



**HeterMedia**  
**HM International Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8416)**

**First Quarterly Report 2017**



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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*This report, for which the directors of HM International Holdings Limited (the “**Company**” and the “**Directors**”, respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2017, together with the comparative unaudited figures for the three months ended 31 March 2016. The financial information is as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	Notes	Three months ended	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	<b>29,361</b>	33,388
Cost of sales		<b>(18,501)</b>	(20,959)
Gross profit		<b>10,860</b>	12,429
Other income and gains		<b>112</b>	25
Selling expenses		<b>(2,715)</b>	(2,255)
Administrative expenses		<b>(11,451)</b>	(8,169)
Finance costs		<b>(8)</b>	(38)
(Loss)/Profit before tax		<b>(3,202)</b>	1,992
Income tax expense	5	<b>(172)</b>	(441)
(Loss)/Profit and total comprehensive income for the period	6	<b>(3,374)</b>	1,551
(Loss)/Profit and total comprehensive income for the period attributable to the owners of the Company		<b>(3,374)</b>	1,551
		<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share			
Basic and diluted	8	<b>(1.05)</b>	0.52

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the company				Total equity HK\$'000
	Share capital HK\$'000	Special reserve HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	
		(Note i)			
Balance at 1 January 2017 (audited)	–	138	–	24,786	24,924
Profit/(Loss) and total comprehensive income for the period	–	–	–	(3,374)	(3,374)
Issuance of new shares					
by way of placing <i>Note (ii)</i>	1,000	–	59,000	–	60,000
Capitalisation issue <i>Note (ii)</i>	3,000	–	(3,000)	–	–
Transaction costs attributable to issue of new shares	–	–	(7,108)	–	(7,108)
	<u>–</u>	<u>–</u>	<u>(7,108)</u>	<u>–</u>	<u>(7,108)</u>
Balance at 31 March 2017 (unaudited)	<b><u>4,000</u></b>	<b><u>138</u></b>	<b><u>48,892</u></b>	<b><u>21,412</u></b>	<b><u>74,442</u></b>
Balance at 1 January 2016 (audited)	138	–	–	18,317	18,455
Profit and total comprehensive income for the period	–	–	–	1,551	1,551
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,551</u>	<u>1,551</u>
Balance at 31 March 2016 (unaudited)	<b><u>138</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>19,868</u></b>	<b><u>20,006</u></b>

*Note:*

- (i) 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.
- (ii) The Company issued a total of 100,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.60 per share as a result of the completion of the placing. The gross total proceeds from placing of HK\$60,000,000 represented the par value of HK\$1,000,000 credited to the Company's share capital, and share premium of HK\$59,000,000, which can be used for deduction of share issuance expenses. After the share premium account of the Company being credited as a result of the placing, HK\$2,999,990 was capitalised from the share premium account and applied in paying up in full 299,999,000 shares which were allotted and issued to the shareholders. The Company's total number of issued shares was increased to 400,000,000 shares upon completion of placing.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2017*

## 1. GENERAL

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

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

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

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated statements of profit or loss and other comprehensive income for the three months ended 31 March 2017 and 2016, respectively and the unaudited condensed consolidated statements of changes in equity for the three months ended 31 March 2017 and 2016, respectively have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the periods. The unaudited condensed consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger accounting under common control combination” issued by the HKICPA as if the group structure under the Reorganisation had been in existence throughout the abovementioned periods or since their respective dates of incorporation/establishment of the entities now comprising the Group, whichever was the shorter period. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in preparing the audited financial statements for the year ended 31 December 2016.

## 3. REVENUE

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Integrated printing services	<u>29,361</u>	<u>33,388</u>

## 4. SEGMENT INFORMATION

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

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

## Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the relevant periods are as follows:

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	<u>6,315</u>	<u>8,057</u>

## 5. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
– Current period	200	554
<b>Deferred tax</b>		
– Current period	<u>(28)</u>	<u>(113)</u>
Total income tax recognised in profit or loss	<u>172</u>	<u>441</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the relevant periods.

Deferred tax assets are measured at the tax rates of 16.5% that are expected to apply in the relevant period in which the liability is settled or the asset is realised.

