



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

Interim Report 2017



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INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2017, together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 June 2017

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Revenue	3	50,912	48,914	80,273	82,302
Cost of sales		(26,628)	(27,419)	(45,129)	(48,378)
Gross profit		24,284	21,495	35,144	33,924
Other income and gains		33	17	145	42
Selling expenses		(2,810)	(2,702)	(5,525)	(4,957)
Administrative expenses		(10,144)	(7,885)	(21,595)	(16,054)
Finance costs		(23)	(35)	(31)	(73)
Profit before tax		11,340	10,890	8,138	12,882
Income tax expense	5	(1,814)	(1,789)	(1,986)	(2,230)
Profit and total comprehensive income for the period	6	9,526	9,101	6,152	10,652
Profit and total comprehensive income for the period attributable to the owners of the Company		9,526	9,101	6,152	10,652
		HK cents	HK cents	HK cents	HK cents
Earnings per share					
Basic and diluted	8	2.93	3.03	1.77	3.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		As at 30 June 2017	31 December 2016
<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	4,540		2,817
Intangible assets	297		461
	4,837		3,278
Current assets			
Amounts due from customers on service contracts	9	945	899
Trade and other receivables	10	55,648	35,410
Pledged bank deposit		6,000	6,000
Cash and bank balances		52,266	14,301
		114,859	56,610
Total assets		119,696	59,888
Current liabilities			
Trade and other payables	11	33,110	33,486
Finance leases obligations		486	546
Current tax liabilities		1,750	588
		35,346	34,620
Net current assets		79,513	21,990
Total assets less current liabilities		84,350	25,268

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Non-current liabilities		
Finance leases obligations	52	262
Deferred tax liabilities	363	82
	<u>415</u>	<u>344</u>
Net assets	<u>83,935</u>	<u>24,924</u>
Capital and reserves		
Share capital	4,000	–
Reserves	79,935	24,924
	<u>83,935</u>	<u>24,924</u>
Total equity	<u>83,935</u>	<u>24,924</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the company				
	Share capital	Special reserve	Share premium	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note i)</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2017 (audited)	–	138	–	24,786	24,924
Profit and total comprehensive income for the period	–	–	–	6,152	6,152
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	–	–	(7,141)	–	(7,141)
	<u>–</u>	<u>–</u>	<u>(7,141)</u>	<u>–</u>	<u>(7,141)</u>
Balance at 30 June 2017 (unaudited)	<u>4,000</u>	<u>138</u>	<u>48,859</u>	<u>30,938</u>	<u>83,935</u>
Balance at 1 January 2016 (audited)	138	–	–	18,317	18,455
Profit and total comprehensive income for the period	–	–	–	2,152	2,152
	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,152</u>	<u>2,152</u>
Balance at 30 June 2016 (audited)	<u>138</u>	<u>–</u>	<u>–</u>	<u>20,469</u>	<u>20,607</u>

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 group reorganisation on 15 December 2016.
- (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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Audited)
Net cash (used in)/generated from operating activities	<u>(11,989)</u>	<u>28,661</u>
Net cash (used in) investing activities	<u>(2,604)</u>	<u>(464)</u>
Net cash generated from/(used in) financing activities	<u>52,558</u>	<u>(28,563)</u>
Net increase/(decrease) in cash and cash equivalents	37,965	(366)
Cash and cash equivalents at the beginning of year	<u>14,301</u>	<u>14,602</u>
Cash and cash equivalents at the end of period	<u><u>52,266</u></u>	<u><u>14,236</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND GROUP REORGANISATION

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 Company is an investment holding company. The Group is principally engaged in provision of integrated printing services.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of the GEM of Stock Exchange. 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.

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.

On 1 January 2017, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”), amendments and interpretations that are effective from that date and are relevant to its operations. The adoption of these new/revised HKFRSs, amendments and interpretations does not result in changes to the Group’s accounting policies and has no material effect on the amounts reported for the current or prior period.

3. REVENUE

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Integrated printing services	<u>50,912</u>	<u>48,914</u>	<u>80,273</u>	<u>82,302</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:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Customer A	<u>5,735</u>	<u>7,293</u>	<u>12,050</u>	<u>15,350</u>

5. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Hong Kong Profits Tax				
Current tax				
– Current period	1,514	1,676	1,714	2,230
Overprovision in prior period	(8)	–	(8)	–
Deferred tax				
– Current period	308	113	280	–
Total income tax recognised in profit or loss	<u>1,814</u>	<u>1,789</u>	<u>1,986</u>	<u>2,230</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits 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. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Employee benefits expense (including directors' emoluments):				
Salaries, allowances and other benefits in kind	10,356	10,214	20,294	20,276
Contributions to retirement benefits schemes	393	372	799	740
Total employee benefits expense	<u>10,749</u>	<u>10,586</u>	<u>21,093</u>	<u>21,016</u>

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Auditor's remuneration	438	–	438	54
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	69	260	170	540
Depreciation of property, plant and equipment	499	405	854	795
Listing expenses	(33)	10	2,846	440
Operating lease rentals in respect of:				
– rental premises	2,965	1,956	5,369	3,910
– equipment	5	7	12	15
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

7. DIVIDENDS

The Board did not recommend a payment of any dividend for the six months ended 30 June 2017 and 2016.

8. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Audited)
Earnings:				
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>9,526</u>	<u>9,101</u>	<u>6,152</u>	<u>10,652</u>
	2017 '000	2016 '000	2017 '000	2016 '000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>324,932</u>	<u>300,000</u>	<u>346,849</u>	<u>300,000</u>
	HK Cents	HK Cents	HK Cents	HK Cents
Basic and diluted earnings per share	<u>2.93</u>	<u>3.03</u>	<u>1.77</u>	<u>3.55</u>

The weighted average number of ordinary shares in issue for the three months ended and six months ended 30 June 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 earnings per share as there is no dilutive potential ordinary share in issue during the periods.

9. AMOUNTS DUE FROM CUSTOMERS ON SERVICE CONTRACTS

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Contract costs incurred plus attributable profit	945	899
Less: progress billings to date	–	–
	<u>945</u>	<u>899</u>

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Trade receivables	44,353	31,325
Other receivables and prepayments	11,295	4,085
	<u>55,648</u>	<u>35,410</u>

The following is an analysis of trade receivables by age, presented based on the invoice date:

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
0-30 days	21,296	14,889
31-60 days	4,908	7,963
61-90 days	8,213	4,803
91-365 days	9,773	3,558
Over 365 days	163	112
	<u>44,353</u>	<u>31,325</u>

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. The credit period was ranging from 30 days to 90 days (2016: 30 days to 90 days). No interest is charged on overdue receivables.

11. TRADE AND OTHER PAYABLES

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Trade payables	23,002	17,929
Other payables and accruals	6,058	10,645
Receipts in advance	4,050	4,912
	<u>33,110</u>	<u>33,486</u>

The following is an analysis of trade payables by age, presented based on the invoice date:

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
0-30 days	10,338	9,901
31-60 days	5,191	3,985
61-90 days	7,097	2,613
91-365 days	376	1,426
Over 365 days	-	4
	<u>23,002</u>	<u>17,929</u>

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days (2016: 30 days to 90 days).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2017, the Group recorded a revenue of HK\$80.3 million which represents the decrease by 2.5% 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 9% 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 six months ended 30 June 2017 and 2016, approximately 71.2% and 78.4% of its clients respectively, were recurring clients who contributed to approximately 93.1% and 91.4% 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 market position among other competitions in Hong Kong.

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds received by the Company from the placing of 100,000,000 shares of the Company (the "Shares") (the "Placing") at a price of HK\$0.60 each on 11 January 2017 (the "Listing Date"), after the deduction of actual listing expenses and underwriting commission, amounted to approximately HK\$40.0 million. Accordingly, the Group has applied the proceeds in the same manner and proportion as shown in the prospectus of the Company.

During the period, the Group has used (i) approximately HK\$6.4 million for setting up the new office and improving the facilities in the Infinitus Plaza office; (ii) approximately HK\$1.7 million for enhancing the IT systems and infrastructures; and (iii) approximately HK\$95,000 for enhancing the workforce. The balance of funds would be utilised as intended. As at 30 June 2017, all of the unused proceeds were deposited in a licensed bank in Hong Kong. As at 30 June 2017, the net proceeds utilised are set out as follows:

	Revised proposed amount to be used up to 30 June 2017 HK\$'000 (Unaudited)	Actual amount utilised up to 30 June 2017 HK\$'000 (Unaudited)
Set up the new office and improve the facilities in the Infinitus Plaza office	8,240	6,369
Enhance our IT systems and infrastructures	4,590	1,722
Enhance our workforce	350	95
	<u>13,180</u>	<u>8,186</u>

The following table sets out a further breakdown of the net proceeds from the Placing to be applied for setting up the new office and improving the facilities in the Infinitus Plaza office:

	Revised proposed amount to be used up to 30 June 2017 HK\$'000 (Unaudited)	Actual amount utilised up to 30 June 2017 HK\$'000 (Unaudited)
Infinitus Plaza office:		
Renovation work	4,394	3,858
Acquiring new office facilities	1,678	227
New office:		
Renovation work	1,177	948
Rental expenses	358	572
Management fees	39	96
Rental deposit	594	668
	<u>8,240</u>	<u>6,369</u>

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the prospectus of the Company with actual business progress up to 30 June 2017.

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

FINANCIAL REVIEW

Revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Audited)
Financial printing projects	42,175	39,118	63,277	61,653
Marketing collateral printing projects	8,667	9,729	16,558	20,401
Other projects	70	67	438	248
	<u>50,912</u>	<u>48,914</u>	<u>80,273</u>	<u>82,302</u>

Turnover

The Group's revenue decreased by approximately HK\$2.0 million, or 2.5%, from approximately HK\$82.3 million for the six months ended 30 June 2016 to approximately HK\$80.3 million for the six months ended 30 June 2017.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK\$1.2 million, or 3.6%, from approximately HK\$33.9 million for the six months ended 30 June 2016 to approximately HK\$35.1 million for the six months ended 30 June 2017. Such increase was mainly due to increase in financial printing projects and other projects, partially offset by the decrease in marketing collateral printing projects. Financial printing projects increased from approximately 74.9% to 78.8% for the six months ended 30 June 2016 and 2017 respectively. Marketing collateral printing projects decreased from approximately 24.8% to 20.6% for the six months ended 30 June 2016 and 2017 respectively. Our gross profit margins for the six months ended 30 June 2016 and 2017 were approximately 41.2% and 43.8% respectively.

