON SERVICE CONTRACTS

	2017
	HK$'000
Contract costs incurred plus attributable profit	1,849
Less: progress billings to date	–
	1,849

As at 31 December 2017, no retention held by customers on service contracts. Advance received from customers on service contracts amounted to approximately HK$5,494,000 as at 31 December 2017.

18. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**25,456**	23,613
Less: Provision for impairment losses on trade receivables	**(35)**	–
	25,421	23,613
Other receivables and prepayments	**6,886**	6,037
	32,307	29,650

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

	2018 HK$'000	2017 HK$'000
0 – 30 days	**12,030**	11,041
31 – 60 days	**4,161**	3,094
61 – 90 days	**756**	3,220
91 – 365 days	**6,517**	5,370
Over 365 days	**1,992**	888
	25,456	23,613

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 (2017: 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 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$13,248,000 which are past due as at the reporting date. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. As at 31 December 2017, 54% 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 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.

18. TRADE AND OTHER RECEIVABLES (continued)

Age of trade receivables that are past due but not impaired

	2017 *HK$'000*
Overdue by:	
1 – 30 days	3,715
31 – 60 days	1,671
61 – 90 days	1,353
91 – 365 days	3,972
Over 365 days	163
	10,874

The movement in the provision for impairment losses on trade receivables is as follow:

	Trade receivables *HK$'000*
As at 1 January 2018	**180**
Trade receivables written off during the year as uncollectible	**(172)**
Provision for impairment losses on trade receivables	**27**
As at 31 December 2018	**35**

Impairment assessment on trade receivables subject to ECL model

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The debtors are grouped under a provision matrix based on shared credit risk characteristics. For the year ended 31 December 2018, additional provision of approximately HK$27,000 was made against the gross amounts of trade receivables.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 28.

19. CASH AND BANK BALANCES/PLEDGED 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 2018, the deposits carry effective interest at 0.13% per annum (2017: 0.24% per annum). The pledged bank deposits will be released upon expiry of the relevant banking facilities.

As at 31 December 2018 and 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 2018, included in cash and cash equivalents of the Group was approximately HK$1,596,000 (2017: approximately HK$1,933,000) of bank balances denominated in Renminbi place with banks in Hong Kong, which are not freely convertible into other currencies.

20. TRADE AND OTHER PAYABLES

	2018 ***HK$'000***	2017 *HK$'000*
Trade payables	**11,466**	14,443
Other payables and accruals	**6,569**	6,320
Receipts in advance *(Note)*	**–**	5,494
	18,035	26,257

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days (2017: 30 days to 90 days). The following is an aged analysis of trade payables presented based on the invoice date:

	2018 ***HK$'000***	2017 *HK$'000*
0 – 30 days	**5,729**	6,531
31 – 60 days	**3,665**	3,970
61 – 90 days	**1,727**	2,938
91 – 365 days	**345**	1,004
	11,466	14,443

Note:

At the date of initial application of HKFRS 15, receipts in advance of approximately HK$5,494,000 was reclassified to contract liabilities as at 1 January 2018.

21. FINANCE LEASES OBLIGATIONS

The Group leased certain of its motor vehicles under finance leases. The lease terms are nil (2017: 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 2018 (2017: 1.18% per annum to 4% per annum).

	2018	2017
	HK$'000	*HK$'000*
Minimum lease payments		
Amounts payable under leases:		
Within one year	–	264
Less: future finance charges	–	(2)
Present value of leases obligations	–	262
Present value of minimum lease payments		
Amount due for settlement within a year (shown under current liabilities)	–	262
Total present value of leases obligations	–	262

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$.

As at 31 December 2018, the finance leases payables were fully settled and there were no new finance lease facilities drawn since then.

22. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 *HK$'000*	2017 *HK$'000*
Deferred tax assets	**36**	–
Deferred tax liabilities	**(166)**	(693)
	(130)	(693)

The following are the deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Provision for loss allowance on trade receivables *HK'000*	**Accelerated tax depreciation** *HK$'000*	**Total** *HK'000*
At 1 January 2017	–	82	82
Charged to profit or loss *(Note 8)*	–	611	611
At 31 December 2017	–	693	693
Effective arising from initial application of HKFRS 9	(1)	–	(1)
At 1 January 2018	(1)	693	692
Credited to profit or loss *(Note 8)*	(4)	(558)	(562)
At 31 December 2018	**(5)**	**135**	**130**

23. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company during the year ended 31 December 2018 are as follows:

	Notes	**Number of ordinary shares**	**Amount** *HK$*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018		**5,000,000,000**	**50,000,000**
Issued and fully paid:			
At 1 January 2017		**1,000**	**10**
Shares issued pursuant to the capitalisation issue	*(a)*	**299,999,000**	**2,999,990**
Shares issued under placing	*(b)*	**100,000,000**	**1,000,000**
At 31 December 2017, 1 January 2018 and 31 December 2018		**400,000,000**	**4,000,000**

	Amount *HK$'000*
Shown on consolidated statement of financial position at 31 December 2018 and 2017	**4,000**

Notes:

(a) 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.

(b) 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 the 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.

24. 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 55 of the consolidated financial statements.

25. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the company

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 15 December 2016 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 15 March 2022 and 15 March 2023 respectively. Under the Scheme, the Broad of Directors of the Company may grant options to eligible employees, including directors of the Group, to subscribe for shares in the Company.

At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,350,000 (2017: nil), representing 0.34% (2017: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 21 days of the date of offer, upon payment of HK$1 per grant. Options may be exercised at any time from twelve months or twenty four months of the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) nominal value of shares of the Company.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercisable period	Exercise price
Employees Batch 1	16 March 2018	16 March 2018 to 15 March 2019	16 March 2019 to 15 March 2022	HK$0.70
Employees Batch 2	16 March 2018	16 March 2018 to 15 March 2020	16 March 2020 to 15 March 2023	HK$0.70

25. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme (continued)

The following table discloses the details and movements of the Company's share options held by eligible employees of the Group during the year ended 31 December 2018:

	Date of grant	Exercise period	Exercise price per share	Outstanding at 01/01/2018	Granted during the year	Exercised during the year	Forfeited during the year *(Note)*	Outstanding at 31/12/2018
Batch 1	16 March 2018	16/03/2019 – 15/03/2022	0.70	–	50,000	–	25,000	**25,000**
Batch 2	16 March 2018	16/03/2020 – 15/03/2023	0.70	–	1,510,000	–	185,000	**1,325,000**
				–	1,560,000	–	210,000	**1,350,000**
	Exercisable at the end of the year							**–**
	Weighted average exercise price			–	0.70	–	0.70	**0.70**

Note:

During the year ended 31 December 2018, 210,000 share options granted under the Scheme forfeited upon the resignation of the employees of the Group.

The fair values of the options granted were calculated using the binominal model, details of which are as follows:

Date of grant	Batch 1 16 March 2018	Batch 2 16 March 2018
Number of shares to be issued upon exercise of Options granted	**50,000**	**1,510,000**
Estimated fair values of options granted (rounded to HK$'000)	**HK$10**	**HK$354**
Share price at grant date	**HK$0.69**	**HK$0.69**
Exercise price	**HK$0.70**	**HK$0.70**
Expected volatility	**36.49%**	**37.78%**
Expected life	**3.7 years**	**4.5 years**
Risk-free rate	**1.679%**	**1.793%**
Expected dividend yield	**Nil**	**Nil**

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

The Group recognised the total expense of approximately HK$128,000 for the year ended 31 December 2018 (2017: nil) in relation to share options granted by the Company.

26. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in consolidated statement of profit or loss and other comprehensive income amounted to approximately of HK$1,593,000 (2017: approximately HK$1,600,000) represents contributions paid to these plans by the Group at rates specified in the rules of the plans. There was no outstanding contribution as at 31 December 2018 and 2017.

27. 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 2017.

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:

	2018 ***HK$'000***	2017 *HK$'000*
Debts *(Note (i))*	**–**	262
Less: cash and bank balances	**(58,761)**	(62,283)
Net debt	**(58,761)**	(62,021)
Equity *(Note (ii))*	**84,936**	87,855
Adjusted debt-to-equity ratio	**N/A**	N/A

Notes:

(i) Debt comprises finance leases obligations as detailed in Note 21.