The Company is an exempted company incorporated in the Cayman Islands. As such, there are no taxes on individuals or corporations based upon profits, income, gains or appreciations and there are no other taxes likely to be material to the Company levied by the government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

## 6. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/Profit for the period has been arrived at after charging:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Employee benefits expense (including directors' emoluments):		
Salaries, allowances and other benefits in kind	<b>9,938</b>	10,062
Contributions to retirement benefits schemes	<b>406</b>	368
	<hr/>	<hr/>
Total employee benefits expense	<b>10,344</b>	10,430
	<hr/> <hr/>	<hr/> <hr/>

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	<b>101</b>	280
Depreciation of property, plant and equipment	<b>355</b>	390
Listing expenses	<b>2,879</b>	430
Operating lease rentals in respect of:		
– rental premises	<b>2,404</b>	1,954
– equipment	<b>7</b>	8
	<hr/>	<hr/>
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## 7. DIVIDENDS

The Board did not recommend a payment of any dividend for the three months ended 31 March 2017 and 2016.

## 8. (LOSS)/EARNINGS PER SHARE

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings:		
(Loss)/Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u><b>(3,374)</b></u>	<u>1,551</u>
	<b>2017</b>	<b>2016</b>
	<b>'000</b>	<b>'000</b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u><b>321,918</b></u>	<u>300,000</u>
	<b>HK Cents</b>	<b>HK Cents</b>
Basic and diluted (loss)/earnings per share	<u><b>(1.05)</b></u>	<u>0.52</u>

The weighted average number of ordinary shares in issue for the three months ended 31 March 2016 have been retrospectively adjusted for the effect of the capitalisation issue pursuant to the Reorganisation as stated in the prospectus of the Company dated 29 December 2016 as if such capitalisation issued shares were outstanding throughout the period.

The diluted earnings per share is equal to the basic (loss)/earnings per share as there is no dilutive potential ordinary share in issue during the periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the three months ended 31 March 2017, the Group recorded a revenue of HK\$29.4 million which represents the decrease by 12.1% as compared to the same period of last year. The main reason for such decrease was attributable to the decrease in number of marketing collateral printing projects by 10.2% and the typical business cycle of the financial printing projects by 16.0% as compared to the same period of last year.

However, we believe that the Group's ability to retain recurring clients demonstrates their recognitions of our quality service and we consider these recognitions as one of the key reasons leading us to the success amid the industry. For the three months ended 31 March 2017 and 2016, approximately 63.9% and 68.7% of its clients respectively, were recurring clients who contributed to approximately 90.7% and 85.8% of the Group's total revenue for the respective period.

### FUTURE PROSPECTS

In view of the challenging business environment and keen competition in the financial printing service industry market, our Group will continue to deploy more resources on talent recruitment and strengthen our business development and marketing strategy on financial printing projects and marketing collateral printing projects.

Our Group also believes that the increasing demand for quality marketing collateral printing and corporate gifts alongside with marketing and promotion activities presents a numerous amount of business opportunities to the Group. Our Group is well-positioned to capture the opportunities for market share expansion and enhancing its market position among other competitors in Hong Kong.

### FINANCIAL REVIEW

#### Revenue

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financial printing projects	21,102	22,535
Marketing collateral printing projects	7,891	10,672
Other projects	368	181
	<u>29,361</u>	<u>33,388</u>

## **Turnover**

The Group's revenue decreased by approximately HK\$4.0 million, or 12.1%, from approximately HK\$33.4 million for the three months ended 31 March 2016 to approximately HK\$29.4 million for the three months ended 31 March 2017.

## **Gross Profit and Gross Profit Margin**

The Group's gross profit decreased by approximately HK\$1.5 million, or 12.6%, from approximately HK\$12.4 million for the three months ended 31 March 2016 to approximately HK\$10.9 million for the three months ended 31 March 2017, which was due to the decrease in marketing collateral printing projects. Our gross profit margins for the three months ended 31 March 2016 and the three months ended 31 March 2017 were approximately 37.2% and 37.0% respectively which had been maintained at a stable level.

## **Selling Expenses**

The Group's selling expenses increased by approximately HK\$0.4 million, or 20.4%, from approximately HK\$2.3 million for the three months ended 31 March 2016 to approximately HK\$2.7 million for the three months ended 31 March 2017. The increase was mainly attributable to the increase in (i) staff cost in relation to sales and marketing staff; and (ii) entertainment expenses.

## **Administrative Expenses**

The Group's administrative expenses increased by approximately HK\$3.3 million, or 40.2%, from approximately HK\$8.2 million for the three months ended 31 March 2016 to approximately HK\$11.5 million for the three months ended 31 March 2017, which was mainly attributable to the increases in (i) professional and other costs in relation to the compliance with the GEM Listing Rules and other regulations applicable to the Group for maintaining the listing status; and (ii) the non-recurring listing expenses in connection with the listing of the Company in January 2017.

