

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

2020
ANNUAL REPORT
年度報告

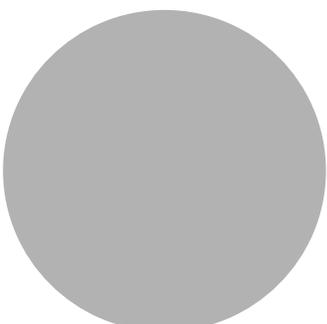
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This report, for which the directors (the "Directors") of HM International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company 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. Chan Wai Lin
Ms Chan Wai Chung Caroline (*appointed on 11 January 2021*)
Mr. Tse Kam Wing Walter (*resigned on 31 December 2020*)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Lau Fai Lawrence (*appointed on 14 August 2020*)
Ms. Soon Yuk Tai, FCIS, FCS (*resigned on 14 August 2020*)

COMPLIANCE OFFICER

Mr. Chan Wai Lin

AUTHORISED REPRESENTATIVES

Mr. Yu Chi Ming
Mr. Chan Wai Lin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central, Hong Kong

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

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

WEBSITE

www.hetermedia.com

STOCK CODE

8416



CHAIRMAN'S STATEMENT

Dear Shareholders,

Last year was definitely a 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 minimize our loss for the Group. Apart from technology, we have also continued to focus on strengthening the other two out of three core areas given the intense competition in various perspectives. As documented in previous reports, our core focuses are Innovation, Service Delivery and Applied Technology – these elements have become so important not only by giving us new opportunities but also an edge to retain our clients. To take this even further, we continued investing in technologies which enabled us to create resilience to our existing operating platform. The advanced operating processes not only streamlining the existing workflow but also attracting talents as we allow our employees to have the flexibility to work remotely at multiple office locations. I am delighted to be part of this great company with such gifted employees and I strongly believe that we are one of the most trusted and respected players within the industry. With all the uncertainties and challenges in 2021, our Group will remain to be innovative and committed in order to create new opportunities from the existing industry.

COMPANY OVERVIEW

The Group continued to transform and combine its core business in integrated printing services with other related services for corporate clients in the Hong Kong’s financial and capital market, from financial printing services for corporations listed on the Hong Kong Stock Exchange and potential listing applicants, to marketing collateral printing services for fund houses and insurance companies. In 2020, however, our business became adversely impacted by COVID-19 pandemic as turnover plummeted due to reduced spending by clients amid a persistently uncertain business environment permitting prudent expenditure only. Because the pandemic’s ever-evolving effects on the business environment will continue to remain uncertain, the Group will continue to pay close attention to the pandemic and to evaluate its impact on our operations and financial position.

Despite those unfamiliar setbacks, In August 2020, The Group completed its acquisition of 70% equity interest in i.Link Group Limited, a financial printing company in Hong Kong. That same month, the Group also indirectly acquired a 50% shares in Kinetic Intelligence Translation Company Limited, which provides the translation services for financial and capital markets, via the acquisition of i.Link Group Limited in August 2020.

MISSION

2020 was a very different and yet difficult year. Our mission was not only to deliver quality services to meet the demands of our clients with our “CARE” attitude but also to take into serious consideration of our staff health and well-being while keeping our services uninterrupted. However, the technology-centric organizational changes that we put into action more than one and a half years ago and the resilience which we built into the business have enabled us to mitigate the risks with confidence that allowed us to continue delivering best-in-class services during the toughest months of 2020. I understand the importance of experience, trust, precision and determination in our leadership team – I would like to extend my appreciation to my team for their commitment and effort. We are now set to merge with the recent experiences into our enhanced service platforms and capabilities that will elevate our Group to a new horizon.

CHAIRMAN'S STATEMENT

PROSPECT

Undoubtedly, 2021 will be cruising our way through another unprecedented year due to ongoing political and economic uncertainties. The standing development of the pandemic is still highly volatile and unpredictable. However, we are actively assessing and managing these potential business risks and taking all necessary measures to overcome these challenges. For many years, we have continued to focus diligently on IT development especially in infrastructure as well as suitable solutions to enhance our overall operating platform. This allows our teams to assist our clients with a high degree of resilience. The past year has proved digitalisation will be crucial in future to facilitate a new normal for all in working and living. It has made everyone adapt to a new way that once thought impossible. We will remain committed to the strategies to adopt the proper technology as mentioned previously.

Regaining our momentum meant to take a thorough review of our internal resources and to consolidate our operations in Berlin, Beijing, Hong Kong, Luxembourg, Taiwan and the sales office in Singapore. With our well-established platforms in the region, we are able to offer a true one-stop solution to our clients for the best quality at competitive costs. Additionally, with our new member i.Link, we will be able to create a win-win situation for both sides due to our respective strengths and capabilities. Our joint-venture brand "Talesis" is getting a reasonable amount of tractions from our existing client base as well as our qualified business partners. With years of research and development with Wordbee together, our unparalleled financial translation solution has come to live for internal trials. We will continue to work closely with Wordbee on upgrading the solution to become one of the most unique applications in the industry.

Even in these difficult situations, we must never lose sight of the big picture and we will continue to identify potential business partners for a sustainable future of continued growth. With these partnerships, we will continue to position the Group as an integrated solution provider for both financial and corporate marketing clients. Thus, we are able to offer solutions to our clients with competitive advantages in the markets where we have a strong presence, where our strengths can be combined to achieve an optimal mix between both traditional printing and digital services to stay ahead of the curve among the industry in coming years.

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 concepts, follow the development trends, 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, 19 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With years of experience in the market, the Group has developed a broad client base including blue chips firms, state-owned enterprises, global fund houses and major insurance companies. Our ability to maintain client relationships demonstrates their satisfaction with our service quality, a recognition that we view as a pivotal of our success in the industry. At the same time, expanding our clientele is as pivotal. By 31 December 2020, our new clients increased by 116, or approximately 300%, comparing to the year ended 31 December 2019, chiefly owing to the acquisition of i.Link Group Limited. Even so, the recurring clients contributed to approximately 79.3% and 91.4% of the Group's total revenue for 2020 and 2019 respectively.

FINANCIAL REVIEW

Revenue

The outbreak of the novel coronavirus (COVID-19) epidemic, the Group's revenue decreased by approximately HK\$11.0 million or 8.4% from approximately HK\$130.5 million to approximately HK\$119.5 million. The decrease primarily stemmed from the drop in revenue from financial printing projects, which decreased by approximately HK\$9.4 million, or 8.0%, from approximately HK\$116.7 million for 2019, to approximately HK\$107.3 million. Furthermore, the decrease in revenue generated from the marketing collateral printing projects, which decreased by approximately HK\$1.9 million, or 16.7% from approximately HK\$11.2 million for 2019, to approximately HK\$9.3 million for 2020. The decrease was partly offset by the increase in revenue generated from other projects of approximately HK\$0.3 million from approximately HK\$2.6 million for 2019 to approximately HK\$2.9 million for 2020.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Financial printing projects	107,316	116,694
Marketing collateral printing projects	9,316	11,180
Other projects	2,887	2,631
	119,519	130,505

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$14.9 million, or 25.5%, from approximately HK\$58.5 million for the year ended 31 December 2019 to approximately HK\$43.6 million for the year ended 31 December 2020. It was mainly due to the decrease in revenue. The Group's gross profit margin for the years ended 31 December 2020 and 2019 were approximately 36.5% and 44.8% respectively.

Other Income and Gains/Losses

The Group's other income increased by approximately HK\$9.3 million from loss of approximately HK\$0.5 million for the year ended 31 December 2019 to approximately HK\$8.8 million for the year ended 31 December 2020. Such increase was mainly attributable to the Hong Kong Government's subsidy received under the Employment Support Scheme and exchange gain on RMB.

Selling Expenses

The Group's selling expenses decreased by approximately HK\$0.4 million, or 3.0%, from approximately HK\$11.9 million for the year ended 31 December 2019 to approximately HK\$11.5 million for the year ended 31 December 2020. The decrease stemmed from the drop in revenue in 2020.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$1.2 million, or 3.0%, from approximately HK\$40.7 million for the year ended 31 December 2019 to approximately HK\$41.9 million for the year ended 31 December 2020. Such increase was mainly due to increase in impairment losses on trade receivables.

Finance Costs

Finance costs increased by approximately HK\$1.6 million from approximately HK\$1.5 million for the year ended 31 December 2019 to approximately HK\$3.1 million for the year ended 31 December 2020. Such increase was mainly due to the increase in interest on lease liabilities.

Taxation

No provision for Hong Kong Profit tax was required for the current year. The Group's income tax expense decreased by approximately HK\$1.1 million, or 77.8%, from approximately HK\$1.4 million for the year ended 31 December 2019 to approximately HK\$0.3 million for the year ended 31 December 2020.

(Loss)/Profit for the year and Net (Loss)/Profit Margin

(Loss)/profit after tax of the Group decreased by approximately HK\$7.5 million, or 298.1%, from approximately HK\$2.5 million for the year ended 31 December 2019 to loss of approximately HK\$5.0 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease in Group's revenue as compared to the year ended 31 December 2019. The net (loss)/profit margins for the years ended 31 December 2020 and 2019 were approximately 4.2% and 1.9% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2020,

- (a) the Group's total assets decreased to approximately HK\$128.8 million (2019: approximately HK\$132.8 million) while the total equity increased to approximately HK\$80.8 million (2019: approximately HK\$87.6 million);
- (b) the Group's current assets decreased to approximately HK\$87.7 million (2019: approximately HK\$99.0 million) while the current liabilities increased to approximately HK\$39.2 million (2019: approximately HK\$29.7 million);
- (c) the Group had approximately HK\$52.4 million in cash and bank balances (2019: approximately HK\$65.3 million), which included cash and bank balances in Renminbi ("RMB") of approximately RMB10.4 million, in US dollars ("USD") of approximately USD0.2 million, in Taiwan dollars ("TWD") of approximately TWD0.8 million, in Singapore dollars ("SGD") of approximately SGD47,000, and approximately HK\$37.8 million, and the current ratio of the Group was approximately 2.4 times (2019: approximately 3.3 times);
- (d) the Group had leases liabilities of approximately HK\$20.3 million (2019: approximately HK\$24.6 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 end and multiplied 100%) of the Group was 25.0% (2019: 28.1).

FUTURE PROSPECTS

Looking forward, we are optimistic about sustaining the core business given all the economic uncertainties. At the same time, we remain committed to continuously seeking for the best possible opportunities to grow our business through business combination and leveraging our current client base.

Since 2017, we have continued to focus diligently on IT development and have identified potential business partners for further collaborations. With these partnerships, we will continue to position the Group as a bespoke solution provider of professional digital solutions. Thus, we are able to offer solutions to our clients with competitive advantages in the markets where we have a strong presence, where our strengths can be integrated to achieve an optimal mix between both traditional printing and digital services to stay ahead of the highly competitive and challenging business environment in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

As at 31 December 2020, the Group had approximately HK\$2.9 million of capital expenditure (2019: approximately HK\$3.9 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not hold any significant investments (2019: nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 145 employees (2019: 129) in Hong Kong, 8 employees (2019: 5) in PRC and 11 employees (2019: 11) in Taiwan. 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\$52.6 million for the year ended 31 December 2020 (2019: approximately HK\$46.8 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 2020 are generally appreciated and recognised.