(ii) Equity includes all capital and reserves attributable to owners of the Company.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	**29,135**	–
Pledged bank deposits	**4,008**	–
Cash and bank balances	**58,761**	–
Loans and receivables		
Trade and other receivables	**–**	27,772
Pledged bank deposits	**–**	7,000
Cash and bank balances	**–**	62,283
	91,904	97,055
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**18,035**	20,763
Finance leases obligations	**–**	262
	18,035	21,025

(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.

28. FINANCIAL INSTRUMENTS (continued)

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

Foreign currency risk management

As the assets and liabilities of the Group are mainly denominated in HK$ as at 31 December 2018 and 2017, 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.

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

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.

Credit risk management

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, pledged bank deposits and cash and bank balances. 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.

The credit risk for pledged bank deposits and cash and bank balances is considered not material as such amounts are placed in reputable banks with high credit rating assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regarded as low.

For other receivables, management of the Group makes periodic collective as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of other receivables.

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for determination 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, the management of the Group considers that the 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 16% (2017: 55%) of these receivables are due from the Group's largest five customers as at 31 December 2018.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

The Group's internal credit risk grading comprises the following categories:

Category	Group definition of category	Basis for recognition of ECL
Performing	There have low risk of default and has not been any significant increase in credit risk since initial recognition	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition	Lifetime ECL – not credit impaired
Default	There is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and/or the Group has no realistic prospect of recovery	Amount is written off

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

Other receivables

As at 31 December 2018, the internal credit rating of other receivables were performing. Management considered all of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, no loss allowance provision was recognised during the year ended 31 December 2018.

Trade receivables and contract assets

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been assessed individually for debtors with significant balance or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant changes to the debtor's ability to meet its obligations. As at 31 December 2018, the impairment loss allowance for trade receivables and contract assets were determined as follows.

	Within 30 days	Over 31 days and within 60 days	Over 61 days and within 90 days	Over 91 days and within 365 days	Over 365 days	Total
Trade receivables						
As at 31 December 2018						
Average loss rate	0.1%	0.1%	0.1%	0.2%	0.3%	
Gross carrying amount (HK$'000)	12,030	4,161	756	6,517	1,992	25,456
Loss allowance provision (HK$'000)	12	4	1	13	5	35

	Total
Contract assets	
As at 31 December 2018	
Average loss rate	0.0%
Gross carrying amount (HK$'000)	2,554
Loss allowance provision (HK$'000)	-

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

28. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

Trade receivables and contract assets (continued)

The movement in lifetime ECL that has been recognised for trade receivables is as follow:

	Trade receivables *HK$'000*
As at 31 December 2017 under HKAS 39	–
Adjustment upon application of HKFRS 9	**180**
As at 1 January 2018	**180**
Trade receivables written off during the year as uncollectible	**(172)**
Provision for impairment losses on trade receivables	**27**
As at 31 December 2018	**35**

The creation and release of provision for impaired trade receivables have been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

28. FINANCIAL INSTRUMENTS (continued)

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

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$14,000,000 (2017: approximately HK$21,000,000) from several banks for certain banking facilities for the year ended 31 December 2018. Unused facilities as at 31 December 2018 amounted to approximately HK$14,000,000 (2017: approximately HK$21,000,000).

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.

	Weighted average interest rate	On demand or less than 1 year	Total undiscounted cash flows	Total carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018				
Trade and other payables	**–**	**18,035**	**18,035**	**18,035**
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

(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 2018 and 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

29. 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:

	2018 ***HK$'000***	2017 *HK$'000*
Within one year	**6,124**	11,281
In the second to fifth years inclusive	**–**	6,124
	6,124	17,405

At 31 December 2018, operating leases relate to office premises with lease terms of between two years to three years (2017: two years to three years). The Group does not have an option to purchase the leased asset at the expiry of the lease period.

30. 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.