## **Taxation**

Income tax expense decreased by approximately HK\$269,000, or 61.0%, from approximately HK\$441,000 for the three months ended 31 March 2016 to approximately HK\$172,000 for the three months ended 31 March 2017. The decrease was primarily attributable to the decrease in profit before taxation.

## **Loss for the period**

Loss for the three months ended 31 March 2017 of approximately HK\$3.4 million, which was mainly due to the decrease in revenue as compared to the same quarter of last year, and one-off listing expenses incurred in January 2017.

## **CONTINGENT LIABILITIES**

As at 31 March 2017, the Group did not have any significant contingent liabilities (corresponding period in 2016: nil).

## **DIVIDENDS**

The Board did not recommend a payment of any dividend for the three months ended 31 March 2017 and 2016.

## **FOREIGN CURRENCY EXPOSURE**

The Group's businesses are solely operated in Hong Kong. The sales and purchases are mainly denominated in Hong Kong dollars and customers rarely request to settle our billing by other foreign currencies such as United States dollars ("USD") and Renminbi ("RMB").

The Group's assets, liabilities and transactions are mainly denominated in Hong Kong dollars. Only a little portion of the Group's deposits with bank are denominated in USD and RMB which is freely convertible into Hong Kong dollars. 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 three months ended 31 March 2017. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

## **EVENTS AFTER THE BALANCE SHEET DATE**

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

## OTHER INFORMATION

### 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 March 2017, the interests and short positions of the Directors and the chief executive of the Company in the Company's shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred therein (the "Register"); or (c) pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

#### Long Position in the Shares of the Company

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

*Note:* HM Ultimate is beneficially owned as to 53% by Mr. YU, 24.5% by Mr. TSE and 22.5% by Mr. CHAN. Mr. YU, Mr. TSE and Mr. CHAN together control all the Shares held by HM Ultimate.

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

Name of Director	Name of associated corporation	Nature of interests	Number of ordinary Shares held	Approximate percentage of shareholding interest
Mr. YU	HM Ultimate	Beneficial owner	530	53.0%
Mr. TSE	HM Ultimate	Beneficial owner	245	24.5%
Mr. CHAN	HM Ultimate	Beneficial owner	225	22.5%

Save as disclosed above, as at 31 March 2017, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the Register, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

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

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

## Long Position in the Shares of the Company

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

*Note 1:* HM Ultimate is beneficially owned as to 53% by Mr. YU, 24.5% by Mr. TSE and 22.5% by Mr. CHAN. Mr. YU, Mr. TSE and Mr. CHAN together control all the Shares held by HM Ultimate.

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

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

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

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

## SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Scheme**”) on 15 December 2016 (the “**Adoption Date**”) which became unconditional upon the listing of the Company on 11 January 2017 (the “**Listing Date**”). Under the terms of the Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe for Shares.

No share options were granted since the Adoption Date up to 31 March 2017, and there was no share option outstanding as at 31 March 2017. As at 31 March 2017, the Company had 40,000,000 shares available for issue under the Scheme, representing 10% of the existing issued share capital of the Company as at the date of this report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout the period from the Listing Date to 31 March 2017.

## **CORPORATE GOVERNANCE**

The Company has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

The Directors consider that throughout the period from the Listing Date to 31 March 2017, the Company has complied with all the code provisions as set out in the CG Code.

## **DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS**

None of the Directors, the management and controlling shareholders of the Company or any of their respective close associates as defined in the GEM Listing Rules has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group throughout the period from the Listing Date to 31 March 2017.

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

## INTERESTS OF COMPLIANCE ADVISER

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

## AUDIT COMMITTEE

The Company had established the audit committee (“**Audit Committee**”) on 15 December 2016 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Company, make recommendations to the Board on the appointment, reappointment and removal of the independent auditors, and review the Company’s financial information.

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Ng Jack Ho Wan (chairman of the Audit Committee), Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including review of the unaudited consolidated financial statements of the Group for the three months ended 31 March 2017.

By order of the Board  
**HM International Holdings Limited**  
**Yu Chi Ming**  
*Chairman*

Hong Kong, 5 May 2017

*As at the date of this report, the executive Directors are Mr. Yu Chi Ming (Chairman), Mr. Tse Kam Wing Walter and Mr. Chan Wai Lin; and the independent non-executive Directors are Mr. Choi Hon Ting Derek, Mr. Ng Jack Ho Wan and Mr. Wan Chi Wai Anthony.*