In addition, the Group adopted a share option scheme (the "Scheme") on 15 December 2016. 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 at an exercise price of HK\$0.70 per share. No options were exercised under the Scheme during the year ended 31 December 2020 (2019: nil). Details of the Scheme and movement of share options granted under the Scheme for the year ended 31 December 2020 are set out in the paragraph headed "Share Option Scheme" in the Directors' Report herein as well as in Note 28 to the Consolidated Financial Statements.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2020, the Group had assets with the carrying amount of approximately HK\$1.0 million (2019: HK\$1.0 million) pledged to secure general banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In February 2020, HM Investment Limited (an indirectly wholly owned subsidiary of the Company) subscribed 4,078 ordinary shares of Wordbee S.A for EUR500,000 (equivalent to approximately HK\$4,303,000). After the subscription of the shares, the Group's shareholdings of Wordbee S.A has been increased from 12.9% to 22.85%.

On 31 July 2020, a sale and purchase agreement was signed between HM Investment Limited (an indirectly wholly-owned subsidiary of the Company) and Mr. Chan Wing Kin (an independent third party) in relation to the acquisition of 70% of the entire issued share capital (the "Acquisition") of I. Link Group Limited (the "Target Company") for a consideration of HK\$5,000,00, subject to the term and conditions of the Sales and Purchase Agreement.

The Board considers that the Acquisition represents an opportunity for the Group to invest in the Target Company and to align with the focus and future development strategies of the Group, which will broaden the revenue sources of the Group and expand its customer bases, benefit the Group's business development and the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole in the future. The Acquisition would also strengthen and complement the Group's core business of financial printing in light of the growing financial and capital market. Through the Acquisition and with the existing know-how of the Group, the Group will gain additional exposure to the financial and capital market and strengthen the Group's service solutions to its existing and potential clients. In view of the above, the Board is optimistic on the business prospects of the Target Company and considers that the Acquisition would further enhance the profitability of the Group. For further details of the Acquisition, please refer to the announcement of the Company dated 31 July 2020.

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, SGD, and TWD (which are freely convertible into HK\$), and RMB (which is not freely convertible currency in the international market). 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 2020. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE COMPANY'S PLACING

As disclosed in the Company's announcement dated 31 July 2020, the use of the net proceeds (the "Net Proceeds") from the listing of the Company's shares on GEM of the Stock Exchange by way of placing of new shares (the "Placing") has changed. Details of the actual utilisation of the Net Proceeds from the listing of the Company's shares up to 31 December 2020 and the remaining unused Net Proceeds up to 31 December 2020 is set out below:

	Planned use of net proceeds from the Placing <i>HK\$'000</i>	Revised allocation of Net Proceeds as per announcement dated 31 July 2020 <i>HK\$'000</i>	Utilised Net Proceeds up to 31 Dec 2020 <i>HK\$'000</i>	Unutilised Net Proceeds up to 31 Dec 2020 <i>HK\$'000</i>	Expected timeline for utilizing the remaining unused net proceeds
Set up the new office and improve the facilities in the Infinitus Plaza office	17,487	15,359	15,359	0	N/A
Enhance the Group's IT systems and infrastructures	14,962	11,890	11,890	0	N/A
Enhance the Group's work force	3,817	3,817	3,817	0	N/A
Acquisition of i.Link Group Limited	0	5,200	2,200 ^(note 1)	3,000	1 Jan 2021 to 30 June 2022
General working capital	3,734	3,734	3,734	0	N/A
Total	40,000	40,000	37,000	3,000	

Note 1: Reference is made to the Company's announcement dated 31 July 2020 in relation to the acquisition of 70% equity interest in i.Link Group Limited. The remaining Net Proceeds will be utilised in accordance with the principal terms of the sale and purchase agreement.



DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors	Profile
<p>Yu Chi Ming</p> <p>Chairman & Executive Director</p>	<p>Mr. Yu Chi Ming (“Mr. Yu”), aged 62, is an executive Director, the chairman of our Group and a member of the Remuneration Committee of the Company. He 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”), HM Language Services Limited (“HM Language”) and WordFlow Limited, all of which are subsidiaries of the Company. Mr. Yu is also a director of HM Ultimate Holdings Limited, the controlling shareholder of the Company.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors	Profile
<p>Chan Wai Lin</p> <p>Chief Executive Officer, Executive Director & Compliance Officer</p>	<p>Mr. Chan Wai Lin (“Mr. Chan”), aged 48, is an executive Director, the Chief Executive Officer of our Group, the Compliance Officer and a member of the Nomination Committee of the Company. He 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 15 years of experience in the financial printing industry. In December 1998, Mr. Chan obtained a degree of Bachelor of Arts in Economics from the University of Missouri, USA. In December 2000, he obtained a degree of Master of Arts in Finance from Webster University, USA. Mr. Chan also obtained a degree of Master of Business Administration from Webster University, USA, in August 2001.</p> <p>Mr. Chan worked at State Street – Kansas City (formerly known as IFTC (Investors Fiduciary Trust Company)) as fund accountant/portfolio administrator in March 1999 and as financial analyst from May 2000 to March 2001. He was mainly responsible for preparing financial reports and conducting ad hoc analysis on profitability of new fund accounts. Mr. Chan was employed by RR Donnelley Roman Financial Limited, a financial printer, from March 2002 to March 2008 and his last position was head of office in the business process outsourcing department. He was mainly responsible for developing production strategies, planning projects and developing and implementing procedures and systems. In March 2008, Mr. Chan was appointed as director of Dragon Globe Holdings Limited (formerly known as Xuanda Group Limited; HeterMedia Group Limited (軒達資訊集團有限公司); and HeterMedia Holdings Limited (軒達資訊控股有限公司)) (“HMG”), until May 2012. During June 2012 and November 2012, he was appointed as executive director of Williams Lea Asia, Limited responsible for strategic sourcing in Asia excluding Japan. Mr. Chan is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia, HM Language, Talesis Limited, WordFlow Limited and HM Corporate Services (TCSP) Limited, all of which are subsidiaries of the Company. Mr. Chan is also a director of HM Ultimate Holdings Limited, the controlling shareholder of the Company.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors	Profile
<p>Chan Wai Chung Caroline</p> <p>Chief Operations Officer & Executive Director</p>	<p>Ms. Chan Wai Chung Caroline (“Ms. Chan”), aged 47, is an executive director of the Company since 11 January 2021 and the chief operations officer of our Group since 1 January 2015 and is responsible for overall business operation and management of our Group. Ms. Chan is primarily responsible for supervising the day-to-day operations of our business units. Ms. Chan joined our Group in August 2010. Ms. Chan graduated from the Deakin University in Australia in 1996, with a degree in Bachelor of Commerce. Ms. Chan obtained a degree of Master of Business Administration jointly issued by the University of Sydney, Australia and the University of New South Wales, Australia, in 2003 and a degree of Master of Environmental and Business Management from the University of Newcastle, Australia, in 2005. In 2010, Ms. Chan earned a degree of Master of Arts in Computer-Aided Translation from The Chinese University of Hong Kong. Ms. Chan was awarded a master degree in Corporate Environmental Governance from The University of Hong Kong in 2020. Between September 1999 and January 2000, Ms. Chan 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, Ms. Chan 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. Ms. Chan has been appointed as a director of an associate of the Company, Wordbee S.A, since 6 November 2019. Ms. Chan is currently a director of HM Corporate Services (TCSP) Limited, a wholly-owned subsidiary of the Company.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors	Profile
<p>Tse Kam Wing Walter</p> <p>Vice Chairman & Executive Director</p>	<p>Mr. Tse Kam Wing Walter (“Mr. Tse”), aged 61, has resigned as an executive Director and the vice chairman of our Group on 31 December 2020. 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.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-Executive Directors	Profile
<p>Choi Hon Ting Derek</p> <p>Independent Non-Executive Director</p>	<p>Mr. Choi Hon Ting Derek (“Mr. Choi”) (formerly known as Choi Kwan Wai Derek), aged 52, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He 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 25 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.</p> <p>Mr. Choi graduated with a degree of Bachelor of Science in Agricultural Engineering from Purdue University, USA in May 1991.</p> <p>Mr. Choi has been appointed as an executive director of D&G Technology Holding Company Limited (stock code: 1301) since 11 September 2014, which is listed on the Main Board of the Stock Exchange. Mr. Choi has resigned as an independent non-executive director of IPE Group Limited (stock code: 929), which is also listed on the Main Board of the Stock Exchange, with effect from 2 June 2017.</p> <p>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.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-Executive Directors	Profile
<p>Ng Jack Ho Wan</p> <p>Independent Non-Executive Director</p>	<p>Mr. Ng Jack Ho Wan (“Mr. Ng”) (formerly known as Ng Ho Wan), aged 44, was appointed as an independent non-executive Director on 15 December 2016. He is also the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He 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 22 years of experience in accounting, auditing, asset management and fund administration. He worked in PricewaterhouseCoopers LLP, Canada from September 1997 until February 2001. He then joined KPMG in Hong Kong and was an audit partner during July 2008 and October 2012, where he was responsible for overseeing audit and advisory projects in the wealth and fund management sectors both in China and Hong Kong. He has been the managing director of Jack H.W. Ng CPA Limited since June 2013.</p> <p>In May 2000, Mr. Ng graduated from Simon Fraser University, Canada with a degree of Bachelor of Business Administration.</p> <p>Mr. Ng has been a fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. He was accredited as certified information systems auditor in January 2007. In September 2007, he was certified as chartered financial analyst by the CFA Institute. He was awarded with a specialist certificate in asset management in February 2005.</p> <p>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.</p> <p>Mr. Ng has been appointed as an independent non-executive director of Cheshi Holdings Limited (stock code: 1490) since 8 December 2020, which is listed on the Main Board of the Stock Exchange.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-Executive Directors	Profile
<p>Wan Chi Wai Anthony</p> <p>Independent Non-Executive Director</p>	<p>Mr. Wan Chi Wai Anthony (“Mr. Wan”), aged 45, was appointed as an independent non-executive Director on 15 December 2016. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee of the Company. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. Mr. Wan possesses professional experience in both the accounting and legal fields. In November 1997, Mr. Wan graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration in Accounting. He subsequently obtained a degree of Bachelor of Laws in August 2003 from the University of London, United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004. He was admitted as a solicitor in Hong Kong in September 2006.</p> <p>Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as senior associate. He was mainly responsible for auditing and accountancy in Hong Kong companies. In October 2001, he joined Wellink Services Limited as accounting manager and resigned in January 2002. He was mainly responsible for handling accounting and financing matters of the company. From April 2002 to September 2003, Mr. Wan worked as an assistant manager of finance in the business services division of MLC (Hong Kong) Limited, and was mainly responsible for accounting and finance matters of the company.</p> <p>Mr. Wan is an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006. Mr. Wan is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong.</p> <p>Since 1 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 Steering Holdings Limited (stock code: 1826), the shares of which are also listed on the Main Board of the Stock Exchange.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Senior Management	Profile
<p>Cheng Shuk Wa</p> <p>Shared Services Officer</p>	<p>Ms. Cheng Shuk Wa (“Ms. Cheng”), aged 52, is the shared services officer of our Group and is responsible for supervising all the shared services units such as translation, administration and human resources of our Group. Ms. Cheng joined our Group in June 2012 as human resources and administration manager of HM Services. Ms. Cheng attended University of Victoria, Canada, and obtained a degree of Bachelor of Arts majoring in Economics in May 1994. During May 2003 to June 2004, she was sales administration manager at The Essentials on behalf of Home Apply Limited, where she was mainly responsible for the supervision of sales support team to provide administrative support to business unit. Between June and December 2005, Ms. Cheng was an assistant administration manager at Sun Power Container Services Limited, where she was responsible for running the personnel and general administration functions.</p>
<p>Yung Suk Man</p> <p>Financial Controller</p>	<p>Ms. Yung Suk Man (“Ms. Yung”), aged 53, 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.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Company Secretary	Profile
<p data-bbox="196 433 427 461">Lau Fai Lawrence</p> <p data-bbox="196 504 300 569">Company Secretary</p>	<p data-bbox="536 433 1324 1138">Mr. Lau Fai Lawrence (“Mr. Lau”) has over 25 years of experience in accounting, auditing, corporate finance and company secretarial practice. Mr. Lau is currently a certified public accountant (practising) in Hong Kong and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lau graduated from The University of Hong Kong with a bachelor’s degree in business administration and obtained a master’s degree in corporate finance from Hong Kong Polytechnic University. Mr. Lau is currently the company secretary of BBMG Corporation (stock code: 2009) and he is also the executive director of Future World Holdings Limited (stock code: 572) and an independent non-executive director of Artini Holdings Limited (stock code: 789), Titan Petrochemicals Group Limited (stock code: 1192), China Energin International (Holdings) Limited (stock code: 1185), all of the above are listed on the Main Board of the Stock Exchange and an independent non-executive director of Sinopharm Tech Holdings Limited (stock code: 8156), which is listed on GEM of the Stock Exchange. Mr. Lau is currently a director of HM Corporate Services (TCSP) Limited, a wholly-owned subsidiary of the Company.</p>