Selling Expenses

The Group's selling expenses increased by approximately HK\$0.5 million, or 11.5%, from approximately HK\$5.0 million for the six months ended 30 June 2016 to approximately HK\$5.5 million for the six months ended 30 June 2017. The increase was mainly attributable to the increase in (i) staff cost in relation to sales staff; and (ii) entertainment expenses.

Administrative Expenses

The Group's administrative expenses increased by approximately HK\$5.5 million, or 34.5%, from approximately HK\$16.1 million for the six months ended 30 June 2016 to approximately HK\$21.6 million for the six months ended 30 June 2017, which was mainly attributable to the increase in (i) professional and other costs in relation to the compliance with the GEM Listing Rules and other regulations applicable to the Group for maintaining the listing status; (ii) the non-recurring listing expenses in connection with the listing of the Company in January 2017; and (iii) office rental and building management fee.

Taxation

Income tax expense decreased by approximately HK\$0.2 million, or 10.9%, from approximately HK\$2.2 million for the six months ended 30 June 2016 to approximately HK\$2.0 million for the six months ended 30 June 2017. The decrease was primarily attributable to the decrease in profit before taxation.

Profit for the period

Profit after tax of the Group decreased by approximately HK\$4.5 million, or 42.2%, from approximately HK\$10.7 million for the six months ended 30 June 2016 to approximately HK\$6.2 million for the six months ended 30 June 2017. The decrease was mainly due to (i) one-off listing expenses incurred in January 2017; and (ii) increase in office rental and building management fee during the six months ended 30 June 2017 as compared with the six months ended 30 June 2016.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30 June 2017,

- (a) the Group's total assets increased to approximately HK\$119.7 million (31 December 2016: approximately HK\$59.9 million) while the total equity increased to approximately HK\$83.9 million (31 December 2016: approximately HK\$24.9 million);
- (b) the Group's current assets increased to approximately HK\$114.9 million (31 December 2016: approximately HK\$56.6 million) while the current liabilities increased to approximately HK\$35.3 million (31 December 2016: approximately HK\$34.6 million);
- (c) the Group had approximately HK\$52.3 million in cash and bank balances (31 December 2016: approximately HK\$14.3 million), which included cash and bank balances in Renminbi ("RMB") of approximately RMB695,500, in US dollars ("USD") of approximately USD21,300, and in approximately HK\$51.3 million, and the current ratio of the Group was approximately 3.2 times (31 December 2016: approximately 1.6 times); and
- (d) the gearing ratio (calculated based on debts including payables incurred not in the ordinary course of business divided by total equity as at the respective period ended and multiplied 100%) of the Group was approximately 0.6% (31 December 2016: approximately 3.2%).

CAPITAL EXPENDITURE

As at 30 June 2017, the Group had approximately HK\$2.6 million of capital expenditure.

SIGNIFICANT INVESTMENTS

As at 30 June 2017, the Group did not hold any significant investments.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 120 employees (30 June 2016: 115) in Hong Kong. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors' emoluments) were approximately HK\$21.1 million for the six months ended 30 June 2017 (30 June 2016: approximately HK\$21.0 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 six months ended 30 June 2017 are generally appreciated and recognised.

In addition, the Group adopted a share option scheme (the "Scheme") on 15 December 2016. Since its adoption, no share options have been granted or agreed to be granted pursuant to the Scheme and therefore, there were no outstanding share options as at 30 June 2017.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

DIVIDENDS

The Board did not recommend a payment of any dividend for the six months ended 30 June 2017.

CHARGES ON GROUP ASSETS

As at 30 June 2017, the Group's assets with the carrying amount of approximately HK\$6.8 million were pledged to secure general banking facilities and the finance leases obligations.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries by the Group during the six months ended 30 June 2017.

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 USD and 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 six months ended 30 June 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 30 June 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 30 June 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred 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 30 June 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 30 June 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 30 June 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.

CHANGE OF INFORMATION OF DIRECTOR

Mr. Choi Hon Ting Derek, the independent non-executive Director, has resigned as an independent non-executive director of IPE Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 929) with effect from 2 June 2017.

SHARE OPTION SCHEME

The Company conditionally adopted the Scheme on 15 December 2016 (the “**Adoption Date**”) which became unconditional upon 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 30 June 2017, and there was no share option outstanding as at 30 June 2017. As at 30 June 2017, the Company had 40,000,000 shares available for issue under the Scheme, representing 10% of the existing issued shares of the Company.

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 30 June 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 30 June 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 30 June 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 30 June 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 30 June 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 (the “**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 six months ended 30 June 2017.

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

Hong Kong, 10 August 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.