	Finance leases obligations ***HK$'000*** *(Note 21)*
At 1 January 2018	**262**
Interest accrued	**2**
Financing cash outflows	**(264)**
At 31 December 2018	**–**

	Borrowings *HK$'000*	Finance leases obligations *HK$'000* *(Note 21)*	Total *HK$'000*
At 1 January 2017	–	808	808
Interest accrued	14	19	33
Financing cash outflows	(14)	(565)	(579)
At 31 December 2017	–	262	262

31. 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	**2018** *HK$'000*	2017 *HK$'000*
Unique Concept Development Limited *(Note)*	Rental expenses for director's quarter	**100**	600

Note:

Unique Concept Development Limited was controlled by Mr. Yu.

(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.

32. PLEDGE OF ASSETS

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

	2018 *HK$'000*	2017 *HK$'000*
Pledged bank deposits	**4,008**	7,000
Property, plant and equipment	**–**	556
	4,008	7,556

33. LIST OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2018 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 2018	2017	Principal activities and place of operation
HM Immediate Holdings Limited	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 Services Limited	Hong Kong, limited liability company	Ordinary shares HK$100,000	**100% (indirect)**	100% (indirect)	Provision of translation services in Hong Kong
軒達資訊服務(北京)有限公司 (HM (Beijing) Limited*)	PRC, limited liability company	Registered capital RMB100,000	**100% (indirect)**	–	Provision of integrated printing services in the PRC
HM Investment Limited	BVI, limited liability company	Ordinary share US$1	**100% (indirect)**	–	Investment holding in Hong Kong
WordFlow Limited	Hong Kong, limited liability company	Ordinary shares HK$100	**100% (indirect)**	–	Inactive
Talesis Limited	Hong Kong, limited liability company	Ordinary shares HK$10,000	**51% (indirect)**	–	Inactive

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 interest for the years ended 31 December 2018 and 2017.

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

34. 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.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on 11 March 2019.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 *HK$'000*	2017 *HK$'000*
Non-current assets		
Investment in a subsidiary	**23,917**	23,917
Current assets		
Prepayments	**240**	230
Amounts due from subsidiaries	**35,637**	33,757
Cash and bank balances	**6,652**	18,393
	42,529	52,380
Total assets	**66,446**	76,297
Net current assets	**42,529**	52,380
Net assets	**66,446**	76,297
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	**4,000**	4,000
Reserves	**62,446**	72,297
Total equity	**66,446**	76,297

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 11 March 2019 and are signed on its behalf by:

Mr. Yu Chi Ming
Director

Mr. Chan Wai Lin
Director

36. 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)*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total equity *HK$'000*
At 1 January 2017	–	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
Profit and total comprehensive income for the year	-	-	-	21	21
Recognition of equity-settled share-based payments *(Note 25)*	-	-	149	-	149
Forfeiture of share options *(Note 25)*	-	-	(21)	-	(21)
Payments of dividends *(Note 12)*	(10,000)	-	-	-	(10,000)
At 31 December 2018	**39,009**	**23,917**	**128**	**(608)**	**62,446**

Note: Special reserve represents the difference between the fair value of the shares of HM Immediate Holdings Limited acquired pursuant to the reorganisation in prior years over the nominal value of the Company's share issued in exchange therefore.

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**130,792**	148,611	160,036	160,369	125,343
Cost of sales	**(69,848)**	(81,548)	(91,903)	(95,899)	(78,095)
Gross profit	**60,944**	67,063	68,133	64,470	47,248
Other income and (losses)/gains	**(23)**	165	(41)	585	1,409
Selling expenses	**(11,979)**	(11,152)	(10,670)	(9,933)	(7,499)
Administrative expenses	**(40,793)**	(43,600)	(38,547)	(36,024)	(28,000)
Finance costs	**(2)**	(37)	(128)	(133)	(84)
Profit before tax	**8,147**	12,439	18,747	18,965	13,074
Income tax expense	**(985)**	(2,517)	(3,778)	(3,967)	(1,791)
Profit for the year	**7,162**	9,922	14,969	14,998	11,283
Assets and Liabilities					
Total assets	**107,312**	115,404	59,888	83,194	90,000
Total liabilities	**22,376**	27,549	34,964	64,739	62,211
Total capital and reserves	**84,936**	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, 2016 and 2017 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2014, 2015, 2016 and 2017 have been extracted from the audited consolidated financial statements and the Prospectus.

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