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 2020 (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 36 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2020, a discussion on the Group’s future business development, particulars of important events affecting the Group since the year ended 31 December 2020 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 11. 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.

REPORT OF DIRECTORS

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

Sustainable development is considered as part of our risk management and always the top priority to the Board. It has become an essential part of our long-term formulated strategy. We have emerged sustainability into our daily business operations. We have been investing on the technology to ensure remote employees can benefit by maintaining a work-life balance; having a digital document management in place to reduce the paper usage; offering e-books and apps production services to encourage our client to join us on a more sustainable journey and reduce their paper consumption. We acknowledge that our industry owes a duty to pay special attention to sustainable use of resources. As part of our environmental impact mitigation measures, we have obtained the Chain of Custody Certification issued by the Forest Stewardship Council ("FSC_{TM}") and the majority of A4 office papers our employees use are FSC_{TM}-certified.

Environmental policy is set out in the "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 2020.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 53.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

REPORT OF DIRECTORS

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 142 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 2020 are set out in consolidated statement of changes in equity on page 56.

DISTRIBUTABLE RESERVES

The Company had reserves of approximately HK\$62,597,000 (2019: approximately HK\$62,570,000) available for dividend distribution to shareholders of the Company (the "Shareholders") as at 31 December 2020.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 26 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, 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.

REPORT OF DIRECTORS

Details of the Scheme are as follows:

1.	Purpose of the Scheme	To enable the Company to grant options to eligible participants, who have contributed or may contribute to the Group as incentive or reward for their contribute to the Group to subscribe for the Shares thereby linking their interest with that of the Group.
2.	Eligible participants to the Scheme	Any employee (full-time or part-time), director, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary of the Company, or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.
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 determined by the Board, which shall not be more than ten (10) years after the offer date and shall be 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 (being the consideration for the grant) 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).

REPORT OF DIRECTORS

Details of movement of the share options granted under the Scheme for the year ended 31 December 2020 are as follows:

Category of option holders	Date of grant (Note 1)	Exercise price per Share	Exercise period	Number of share options					Outstanding as at 31 December 2020
				Outstanding as at 1 January 2020	Granted during the year	Exercised during the year (Note 2)	Lapsed during the year	Cancelled during the year	
Employees of the Group in aggregate									
Group A	16 March 2018	HK\$0.70	16 March 2019 to 15 March 2022	25,000	-	-	-	-	25,000
Group B	16 March 2018	HK\$0.70	16 March 2020 to 15 March 2023	1,175,000	-	-	150,000	-	1,025,000
Total				1,200,000	-	-	150,000	-	1,050,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

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 2020 are set out in Note 36 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 2020 are set out in Note 14 to the Consolidated Financial Statements.

REPORT OF DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package and long term career development to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the year ended 31 December 2020, 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 2020, the Group made charitable donations totalling approximately HK\$33,000 (2019: approximately HK\$46,000).

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.

REPORT OF DIRECTORS

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 2020, the five largest clients accounted for approximately 19.2% (2019: approximately 18.5%) of the Group's total revenue and the five largest suppliers of the Group accounted for approximately 43.3% (2019: approximately 54.2%) of the Group's total purchase. The largest client of the Group accounted for approximately 5.4% (2019: approximately 4.9%) of the Group's total revenue while the largest supplier of the Group accounted for approximately 14.9% (2019: approximately 24.2%) 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 2020 are disclosed in Note 34 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 21 December 2019, 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 (used as the quarters of a Director), for a term of 12 months commencing on 1 January 2020 and ending on 31 December 2020 (both days inclusive) at a monthly rental of HK\$35,000. The Group was terminated the tenancy agreement on 31 August 2020. The total short-term lease expense paid to Unique Concept Development Limited during the year was HK\$280,000. 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.

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Details of Directors and senior management are set out in the section headed “Directors, Senior Management and Company Secretary” of this report.

DIRECTORS

The Directors who held office during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors

Mr. Yu Chi Ming

Mr. Chan Wai Lin

Ms. Chan Wai Chung Caroline (appointed on 11 January 2021)

Mr. Tse Kam Wing Walter (resigned on 31 December 2020)

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 together with this annual report to the Shareholders.

REPORT OF DIRECTORS

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 2020, the interests and short positions of the Directors and 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"), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long Position in the Shares of the Company

As at 31 December 2020

Name of Director	Nature of interests	Number of ordinary Shares interested	Approximate percentage* of shareholding
Yu Chi Ming ("Mr. Yu")	Interests held jointly with another person; interest held by a controlled corporation (Note)	222,760,000	55.69%
Chan Wai Lin ("Mr. Chan")	Interests held jointly with another person; interest held by a controlled corporation (Note)	222,760,000	55.69%
Tse Kam Wing Walter ("Mr. Tse") (resigned on 31 December 2020)	Beneficial owner	72,285,000	18.07%

Note: HM Ultimate Holdings Limited ("HM Ultimate") is beneficially owned as to 70.2% by Mr. Yu and 29.8% by Mr. Chan. Mr. Yu and Mr. Chan together control all the 222,760,000 Shares held by HM Ultimate.

* The percentage represents the number of ordinary Shares involved divided by the total number of issued Shares as at 31 December 2020.

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
Yu Chi Ming	HM Ultimate	Beneficial owner	702	70.2%
Chan Wai Lin	HM Ultimate	Beneficial owner	298	29.8%

** The percentage represents the number of ordinary shares involved divided by the total number of issued shares of the associated corporation as at 31 December 2020.

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2020, none of the Directors or 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 as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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 2020, the following persons/entities other than a Director or chief executive of the Company had interests or short positions in the Shares or underlying Shares, as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in the Shares of the Company

As at 31 December 2020

Name of shareholder	Nature of interests	Number of ordinary Shares interested	Approximate percentage*** of shareholding
HM Ultimate (Note 1)	Beneficial owner	222,760,000	55.69%
Wong Mee Che Lilian	Interest of spouse (Note 2)	222,760,000	55.69%
Tang Wai Kwan May	Interest of spouse (Note 3)	222,760,000	55.69%
Wong Yuk Sim Kathy	Interest of spouse (Note 4)	72,285,000	18.07%

Note 1: HM Ultimate is beneficially owned as to 70.2% by Mr. Yu and 29.8% by Mr. Chan. Mr. Yu 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. 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.

Note 4: 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. Mr. Tse resigned as a director of the Company on 31 December 2020.

*** The percentage represents the number of ordinary Shares involved divided by the total number of issued Shares as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, other than the Directors whose interests are set out in the above paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations", no person had any interest or short position in the Shares or underlying Shares recorded in the register required to be kept under section 336 of the SFO.

REPORT OF DIRECTORS

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors 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 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 2020, 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Note 34 to the Consolidated Financial Statements, there was no contract of significance between the Company or any of its subsidiaries on the one hand, and a controlling Shareholder or any of its subsidiaries on the other, subsisting during or at the end of the year ended 31 December 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 34 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 2020.

REPORT OF DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2020, 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 2020. 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 2020.

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 2020.

REMUNERATION POLICY

As at 31 December 2020, the Group had 145 employees (2019: 129) in Hong Kong, 8 employees (2019: 5) in PRC and 11 employees (2019: 11) in Taiwan. 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\$52.6 million for the year ended 31 December 2020 (2019: approximately HK\$46.8 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 2020 are generally appreciated and recognised.

REPORT OF DIRECTORS

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 2020.

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

Mr. Lau Fai Lawrence is the company secretary of our Company. Please refer to Mr. Lau's biography in the section headed "Directors, Senior Management and Company Secretary" 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, Senior Management and Company Secretary" 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. The Audit Committee 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.

REPORT OF DIRECTORS

EVENTS AFTER THE REPORTING DATE

As from 31 December 2020 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 external 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, 19 March 2021



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules. 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.

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with all the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. The Board

A1. Responsibilities and Delegation

The Company is headed by an effective Board which is responsible for the leadership, control and management of the Company and oversees the Group’s business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and the Shareholders at all times.

All Directors have full and timely access to all relevant information of the Group as well as the advice and services of the company secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company’s expenses for discharging his duties, upon reasonable request made to the Board.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The Chief Executive Officer and senior management of the Company are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

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

CORPORATE GOVERNANCE REPORT

A2. Board Composition

The composition of the Board during the year ended 31 December 2020 and up to the date of this report is as follows:

Executive Directors:

Mr. Yu Chi Ming	(Chairman of the Board and Member of the Remuneration Committee)
Mr. Chan Wai Lin	(Chief Executive Officer and Member of the Nomination Committee)
Ms. Chan Wai Chung Caroline (appointed on 11 January 2021)	(Chief Operations Officer)
Mr. Tse Kam Wing Walter (resigned on 31 December 2020)	

Independent Non-executive Directors:

Mr. Choi Hon Ting Derek	(Chairman of the Remuneration Committee and Member of the Audit Committee)
Mr. Ng Jack Ho Wan	(Chairman of the Audit Committee and Member of the Nomination Committee)
Mr. Wan Chi Wai Anthony	(Chairman of the Nomination Committee and Member of the Audit Committee and the Remuneration Committee)

The biographical information of the Directors is set out in the section headed "Directors, Senior Management and Company Secretary" in this annual report.

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

A3. Chairman and Chief Executive Officer

The positions of Chairman of the Board and Chief Executive Officer of the Company 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.

A4. Independent Non-executive Directors

Throughout the year ended 31 December 2020, the Board has met the requirements of the GEM Listing Rules of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. Each executive Director is responsible for different business and functional division of the Group in accordance with his expertise. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the GEM Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the GEM Listing Rules.

A5. *Appointment and Re-election of Directors*

All Directors are appointed for a specific term. Each executive Director is engaged on a service contract for an initial term of 3 years, which is renewable thereafter and is subject to termination by either party by giving to the other not less than 3 months' notice in writing. Each of the independent non-executive Directors is appointed for an initial term of 3 years, which is renewable thereafter and is subject to termination by either party by giving to the other not less than 3 months' notice in writing.

According to clause 108 of the articles of association of the Company (the "Articles"), one-third of the Directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting (the "AGM") provided that every Director shall be subject to retirement by rotation at least once every three years and that any Directors so to retire shall be those who have been longest in office since their last re-election or appointment. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, pursuant to clause 112 of the Articles, any new Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his/her appointment, whereas any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

At the forthcoming annual general meeting to be held on 10 May 2021 (the "2020 AGM"), Mr. Chan Wai Lin and Mr. Wan Chi Wai Anthony shall retire by rotation pursuant to Article 108 as stated in the foregoing paragraph. Both of the retiring Directors, being eligible, will offer themselves for re-election at the 2020 AGM. The Board and the Nomination Committee recommended their re-appointment. The circular of the Company, sent together with this annual report, contains detailed information of these two Directors as required by the GEM Listing Rules.

In accordance with Article 112, as Ms. Chan Wai Chung Caroline was appointed by the Board as an addition to the existing Board on 11 January 2021, Ms. Chan Wai Chung Caroline shall hold office only until the next following annual general meeting of the Company and shall then be

CORPORATE GOVERNANCE REPORT

eligible for re-election. Thus, Ms. Chan Wai Chung Caroline shall retire at the 2020 AGM and offer herself for re-election. The Nomination Committee has recommended to the Board on the re-election of Ms. Chan Wai Chung Caroline. The Board believes that Ms. Chan Wai Chung Caroline can bring in diversified perspectives to the operations of the Board and enhance the diversity of the composition of the Board.

A6. 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.

Each newly appointed Director shall receive a formal induction on the first occasion of his/her appointment to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, relevant reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their reference and studying.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended 31 December 2020, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

	Type of training	
	Attending training on regulatory development, directors' duties or other relevant topics	Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties
<i>Executive Directors</i>		
Mr. Yu Chi Ming	✓	✓
Mr. Chan Wai Lin	✓	✓
Mr. Tse Kam Wing Walter (resigned on 31 December 2020)	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Choi Hon Ting Derek	✓	✓
Mr. Ng Jack Ho Wan	✓	✓
Mr. Wan Chi Wai Anthony	✓	✓

CORPORATE GOVERNANCE REPORT

A7. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2020 are set out below:

Name of Director	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
<i>Executive Directors:</i>					
Mr. Yu Chi Ming	4/4	N/A	1/1	N/A	1/1
Mr. Chan Wai Lin	4/4	N/A	N/A	1/1	1/1
Mr. Tse Kam Wing Walter (resigned on 31 December 2020)	4/4	N/A	N/A	N/A	1/1
<i>Independent Non-executive Directors:</i>					
Mr. Choi Hon Ting Derek	4/4	4/4	1/1	N/A	1/1
Mr. Ng Jack Ho Wan	4/4	4/4	N/A	1/1	1/1
Mr. Wan Chi Wai Anthony	2/4	2/4	1/1	1/1	1/1

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2020.

A8. Directors' and Employees' 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 its own code of conduct regarding Directors' dealings in the securities of the Company.

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 2020.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to possess inside information of the Company and/or its securities. Throughout the year ended 31 December 2020, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

CORPORATE GOVERNANCE REPORT

A9. *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 2020, the Board has reviewed and monitored 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.

B. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, 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 website of the Stock Exchange and are available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

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

B1. *Audit Committee*

The Company has met the GEM Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended 31 December 2020. The Audit Committee consists of three members, being all the three independent non-executive Directors, namely Mr. Ng Jack Ho Wan (chairman of the Committee), Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony, with Mr. Ng Jack Ho Wan and Mr. Wan Chi Wai Anthony possessing appropriate professional qualifications or accounting or related financial management expertise. None of the Audit Committee members is a former partner of the Company's existing external auditors.

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 Consolidated Financial Statements.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, the Audit Committee held 4 meetings to review and discuss the Group's consolidated financial statements, results announcements and reports for the year ended 31 December 2019, for the three months ended 31 March 2020, for the six months ended 30 June 2020 and for the nine months ended 30 September 2020; 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 above section A7 headed "Directors' Attendance Records at Meetings".

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

B2. Remuneration Committee

The Remuneration Committee consists of three members, being two independent non-executive Directors, Mr. Choi Hon Ting Derek (chairman of the Committee) and Mr. Wan Chi Wai Anthony, and one executive Director, Mr. Yu Chi Ming. Throughout the year ended 31 December 2020, the Company has met the GEM Listing Rules requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

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 2020, 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 Directors and other related matters.

The attendance records of each Remuneration Committee member are set out in the above section A7 headed "Directors' Attendance Records at Meetings".

CORPORATE GOVERNANCE REPORT

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management, other than the Directors, by band for the year ended 31 December 2020 is set out below:

Remuneration band (HK\$)	Number of individuals
500,001-1,000,000	3
1,000,001-1,500,000	2

B3. *Nomination Committee*

The Nomination Committee comprises three members, being two independent non-executive Directors, Mr. Wan Chi Wai Anthony (chairman of the Committee) and Mr. Ng Jack Ho Wan, and one executive Director, Mr. Chan Wai Lin. Throughout the year ended 31 December 2020, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by an independent non-executive Director.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive of the Company.

The Company also recognises and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with the GEM Listing Rules, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

In selecting candidates for directorship of the Company, the Nomination Committee would make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

CORPORATE GOVERNANCE REPORT

The Company has also adopted the director nomination policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of directors of the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

During the year ended 31 December 2020, the Nomination Committee has held one meeting in which the Committee members had reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommended the reappointment of the retiring Directors standing for re-election at the Company's 2020 AGM; and assessed the independence of the existing independent non-executive Directors.

The Board will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity. The Board also aspires to having an appropriate proportion of directors who have direct experience in the Group's core markets, with different ethnic backgrounds, and reflecting the Group's strategy.

The attendance records of each Nomination Committee member are set out in the above section A7 headed "Directors' Attendance Records at Meetings".

C. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness to safeguard the interests of the Shareholders and the assets of the Group. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the 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 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 the division 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;

CORPORATE GOVERNANCE REPORT

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.

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 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 disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

D. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the Consolidated Financial Statements.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

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 section headed "Independent Auditors' Report" in this annual report.

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

CORPORATE GOVERNANCE REPORT

E. AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of their services for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/Payable (HK\$)
Audit Services – audit fee for the year ended 31 December 2020	800,000

F. COMPANY SECRETARY

Mr. Lau Fai Lawrence ("Mr. Lau") has been appointed as the Company's secretary with effect from 14 August 2020.

For the year ended 31 December 2020, Mr. Lau has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company engages with Shareholders through various communication channels. Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. Board members and senior staff will be available to answer questions raised by the Shareholders at general meetings of the Company. The Company will also invite representatives of the auditors to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence, if any.

In addition, the Company maintains a website at www.hetermedia.com as a communication platform with its Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access.

Shareholders may send their enquiries or requests for publicly available information and comments and suggestions to the Company via the following contact details:

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

Normally, the Company will not handle verbal or anonymous enquiries. Enquiries and requests will be dealt with by the Company in an informative and timely manner. The Company recognises the importance of the Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so. Shareholders may call the Company at +852.2121.1551 for any assistance.

CORPORATE GOVERNANCE REPORT

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by telephone at +852.2980.1333, which has been appointed by the Company to deal with Shareholders for share registration and related matters.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution is 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 website of the Stock Exchange as well as the Company's website after each general meeting.

Shareholders may put forward proposals at general meetings by requesting an extraordinary general meeting ("EGM").

Pursuant to the Articles, an EGM 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 at the Company's principal place of business in Hong Kong (currently 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong) for the purpose of requiring an EGM 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.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

I. CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to the Memorandum and Articles of Association since its listing on the Stock Exchange. An up-to-date version of such Memorandum and Articles of Association is available on the website of the Stock Exchange and the Company's website. Shareholders may refer to the Articles for further details of the rights of Shareholders.

J. POLICIES RELATING TO SHAREHOLDERS

The Company has in place a Shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. Such 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 predetermined 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.

INDEPENDENT AUDITORS' REPORT



國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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

**TO THE MEMBERS OF
HM INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HM International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 141, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 MATTERS

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 4 and Note 5 to the consolidated financial statements.

The Group recognised revenue of approximately HK\$119,519,000 from provision of integrated printing services for the year ended 31 December 2020.

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.



INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Impairment of contract assets and trade and other receivables

Refer to Note 4, Note 19 and Note 20 to the consolidated financial statements.

We identified the impairment of contract assets and trade and other receivables as significant management's estimations and judgements are involved in assessing the expected credit losses of contract assets and trade and other receivables.

Our procedures in relation to impairment of contract assets and trade and other receivables mainly included:

- Obtaining an understanding and evaluating the methodologies and assumption used by the Group in assessing expected credit losses;
- Testing the accuracy of ageing analysis of the trade receivables as at 31 December 2020, on a sample basis, by comparing the relevant invoices and other supporting documents;
- Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of each individual customer; and
- Examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information in relation to the model taking into account the possible impact of COVID-19, used to determine the expected credit losses.

KEY AUDIT MATTERS (continued)

Key audit matter

How our audit addressed the key audit matter

Goodwill impairment testing

Refer to Note 4 and Note 16 to the consolidated financial statements.

Under HKFRSs, the Group is required to test the amount of goodwill for impairment annually. In addition, the assessment process is complex and highly judgmental and is based on assumptions which are affected by expected future market or economic conditions. Our procedures in relation to goodwill impairment testing recognition mainly included:

- Assessing the competence, expertise and objectivity of the management expert who calculates the recoverable amount of cash generating unit;
- Engaging a valuation expert to assist us in evaluating the assumptions and methodologies used in the calculation; and
- Assessing whether the projected future cash flows used are within the confines of HKFRSs and are consistent with historical trends in financial performance, market developments and specific business plans.

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.



INDEPENDENT AUDITORS' REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company 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 HKSA's 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 HKSA's, 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, actions taken to eliminate threats or safeguards applied.

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, 19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	119,519	130,505
Cost of sales		(75,924)	(72,008)
Gross profit		43,595	58,497
Other income and gains/(losses)	6	8,780	(462)
Selling expenses		(11,524)	(11,884)
Administrative expenses		(41,926)	(40,718)
Share of (loss)/profit of an associate	17	(502)	56
Finance costs	7	(3,117)	(1,559)
(Loss)/profit before tax		(4,694)	3,930
Income tax expense	8	(311)	(1,403)
(Loss)/profit for the year	9	(5,005)	2,527
Other comprehensive income/(expense) Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating of foreign operations		136	(26)
Share of other comprehensive income/(expense) of an associate		178	(6)
Other comprehensive income/(expense) for the year, net of income tax		314	(32)
Total comprehensive (expense)/income for the year		(4,691)	2,495
(Loss)/profit for the year attributable to:			
Owners of the Company		(4,527)	2,614
Non-controlling interests		(478)	(87)
		(5,005)	2,527
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(4,213)	2,582
Non-controlling interests		(478)	(87)
		(4,691)	2,495
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/earnings per share			
Basic and diluted	13	(1.13)	0.65



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	14	4,680	5,206
Right-of-use assets	15	18,347	23,966
Intangible assets	16	9,697	89
Interest in an associate	17	8,384	4,405
Interest in a joint venture	18	–*	–
Deferred tax assets	25	16	168
		41,124	33,834
Current assets			
Contract assets	19	2,937	3,120
Trade and other receivables	20	29,381	29,416
Amount due from a joint venture	18	960	–
Current tax assets		998	146
Pledged bank deposits	21	1,000	1,000
Cash and bank balances	21	52,382	65,314
		87,658	98,996
Total assets		128,782	132,830
Current liabilities			
Contract liabilities	19	5,992	4,786
Trade and other payables	22	20,314	13,759
Contingent consideration payable	30	322	–
Amount due to non-controlling interests	23	485	485
Lease liabilities	24	11,857	9,117
Current tax liabilities		256	1,586
		39,226	29,733
Net current assets		48,432	69,263
Total assets less current liabilities		89,556	103,097



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Lease liabilities	24	8,393	15,507
Deferred tax liabilities	25	365	35
		8,758	15,542
Net assets		80,798	87,555
Capital and reserves			
Share capital	26	4,000	4,000
Reserves	27	79,452	83,637
Equity attributable to owners of the Company		83,452	87,637
Non-controlling interests		(2,654)	(82)
Total equity		80,798	87,555

* Less than HK\$1,000

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 March 2021 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 2020

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital	Share premium	Special reserve	Share-based payments reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interests	
	HK\$'000 (Note 26)	HK\$'000	HK\$'000 (Note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2019	4,000	39,009	138	128	(35)	41,691	84,931	5	84,936
Profit for the year	-	-	-	-	-	2,614	2,614	(87)	2,527
Exchange differences arising on translating of foreign operations	-	-	-	-	(26)	-	(26)	-	(26)
Share of other comprehensive expense of an associate	-	-	-	-	(6)	-	(6)	-	(6)
Total comprehensive (expense)/income for the year	-	-	-	-	(32)	2,614	2,582	(87)	2,495
Recognition of equity-settled share-based payments (Note 28)	-	-	-	156	-	-	156	-	156
Forfeiture of share options (Note 28)	-	-	-	(32)	-	-	(32)	-	(32)
Balance at 31 December 2019 and 1 January 2020	4,000	39,009	138	252	(67)	44,305	87,637	(82)	87,555
Loss for the year	-	-	-	-	-	(4,527)	(4,527)	(478)	(5,005)
Exchange differences arising on translating of foreign operations	-	-	-	-	136	-	136	-	136
Share of other comprehensive income of an associate	-	-	-	-	178	-	178	-	178
Total comprehensive income/(expense) for the year	-	-	-	-	314	(4,527)	(4,213)	(478)	(4,691)
Acquisition of a subsidiary	-	-	-	-	-	-	-	(2,094)	(2,094)
Recognition of equity-settled share-based payments (Note 28)	-	-	-	28	-	-	28	-	28
Lapse of share options (Note 28)	-	-	-	(35)	-	35	-	-	-
Balance at 31 December 2020	4,000	39,009	138	245	247	39,813	83,452	(2,654)	80,798

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 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Note</i>		
Cash flows from operating activities		
(Loss)/profit before tax	(4,694)	3,930
Adjustments for:		
Finance costs recognised in profit or loss	3,117	1,559
Interest income	(51)	(52)
Share of loss/(profit) of an associate	502	(56)
Depreciation of property, plant and equipment	3,248	3,530
Depreciation of right-of-use assets	10,818	4,553
Amortisation of intangible asset	261	63
Provision for impairment losses on trade receivables	3,371	174
Equity-settled share-based payments	28	124
Net gain on disposals of right-of-use assets	(12)	–
Net losses on disposals of property, plant and equipment	62	727
Net gain on lease modification	(16)	–
Fair value change of the contingent consideration payables	(152)	–
	16,482	14,552
Movements in working capital		
Decrease/(increase) in contract assets	368	(600)
Decrease in trade and other receivables	7,440	2,688
Increase in contract liabilities	1,206	825
Decrease in trade and other payables	(6,528)	(4,267)
Cash generated from operations	18,968	13,198
Income tax (paid)/received	(1,906)	658
Net cash generated from operating activities	17,062	13,856



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from investing activities			
Interest received		51	52
Proceeds on disposal of right-of-use assets		620	–
Proceeds on disposal of property, plant and equipment		–	781
Acquisition of investment in an associate		–	(4,355)
Increase in interest in an associate		(4,303)	–
Net cash inflow on acquisition of a subsidiary		2,745	–
Payments for property, plant and equipment		(550)	(1,774)
Payments for right-of-use assets		–	(264)
Payments for intangible assets		(2,387)	(69)
Withdrawal of pledged bank deposits		–	3,008
Net cash used in investing activities		(3,824)	(2,621)
Cash flows from financing activities			
Contribution from non-controlling interest		–	485
Repayments of borrowings		(12,705)	–
Repayments of lease liabilities		(10,341)	(3,631)
Interest paid		(3,117)	(1,559)
Net cash used in financing activities		(26,163)	(4,705)
Net (decrease)/increase in cash and cash equivalents		(12,925)	6,530
Cash and cash equivalents at the beginning of year		65,314	58,761
Effect of foreign exchange rate changes		(7)	23
Cash and cash equivalents at the end of year		52,382	65,314
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	52,382	65,314



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 Windward 3, Regatta Office Park, PO Box 1350, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF 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 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation to the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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 accounted for in accordance with HKFRS 16, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

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

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

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

Non-controlling interests in subsidiaries are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Goodwill (continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investment in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investment in an associate and a joint venture (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investment in an associate and a joint venture (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

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 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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, i.e. only the passage of time is required before payment of that consideration is due.

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.

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 provision of integrated printing services (including provision of financial printing services, marketing collateral printing services and other services) which arise from contracts with customers.

Provision of integrated printing services (including 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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 arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for 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 disposal or partial disposal of the Group's interests in associate/joint venture.

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 expenses 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 translation reserve (attributed to non-controlling interests as appropriate).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Share-based payments

Equity-settled share-based payments 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-based payment 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-based payment 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-based payment reserve will be transferred to retained earnings.

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 "loss 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 to the same taxable entity by the same taxation authority.

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

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of assets 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 property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, 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 property, plant and equipment, right-of-use assets 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Provisions

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 ("FVTPL")) 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.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

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 and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 financial asset and of allocating interest income over the relevant period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective interest rate (continued)

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) excluding expected credit loss, through the expected life of the financial assets, or, where appropriate, a shorter period, to the gross carrying amount of the financial assets 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.

Impairment of financial assets

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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, in which case 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

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

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;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- 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.

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 and 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Measurement and recognition of ECL (continued)

- Nature of financial instruments;
- Past-due status;
- 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.

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

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which HKFRS 3 applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to non-controlling interests and lease 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of contract assets and trade and other receivables

The Group estimates the amount of loss allowance for ECL on contract assets and trade receivables 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.

Impairment assessment for goodwill

The Group tests whether goodwill have suffered any impairment in accordance with the accounting policy stated in Note 3.2. Determining whether goodwill are impaired requires an estimate of the value-in-use of the asset. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the assets and also choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents services income from provision of integrated printing services (included 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:

	2020 HK\$'000	2019 HK\$'000
Recognised over time:		
– Provision of financial printing services	107,316	116,694
– Provision of marketing collateral printing services	9,316	11,180
– Provision of other services	2,887	2,631
	119,519	130,505



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Performance obligations for contracts with customers

The Group provides integrated printing services (including provision of financial printing services, marketing collateral printing services and other services) to customers. Such services are recognised as a performance obligation satisfied over time 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. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method.

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.

Geographical information

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

No external customers of the Group contributed over 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. OTHER INCOME AND GAINS/(LOSSES)

	2020 HK\$'000	2019 HK\$'000
Bank interest income	51	52
Sundry income	84	360
Government grant	7,582	–
Net losses on disposals of property, plant and equipment	(62)	(727)
Net gain on disposals of right-of-use assets	12	–
Net gain on lease modification	16	–
Net foreign exchange gains/(losses)	945	(147)
Fair value change of the contingent consideration payable	152	–
	8,780	(462)

During the current year, the Group recognised government grants of approximately HK\$7,582,000 in respect of Covid-19-related subsidies, of which approximately HK\$7,400,000 relates to Employment Support Scheme provided by the Hong Kong government, approximately HK\$100,000 relates to interest subsidy for SME Financing Guarantee Scheme provided by the Hong Kong government and approximately HK\$82,000 relates to Jobs Support Scheme provided by the Government of Singapore. All grants are recognised when there is reasonable assurance that the Group is complied with the conditions attaching and that the grants will be received.

7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Bank interest expense	238	–
Interest on lease liabilities	2,879	1,559
	3,117	1,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Hong Kong Profits Tax		
Current tax		
– Current year	–	1,688
The People's Republic of China (the "PRC") Enterprise Income Tax		
Current tax		
– Current year	36	18
Overprovision in prior year	(207)	(40)
Deferred tax (Note 25)		
– Current year	482	(263)
Total income tax recognised in profit or loss	311	1,403

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, nil (2019: 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 years ended 31 December 2020 and 2019.

For the years ended 31 December 2020 and 2019, pursuant to relevant PRC tax laws and regulations, the annual taxable income of a small low-profit enterprises that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20%; and the annual taxable income that is not less than RMB1 million nor more than RMB3 million shall be included in its taxable income at the reduced rate of 50%, with the applicable enterprise income tax rate of 20% for the years ended 31 December 2020 and 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. INCOME TAX EXPENSE (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before tax	(4,694)	3,930
Calculated at the statutory tax rate	(858)	606
Tax effect of share of loss/(profit) of an associate	83	(9)
Tax effect of expenses not deductible for tax purpose	2,246	1,003
Tax effect of income not taxable for tax purpose	(1,944)	(608)
Income tax at concessionary rate	–	(165)
Tax effect of tax loss not recognised	1,140	616
Utilisation of tax losses previously not recognised	(149)	–
Overprovision in respect of prior year	(207)	(40)
Income tax expense for the year	311	1,403

9. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2020 HK\$'000	2019 HK\$'000
Employee benefits expense (including directors' emoluments) (Note 10):		
Salaries, allowances and other benefits in kind	50,142	44,691
Contributions to retirement benefits schemes	2,442	1,942
Equity-settled share-based payments	28	124
Total employee benefits expense	52,612	46,757

	2020 HK\$'000	2019 HK\$'000
Auditors' remuneration	800	880
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	261	63
Depreciation of property, plant and equipment	3,248	3,530
Depreciation of right-of-use assets	10,818	4,553
Donation	33	46
Provision for impairment losses on trade receivables	3,371	174
Rental expense from short-term leases	241	6,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020

	Fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contributions to retirement benefits schemes	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors					
Mr. Yu	-	572	-	13	585
Mr. Tse (Note i)	-	925	-	18	943
Mr. Chan (Note ii)	-	1,353	-	18	1,371
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	2,850	-	49	3,499



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Year ended 31 December 2019

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors					
Mr. Yu	–	900	–	18	918
Mr. Tse (<i>Note i</i>)	–	977	–	18	995
Mr. Chan (<i>Note ii</i>)	–	960	348	18	1,326
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	2,837	348	54	3,839

Note:

- (i) Mr. Tse was resigned as an executive director of the Company on 31 December 2020.
- (ii) 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.
- (iii) Ms. Chan Wai Chung Caroline was appointed as an executive director of the Company on 11 January 2021.

None of the directors waived any emoluments during the years ended 31 December 2020 and 2019. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the year included two (2019: two) directors, details of whose remuneration are set out in Note 10 above. The emoluments of the remaining three (2019: three) highest paid individuals for the year were as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries, allowances and other benefits in kind	2,303	2,507
Discretionary bonuses	1,218	700
Contributions to retirement benefits schemes	54	54
Equity-settled share-based payments	2	12
	3,577	3,273

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands is as follows:

	2020 Number of individuals	2019 Number of individuals
Nil to HK\$1,000,000	–	2
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	1	–
	3	3

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of reporting period (2019: nil).

13. (LOSS)/EARNINGS PER SHARE

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

	2020	2019
(Loss)/profit attributable to owners of the Company (HK\$'000)	(4,527)	2,614
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (in thousand)	400,000	400,000
Basic (loss)/earnings per share (HK cents)	(1.13)	0.65

For the years ended 31 December 2020 and 2019, the calculation of the basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares issued during the year.

For the years ended 31 December 2020 and 2019, the computation of diluted (loss)/earnings per share 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
Balance at 1 January 2019	2,543	2,650	13,802	3,770	6,979	29,744
Additions	-	147	479	-	1,148	1,774
Disposals	-	(665)	(10,724)	(1,439)	(1,635)	(14,463)
Exchange realignment	-	-	(1)	-	-	(1)
Balance at 31 December 2019 and 1 January 2020	2,543	2,132	3,556	2,331	6,492	17,054
Additions	-	24	526	-	-	550
Acquired on acquisition of a subsidiary	-	313	377	-	1,538	2,228
Disposals	-	(59)	(381)	-	(45)	(485)
Exchange realignment	-	1	12	-	2	15
Balance at 31 December 2020	2,543	2,411	4,090	2,331	7,987	19,362
Accumulated depreciation						
Balance at 1 January 2019	2,543	1,099	12,594	2,347	2,690	21,273
Depreciation expense	-	410	823	546	1,751	3,530
Eliminated on disposals of assets	-	(292)	(10,724)	(995)	(944)	(12,955)
Balance at 31 December 2019 and 1 January 2020	2,543	1,217	2,693	1,898	3,497	11,848
Depreciation expense	-	388	664	400	1,796	3,248
Eliminated on disposals of assets	-	(36)	(381)	-	(6)	(423)
Exchange realignment	-	2	3	-	4	9
Balance at 31 December 2020	2,543	1,571	2,979	2,298	5,291	14,682
Carrying amounts						
Balance at 31 December 2020	-	840	1,111	33	2,696	4,680
Balance at 31 December 2019	-	915	863	433	2,995	5,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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	20% to 33 $\frac{1}{3}$ %
Motor vehicles	30%
Leasehold improvements	20% to 25%

15. RIGHT-OF-USE ASSETS

For both years, the Group leases certain motor vehicles and properties as office premises for its operations. Leases contracts are entered into for fixed terms of 1.5 to 4 years (2019: 1.5 to 4 years, but may have extension options as described below). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

	Motor vehicles <i>HK\$'000</i>	Office premises <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2020			
Carrying amount	544	17,803	18,347
As at 31 December 2019			
Carrying amount	1,746	22,220	23,966
For the year ended 31 December 2020			
Depreciation charge	594	10,224	10,818
For the year ended 31 December 2019			
Depreciation charge	315	4,238	4,553



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. RIGHT-OF-USE ASSETS (CONTINUED)

	Year ended 31/12/2020 <i>HK\$'000</i>	Year ended 31/12/2019 <i>HK\$'000</i>
Interest expense (<i>Note 7</i>)	2,879	1,559
Expense relating to short-term leases	241	6,367
Total cash outflow for leases	13,461	11,557
Additions to right-of-use assets	5,970	28,511
Disposals of right-of-use assets	608	–

The Group regularly entered into short-term leases for certain office premises and office equipment.

For the year ended 31 December 2019, one of the properties leases contract has an option to renew for an additional period after the end of the initial contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at the lease commencement date the likelihood of exercising the extension options, and only include the reasonably certain to be exercised in the measurement of lease liabilities. As at 31 December 2019, the potential future lease payments under extension option for a leased property of approximately HK\$733,000 (undiscounted) have not included in the lease liabilities as the option is unlikely to be exercised.

The lease agreements do not impose any covenants other than the security interests in the leases assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2020

16. INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i> <i>(Note (i))</i>	Computer software <i>HK\$'000</i> <i>(Note (ii))</i>	Total <i>HK\$'000</i>
Cost			
Balance at 1 January 2019	–	7,024	7,024
Additions	–	69	69
Balance at 31 December 2019 and 1 January 2020		7,093	7,093
Additions	–	2,387	2,387
Arising on acquisition of a subsidiary <i>(Note 30)</i>	7,359	123	7,482
Balance at 31 December 2020	7,359	9,603	16,962
Accumulated amortisation			
Balance at 1 January 2019	–	6,941	6,941
Amortisation expense	–	63	63
Balance at 31 December 2019 and 1 January 2020	–	7,004	7,004
Amortisation expense	–	261	261
Balance at 31 December 2020	–	7,265	7,265
Carrying amounts			
Balance at 31 December 2020	7,359	2,338	9,697
Balance at 31 December 2019	–	89	89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. INTANGIBLE ASSETS (CONTINUED)

Notes:

- (i) For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit ("CGU"), representing I. Link Group Limited acquired by the Group during the year ended 31 December 2020 (Note 30).

During the year ended 31 December 2020, the management performed impairment review for the goodwill. The recoverable amount of the CGU has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 17%, that reflect the risks specific to the CGU. The key assumptions for the value-in-use calculation are those regarding the discount rates, the budgeted revenue and budgeted expenses during the forecasting periods, which are determined by the management based on the past performance and management's expectations for the market development. No impairment loss was recognised in respect of goodwill allocated to this CGU for the year ended 31 December 2020 as the recoverable amount to this CGU exceeded its carrying amount.

- (ii) Computer software have finite useful lives and are amortised on a straight-line basis from 20% to 331/3% per annum.

17. INTEREST IN AN ASSOCIATE

	2020 HK\$'000	2019 HK\$'000
Cost of unlisted investment in an associate	4,355	4,355
Increase in interest in an associate	4,303	–
Share of post-acquisition (loss)/profit and other comprehensive income/ (expense)	(274)	50
	8,384	4,405

Particulars of the Group's associate at the end of the reporting period are as follows:

Name of associate	Form of Entity	Place of incorporation/ operation	Registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				2020	2019	2020	2019	
Wordbee S.A ("Wordbee")	Limited liabilities	Luxembourg	Euros ("EUR") 31,618	22.85%	12.90%	22.85%	12.90%	Software technology (Note)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. INTEREST IN AN ASSOCIATE (CONTINUED)

In August 2019, HM Investment Limited (“HM Investment”), an indirect wholly-owned subsidiary of the Company, entered into the shareholders agreement with Wordbee, pursuant to which HM Investment has agreed to subscribe for, and Wordbee has agreed to allot and issue, an aggregate of 8,156 new ordinary shares, representing approximately 22.85% of the total issued shares of Wordbee after the issue of the subscription shares. The consideration of the acquisition is EUR1,000,000 (equivalent to approximately HK\$8,726,000), which is satisfied by (i) 4,078 ordinary shares at consideration of EUR500,000 on or before September 2019 and (ii) 4,078 ordinary shares at consideration of EUR500,000 on or before May 2020. In September 2019, HM Investment paid the first instalment of EUR500,000 (equivalent to approximately HK\$4,355,000) and subscribed 4,078 ordinary shares. In February 2020, the remaining balance of EUR500,000 (equivalent to approximately HK\$4,303,000) was fully settled and subscribed 4,078 ordinary shares. Therefore, the total shareholding of the Group was increased from 12.9% to 22.85%.

The Group has representation in the board of directors of Wordbee and participation right in decision making process. Therefore, the Group is able to exercise significant influence over Wordbee and account for it as an associate.

Note:

The investment in Wordbee, a software technology company in Luxembourg which has developed a collaborative platform for the management of translation projects and a computer assisted translation tool for the editing of texts, enables the Group to enhance the translation process and development of computer-assisted translation tools.

Summarised financial information of an associate

Summarised financial information in respect of the Group’s associate is set out below. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information of an associate (continued)

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

	2020 HK\$'000	2019 HK\$'000
Current assets	6,131	7,092
Non-current assets	12,342	8,106
Current liabilities	8,343	7,327
Non-current liabilities	1,229	1,899
Revenue	13,443	3,418
(Loss)/profit for the year/period	(2,197)	431
Other comprehensive income/(expense) for the year/period	761	(44)
Total comprehensive (expense)/income for the year/period	(1,436)	387

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wordbee recognised in the consolidated financial statements:

	2020 HK\$'000	2019 HK\$'000
Net assets of Wordbee	8,901	5,972
Proportion of the Group's ownership interest in Wordbee	22.85%	12.90%
Goodwill	2,033 6,351	770 3,635
Carrying amount of the Group's interest in Wordbee	8,384	4,405

 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
For the year ended 31 December 2020

18. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	2020 HK\$'000
Cost of unlisted investment in a joint venture	–
Share of post-acquisition loss and other comprehensive income	–
	_*

* Less than HK\$1,000

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

Name of entity	Form of entity	Place of incorporation/ operation	Registered capital	Proportion of Ownership interest held by the Company 2020	Proportion of voting rights held by the Company 2020	Principal activity
Kinetic Intelligence Translation Company Limited ("Kinetic")	Limited liability	Hong Kong	HK\$87,620	50%	50%	Engaging in translation business

The Group indirectly acquired 50% shares in Kinetic via the acquisition of I.Link Group Limited.

Summarised financial information of a joint venture

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

18. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)

Summarised financial information of a joint venture (continued)

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

	2020 HK\$'000
Current assets	2,121
Non-current assets	93
Current liabilities	2,192
Non-current liabilities	960

The above amounts of assets and liabilities include the following:

	2020 HK\$'000
Cash and cash equivalents	808
Current financial liabilities (excluding trade and other payables and provisions)	1,736
Non-current financial liabilities (excluding trade and other payables and provisions)	960
Revenue	931
Loss for the period	(305)
Other comprehensive income for the period	-
Total comprehensive expense for the period	(305)

 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
For the year ended 31 December 2020

18. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE (CONTINUED)

Summarised financial information of a joint venture (continued)

The above loss for the period includes the following:

	2020 HK\$'000
Depreciation and amortisation	14
Interest income	–
Interest expense	12
Income tax expense	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Kinetic, recognised in the consolidated financial statements:

	2020 HK\$'000
Net liabilities of Kinetic	(938)
Proportion of the Group's ownership interest in Kinetic	50%
	(469)
Cumulative unrecognised share of loss and other comprehensive expense	469
Carrying amount of the Group's interest in Kinetic	–*

* Less than HK\$1,000

The amount due from a joint venture was unsecured, interest-free and repayable on demand.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract assets	2,937	3,120
Less: provision for impairment loss	–	–
Contract assets – net	2,937	3,120
Contract liabilities	(5,992)	(4,786)
	(3,055)	(1,666)

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 assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers. 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 years ended 31 December 2020 and 2019, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped based on shared credit risk characteristics. No provision was made against the gross amounts of contract assets.

As at 31 December 2020 and 2019, none of the Group's contract assets were impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. 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.

	2020 HK\$'000	2019 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	2,622	3,549
Revenue recognised from performance obligation satisfied in prior periods	3,120	2,554

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

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.

As at 31 December 2020, the decrease in contract assets were mainly due to the decrease in the ongoing provision of financial printing services at the end of the year.

As at 31 December 2020, the increase in contract liabilities were mainly due to the increase in short-term advances received from customers in relation to the provision of financial printing services at the end of the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	22,952	22,152
Less: provision for impairment losses on trade receivables	(140)	(209)
	22,812	21,943
Other receivables and prepayments	6,569	7,473
	29,381	29,416

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	11,046	10,951
31 – 60 days	5,435	4,931
61 – 90 days	2,747	796
91 – 365 days	2,773	1,677
Over 365 days	951	3,797
	22,952	22,152

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 (2019: 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 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$13,126,000 (2019: approximately HK\$9,177,000) 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.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 based on shared credit risk characteristics. For the year ended 31 December 2020, additional provision of approximately HK\$3,371,000 (2019: approximately HK\$174,000) was made against the gross amounts of trade receivables.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2020 and 2019 are set out in Note 32.

21. 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 2020, the deposits carry effective interest at 0.36% per annum (2019: 0.26% per annum). The pledged bank deposits will be released upon expiry of the relevant banking facilities.

As at 31 December 2020 and 2019, 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 2020, included in cash and cash equivalents of the Group was approximately HK\$12,335,000 (2019: approximately HK\$5,449,000) of bank balances denominated in Renminbi (“RMB”) place with banks in Hong Kong, which are not freely convertible into other currencies.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

22. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	13,703	8,663
Other payables and accruals	6,611	5,096
	20,314	13,759

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days (2019: 30 days to 90 days). The following is an aged analysis of trade payables presented based on the invoice date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	3,332	3,966
31 – 60 days	5,603	2,549
61 – 90 days	1,447	1,841
91 – 365 days	3,321	307
	13,703	8,663

23. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due to non-controlling interests is unsecured, interest-free and repayable on demand.


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2020

24. LEASE LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	11,857	9,117
Non-current	8,393	15,507
	20,250	24,624
Lease liabilities payable:		
Within one year	11,857	9,117
More than one year but not exceeding two years	7,943	9,104
More than two years but not exceeding five years	450	6,403
	20,250	24,624
Less: Amount due for settlement with 12 months shown under current liabilities	(11,857)	(9,117)
Amount due for settlement after 12 months shown under non-current liabilities	8,393	15,507

The incremental borrowing rates applied to lease liabilities range from 4.35% to 15% (2019: 4.35% to 15%).

Lease obligations that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
RMB	1,076	685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. 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:

	2020 HK\$'000	2019 HK\$'000
Deferred tax assets	16	168
Deferred tax liabilities	(365)	(35)
	(349)	133

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 2019	(5)	135	130
Credited to profit or loss (<i>Note 8</i>)	(24)	(239)	(263)
At 31 December 2019 and 1 January 2020	(29)	(104)	(133)
Charged to profit or loss (<i>Note 8</i>)	19	463	482
At 31 December 2020	(10)	359	349

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$11,273,000 (2019: HK\$3,733,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams. The losses may be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

26. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company during the year ended 31 December 2020 are as follows:

	Number of ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000,000	50,000,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	400,000,000	4,000,000
		Amount HK\$'000
Shown on consolidated statement of financial position at 31 December 2020 and 2019		4,000

27. 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 56 of the consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

28. 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. Under the Scheme, the Board 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 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,050,000 (2019: 1,200,000), representing 0.26% (2019: 0.30%) 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.

The Scheme is valid for a period of 10 years commencing on the adoption date of 15 December 2016.

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For the year ended 31 December 2020

28. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme of the Company (continued)

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

The following table discloses the details and movements of the Company's share options held by eligible employees of the Group during the years ended 31 December 2020 and 2019:

	Date of grant	Exercise period	Exercise price per share	Outstanding at 01/01/2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31/12/2020
Batch 1	16 March 2018	16/03/2019 – 15/03/2022	HK\$0.70	25,000	-	-	-	25,000
Batch 2	16 March 2018	16/03/2020 – 15/03/2023	HK\$0.70	1,175,000	-	-	150,000	1,025,000
				1,200,000	-	-	150,000	1,050,000
				-				1,050,000
				HK\$0.70	-	-	HK\$0.70	HK\$0.70

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For the year ended 31 December 2020

28. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme of the Company (continued)

	Date of grant	Exercise period	Exercise price per share	Outstanding at 01/01/2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2019
Batch 1	16 March 2018	16/03/2019 – 15/03/2022	HK\$0.70	25,000	-	-	-	25,000
Batch 2	16 March 2018	16/03/2020 – 15/03/2023	HK\$0.70	1,325,000	-	-	150,000	1,175,000
				1,350,000	-	-	150,000	1,200,000
	Exercisable at the end of the year			-				25,000
	Weighted average exercise price			HK\$0.70	-	-	HK\$0.70	HK\$0.70

During the year ended 31 December 2020, nil (2019: 150,000) share options granted under the Scheme forfeited upon the resignation of the employees of the Group.

The Group recognised the total expense of approximately HK\$28,000 for the year ended 31 December 2020 (2019: approximately HK\$124,000) in relation to share options granted by the Company.

29. 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\$2,442,000 (2019: approximately HK\$1,942,000) 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 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. ACQUISITION OF A SUBSIDIARY

In August 2020, the Group entered into a sale and purchase agreement with a third party to acquire 70% of the issued share capital of I. Link Group Limited ("I. Link"). I. Link is principally engaged in provision of financial printing services. The acquisition has been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	HK\$'000
Cash	2,000
Contingent consideration arrangement (Note)	474
Total	2,474

Note:

Based on the sale and purchase agreement, the Group is required to pay an additional amount of HK\$3,000,000 if the amount of the audited profit after tax of I. Link for the financial year ended 31 December 2020 shall be no less than HK\$2,000,000 (the "2020 Target Profit") and the aggregate amount of the audited profit after tax of I. Link for the two financial years ending on 31 December 2021 shall be no less than HK\$4,000,000 (the "2020 and 2021 Target Profit").

HK\$3,000,000 payable by instalments in the following manner (the "Final Instalment"): (i) HK\$1,500,000 (the "First Payment of the Final Instalment") will be payable on or before 30 April 2021, subject to the fulfillment of the profit guarantee; and (ii) the final payment (the "Final Payment of the Final Instalment") calculated as follows will be payable on or before 30 April 2022, subject to the fulfillment of the profit guarantee: Final Payment of the Final Instalment = Final Instalment – First Payment of the Final Instalment.

If the actual audited profit after tax of I. Link for the financial year ended 31 December 2020 (the "2020 Actual Profit") is less than the 2020 Target Profit, an amount calculated shall be deducted from the First Payment of the Final Instalment (the "First Deduction"): $First\ Deduction = 2020\ Target\ Profit - 2020\ Actual\ Profit$ provided that if the shortfall shall have exceeded HK\$1,500,000, the amount of the First Deduction will be deemed to be equivalent to HK\$1,500,000. If the aggregate amount of the actual audited profit after tax of I. Link for the financial year ended 31 December 2020 and year ended 31 December 2021 (the "2020 and 2021 Actual Profit") is less than the 2020 and 2021 Target Profit, an amount calculated as follows shall be deducted from the Final Payment of the Final Instalment (the "Second Deduction"): $Second\ Deduction = 2020\ and\ 2021\ Target\ Profit - 2020\ and\ 2021\ Actual\ Profit$ provided that if the shortfall shall have exceeded the amount of the Final Payment of the Final Instalment, the amount of the Second Deduction will be deemed to be equivalent to the Final Payment of the Final Instalment.

Approximately HK\$474,000 represents the estimated fair value of this obligation. The fair value of such contingent arrangement amounted to approximately HK\$322,000 as at the end of the reporting period and presented separately on the consolidated statement of financial position. The contingent consideration payables represent the fair value of the obligation for the consideration payable in accordance with a sale and purchase agreement and are estimated by independent professional valuers. The fair value of the contingent consideration payables was estimated by applying income approach at a discount rate of 15%.

Acquisition-related costs amounting to approximately HK\$200,000 have been excluded from the consolidated transferred and have been recognised as an expense in the current year, within the administrative expenses line item in the consolidated statement of profit or loss and other comprehensive income.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Assets acquired and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
Non-current assets	
Property, plant and equipment	2,228
Right-of-use assets	4,939
Intangible assets	123
Interest in a joint venture	_*
Current assets	
Contract assets	121
Trade and other receivables	10,723
Amount due from a joint venture	960
Current tax assets	105
Cash and bank balances	4,745
Current liabilities	
Trade and other payables	(13,102)
Lease liabilities	(2,251)
Bank loan	(12,705)
Non-current liabilities	
Lease liabilities	(2,865)
Net liabilities	(6,979)

* Less than HK\$1,000

The fair value of trade and other receivable at the date of acquisition amounted to approximately HK\$10,723,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately HK\$13,940,000, with a loss allowance of approximately HK\$3,217,000 recognised at the date of acquisition.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Non-controlling interests

The non-controlling interests 30% in I. Link recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net liabilities of I. Link and amounted to approximately HK\$6,979,000.

Goodwill arising on acquisition

	<i>HK\$'000</i>
Consideration transferred	2,474
Less: non-controlling interests (30% in I. Link)	(2,094)
Plus: recognised amounts of net liabilities acquired	6,979
<hr/>	
Goodwill arising on acquisition	7,359

Goodwill arose in the acquisition of I. Link because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of I. Link. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Net cash inflow on acquisition of I. Link

	<i>HK\$'000</i>
Cash consideration paid	2,000
Less: cash and cash equivalents acquired	(4,745)
Net cash inflow	(2,745)

Impact of acquisition on the results of the Group

Included in the loss for the year was loss of approximately HK\$1,569,000 attributable to the additional business generated by I. Link. Revenue for the year includes approximately HK\$10,385,000 generated from I. Link.

Had the acquisition been completed on 1 January 2020, revenue for the year of the Group would have been approximately HK\$36,764,000, and loss for the year of the Group would have been approximately HK\$2,885,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

31. 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 2019.

The capital structure of the Group consists of net debt (which includes the lease liabilities disclosed in Note 24), net of cash and cash equivalents and equity attributable to owners of the Company (comprising share capital, reserves and retained earnings).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

31. CAPITAL MANAGEMENT (CONTINUED)

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:

	2020 HK\$'000	2019 HK\$'000
Debts (Note (i))	20,250	24,624
Less: cash and bank balances	(52,382)	(65,314)
Net debt	(32,132)	(40,690)
Equity (Note (ii))	83,452	87,637
Adjusted debt-to-equity ratio	N/A	N/A

Notes:

- (i) Debt comprises lease liabilities as detailed in Note 24.
- (ii) Equity includes all capital and reserves attributable to owners of the Company.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	27,778	26,030
Amount due from a joint venture	960	–
Pledged bank deposits	1,000	1,000
Cash and bank balances	52,382	65,314
	82,120	92,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	2020 HK\$'000	2019 HK\$'000
Financial liabilities		
<i>Financial liabilities at FVTPL</i>		
Contingent consideration payable	322	–
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	20,314	13,759
Amount due to non-controlling interests	485	485
Lease liabilities	20,250	24,624
	41,049	38,868

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a joint venture, pledged bank deposits, cash and bank balances, trade and other payables, amount due to non-controlling interests, contingent consideration payable and lease liabilities. 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 in 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.

32. 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 2020 and 2019, 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 exposed to fair value interest rate risk in relation to fixed-rate lease liabilities. The Group is not exposed to significant 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.

The Group's exposures to interest rates risk on financial liabilities are detailed in the liquidity risk management section of this note.

Price risk management

As the Group did not have any financial assets classified as financial assets at fair value through profit or loss 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, amount due from a joint venture, pledged bank deposits 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.

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk management (continued)

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.

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 4% (2019: 10%) of these receivables are due from the Group's largest five customers as at 31 December 2020.

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

Pledged bank deposits and bank balances

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.

Other receivables

As at 31 December 2020 and 2019, the internal credit rating of other receivables were performing. Management considered that the credit risk of these financial assets have not significantly increased since initial recognition. The Group has assessed and concluded that the expected credit loss rate for these receivables is immaterial under 12-month ECL method after taken into account the historical default experience, historical settlement records as well as the loss upon default in each case and are adjusted with forward-looking information. Thus, no loss allowance provision was recognised during the years ended 31 December 2020 and 2019.

Amount due from a joint venture

The directors of the Company continuously monitor the credit quality and financial positions of the counterparty and the level of exposure to ensure that the follow-up action is taken to recover the debts. The Group has assessed that the expected credit loss rate for this receivable is not material under 12 months expected losses method. Therefore, no loss allowance for the amount due from a joint venture was recognised.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

Trade receivables and contract assets (continued)

To measure the ECL, trade receivables and contract assets have been assessed individually for debtors with significant balances 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 obligation. As at 31 December 2020 and 2019, 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 2020						
Average loss rate	0.1%	0.5%	0.8%	1.7%	3.6%	
Gross carrying amount (HK\$'000)	11,046	5,435	2,747	2,773	951	22,952
Loss allowance provision (HK\$'000)	9	27	22	48	34	140

	Total
Contract assets	
As at 31 December 2020	
Average loss rate	0.0%
Gross carrying amount (HK\$'000)	2,937
Loss allowance provision (HK\$'000)	–

	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 2019						
Average loss rate	0.1%	0.1%	0.9%	2.6%	3.8%	
Gross carrying amount (HK\$'000)	10,951	4,931	796	1,677	3,797	22,152
Loss allowance provision (HK\$'000)	11	4	7	43	144	209


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

Trade receivables and contract assets (continued)

	Total
Contract assets	
As at 31 December 2019	
Average loss rate	0.0%
Gross carrying amount (HK\$'000)	3,120
Loss allowance provision (HK\$'000)	–

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

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

	Trade receivables Life-time ECL (not credit- impaired) <i>HK\$'000</i>	Trade receivables Life-time ECL (credit- impaired) <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019	35	–	35
Provision for impairment losses on trade receivables	174	–	174
As at 31 December 2019 and 1 January 2020	209	–	209
Transfer to credit-impaired	(95)	95	–
Write-offs	–	(3,440)	(3,440)
Provision for impairment losses on trade receivables	26	3,345	3,371
As at 31 December 2020	140	–	140

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

32. 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\$6,000,000 (2019: approximately HK\$11,000,000) from several banks for certain banking facilities for the year ended 31 December 2020. Unused facilities as at 31 December 2020 amounted to approximately HK\$6,000,000 (2019: approximately HK\$11,000,000).

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.

	On demand or less than 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
At 31 December 2020					
Trade and other payables	20,314	-	-	20,314	20,314
Amount due to non-controlling interest	485	-	-	485	485
Lease liabilities	13,543	10,247	461	24,251	20,250
Contingent consideration payable	-	322	-	322	322
	34,342	10,569	461	45,372	41,371


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

	On demand or less than 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
At 31 December 2019					
Trade and other payables	13,759	-	-	13,759	13,759
Amount due to non-controlling interests	485	-	-	485	485
Lease liabilities	11,871	10,584	6,661	29,116	24,624
	26,115	10,584	6,661	43,360	38,868

(c) Fair value measurements of financial instruments

One of the Group's financial liabilities (2019: no financial assets and liabilities) are measured at fair value on a recurring basis at the end of the reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Fair value hierarchy as at 31 December 2020

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Financial liabilities				
Contingent consideration payables	-	-	322	322

The detail on fair value measurement of the contingent consideration payable was detailed in Note 30.

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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For the year ended 31 December 2020

32. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements

	2020 HK\$'000	2019 HK\$'000
At the beginning of year	–	–
Acquisition of a subsidiary (Note 30)	474	–
Change in fair value recognised in profit or loss	(152)	–
At the end of year	322	–

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings HK\$'000	Lease liabilities HK\$'000 (Note 24)	Amount due to non- controlling interests HK\$'000 (Note 23)	Total HK\$'000
At 1 January 2019	–	–	–	–
Finance costs	–	1,559	–	1,559
Financing cash inflows	–	–	485	485
Financing cash outflows	–	(5,190)	–	(5,190)
New leases entered	–	28,247	–	28,247
Exchange adjustments	–	8	–	8
At 31 December 2019 and 1 January 2020	–	24,624	485	25,109
Lease modification	–	(250)	–	(250)
Finance costs	238	2,879	–	3,117
Financing cash outflows	(12,943)	(13,220)	–	(26,163)
New leases entered	–	1,031	–	1,031
Acquisition of a subsidiary	12,705	5,116	–	17,821
Exchange adjustments	–	70	–	70
At 31 December 2020	–	20,250	485	20,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. 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	2020 HK\$'000	2019 HK\$'000
Unique Concept Development Limited (<i>Note</i>)	Expenses relating to short-term lease for director's quarter	280	420
Wordbee	I.T. services fee	198	103
Kinetic	Translation cost	809	–

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.

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities:

	2020 HK\$'000	2019 HK\$'000
Pledged bank deposits	1,000	1,000

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For the year ended 31 December 2020

36. LIST OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2020 are set out as follows:

Name of company	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			2020	2019	
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)	100% (indirect)	Provision of integrated printing services in the PRC
HM Investment	BVI, limited liability company	Ordinary share US\$1	100% (indirect)	100% (indirect)	Investment holding in Hong Kong
WordFlow Limited	Hong Kong, limited liability company	Ordinary shares HK\$100	100% (indirect)	100% (indirect)	Inactive

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For the year ended 31 December 2020

36. LIST OF SUBSIDIARIES (CONTINUED)

Particulars of the Company's subsidiaries as at 31 December 2020 are set out as follows:

Name of company	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			2020	2019	
Talesis Limited	Hong Kong, limited liability company	Ordinary shares HK\$10,000	51% (indirect)	51% (indirect)	Provision of IT services in Hong Kong

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

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interest:

Name of company	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			2020	2019	
I. Link Group Limited	Hong Kong, limited liability company	Ordinary shares HK\$5,000	70%	–	Provision of financial printing services in Hong Kong

The non-controlling interests in respect of the others is not material.

Summarised financial information on subsidiary with material non-controlling interests

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. LIST OF SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests (Continued)

Summarised statement of financial position

	2020 HK\$'000
Current assets	10,047
Non-current assets	6,052
Current liabilities	(22,672)
Non-current liabilities	(2,016)
Net liabilities	(8,589)

Summarised statement of profit or loss and other comprehensive income

	2020 HK\$'000
Revenue	10,385
Loss for the period	(1,615)
Other comprehensive income for the period	–
Total comprehensive expense for the period	(1,615)
Total comprehensive expense allocated to non-controlling interests	(484)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. LIST OF SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiary with material non-controlling interests (Continued)

Summarised statement of cash flows

	2020 HK\$'000
Net cash inflow from operating activities	13,757
Net cash outflow from investing activities	(2,033)
Net cash outflow from financing activities	(13,845)
Net cash outflow	(2,121)

The information above is the amount before inter-company eliminations.

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 year ended 31 December 2019.

37. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 19 March 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
Non-current assets		
Investment in a subsidiary	23,917	23,917
Current assets		
Prepayments	179	240
Amounts due from subsidiaries	39,133	37,813
Cash and bank balances	3,368	4,732
	42,680	42,785
Total assets	66,597	66,702
Current liabilities		
Accruals	–	132
Net current assets	66,597	42,653
Net assets	66,597	66,570
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	4,000	4,000
Reserves	62,597	62,570
Total equity	66,597	66,570

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 19 March 2021 and are signed on its behalf by:

Mr. Yu Chi Ming
Director

Mr. Chan Wai Lin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note)</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2019	39,009	23,917	128	(608)	62,446
Profit for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Profit and total comprehensive income for the year	-	-	-	-	-
Recognition of equity-settled share-based payments <i>(Note 28)</i>	-	-	156	-	156
Forfeiture of share options <i>(Note 28)</i>	-	-	(32)	-	(32)
At 31 December 2019 and 1 January 2020	39,009	23,917	252	(608)	62,570
Profit for the year	-	-	-	(1)	(1)
Total comprehensive income for the year	-	-	-	-	-
Profit and total comprehensive income for the year	-	-	-	(1)	(1)
Recognition of equity-settled share-based payments <i>(Note 28)</i>	-	-	28	-	28
Lapse of share options <i>(Note 28)</i>	-	-	(35)	35	-
At 31 December 2020	39,009	23,917	245	(574)	62,597

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.



FINANCIAL SUMMARY

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Revenue	119,519	130,505	130,792	148,611	160,036
Cost of sales	(75,924)	(72,008)	(69,848)	(81,548)	(91,903)
Gross profit	43,595	58,497	60,944	67,063	68,133
Other income and gains/(losses)	8,780	(462)	(23)	165	(41)
Selling expenses	(11,524)	(11,884)	(11,979)	(11,152)	(10,670)
Administrative expenses	(41,926)	(40,718)	(40,793)	(43,600)	(38,547)
Share of (loss)/profit of an associate	(502)	56	–	–	–
Finance costs	(3,117)	(1,559)	(2)	(37)	(128)
(Loss)/Profit before tax	(4,694)	3,930	8,147	12,439	18,747
Income tax expense	(311)	(1,403)	(985)	(2,517)	(3,778)
(Loss)/Profit for the year	(5,005)	2,527	7,162	9,922	14,969
(Loss)/Profit for the year attributable to:					
Owners of the Company	(4,527)	2,614	7,162	9,922	14,969
Non-controlling interests	(478)	(87)	–	–	–
	(5,005)	2,527	7,162	9,922	14,969
Assets and Liabilities					
Total assets	128,782	132,830	107,312	115,404	59,888
Total liabilities	47,984	45,275	22,376	27,549	34,964
Total capital and reserves	80,798	87,555	84,936	87,855	24,924

The summary of the consolidated results and the assets, liabilities and non-controlling interests of the Group for the last five financial years as extracted from the published audited consolidated financial statements.

HM INTERNATIONAL HOLDINGS LIMITED

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

香港德輔道中199號無限極廣場9樓

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