



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

**First Quarterly Report 2018**



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 2018, together with the comparative unaudited figures for the three months ended 31 March 2017. 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 2018

	Notes	For the three months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	2	24,124	29,361
Cost of sales		<u>(14,364)</u>	<u>(18,501)</u>
Gross profit		9,760	10,860
Other income and gains		126	112
Selling expenses		(2,558)	(2,715)
Administrative expenses		(10,002)	(11,451)
Finance costs		<u>(2)</u>	<u>(8)</u>
(Loss) before tax		(2,676)	(3,202)
Income tax expense	4	<u>(60)</u>	<u>(172)</u>
(Loss) and total comprehensive income for the period	5	<u>(2,736)</u>	<u>(3,374)</u>
(Loss) and total comprehensive income for the period attributable to the owners of the Company		<u>(2,736)</u>	<u>(3,374)</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) per share Basic and diluted	8	<u>(0.68)</u>	<u>(1.05)</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share					
	Share capital	Share premium	Special reserve	option reserve	Retained earnings	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>Note (i)</i>			
Balance at 1 January 2018 (audited)	4,000	49,009	138	-	34,708	87,855
(Loss) and total comprehensive income for the period	-	-	-	-	(2,736)	(2,736)
Recognition of equity-settled share-based payment	-	-	-	8	-	8
<b>Balance at 31 March 2018 (unaudited)</b>	<b>4,000</b>	<b>49,009</b>	<b>138</b>	<b>8</b>	<b>31,972</b>	<b>85,127</b>
Balance at 1 January 2017 (audited)	-	-	138	-	24,786	24,924
(Loss) and total comprehensive income for the period	-	-	-	-	(3,374)	(3,374)
Share issued under placing <i>Note (ii)</i>	1,000	59,000	-	-	-	60,000
Share issued pursuant to the capitalisation issue <i>Note (ii)</i>	3,000	(3,000)	-	-	-	-
Share issuance costs	-	(7,108)	-	-	-	(7,108)
<b>Balance at 31 March 2017 (unaudited)</b>	<b>4,000</b>	<b>48,892</b>	<b>138</b>	<b>-</b>	<b>21,412</b>	<b>74,442</b>

*Notes:*

- (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 as stated in prospectus of the Company dated 29 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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been prepared in accordance with 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 2017.

On 1 January 2018, 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.

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. REVENUE

	For the three months ended	
	31 March	
	2018	2017
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Integrated printing services	<u>24,124</u>	<u>29,361</u>

### 3. 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	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	-	6,315

#### 4. INCOME TAX EXPENSE

	For the three months ended	
	31 March	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Current tax</b>		
- Current period	125	200
<b>Deferred tax</b>		
- Current period	(65)	(28)
Total income tax recognised in profit or loss	<u>60</u>	<u>172</u>

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

Deferred tax is 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.

## 5. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	For the three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Employee benefits expense (including directors' emoluments):		
Salaries, allowances and other benefits in kind	10,051	9,938
Contributions to retirement benefits schemes	391	406
Equity-settled share-based payments	8	-
	<hr/>	<hr/>
Total employee benefits expense	10,450	10,344
	<hr/>	<hr/>
Amortisation of intangible assets (included in cost of sales)	61	101
Depreciation of property, plant and equipment	1,052	355
Listing expenses	-	2,879
Operating lease rentals in respect of:		
- rental premises	2,680	2,404
- equipment	6	7
	<hr/>	<hr/>

## 6. SHARE-BASED PAYMENT

During the three months ended 31 March 2018, total share-based payment of HK\$7,690.00 (three months ended 31 March 2017: nil) has been recognized in the profit or loss. The corresponding amount of HK\$7,690.00 (three months ended 31 March 2017: nil) has been credited to share option reserve.

## 7. DIVIDENDS

The Board did not recommend a payment of any dividend for the three months ended 31 March 2018 and 2017.

## 8. (LOSS) PER SHARE

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

	<b>For the three months ended 31 March</b>	
	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<i>(Unaudited)</i>
Earnings:		
(Loss) attributable to owners of the Company for the purpose of calculating base earnings per share	<u><b>(2,736)</b></u>	<u>(3,374)</u>
	<b>2018</b>	2017
	<b>'000</b>	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u><b>400,000</b></u>	<u>321,918</u>
	<b><i>HK Cents</i></b>	<i>HK Cents</i>
Basic and diluted loss per share	<u><b>(0.68)</b></u>	<u>(1.05)</u>

The weighted average number of ordinary shares in issue for the three months ended 31 March 2017 has been 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 Company's share options have no dilutive effect when the average market price of ordinary shares during the period exceeds the exercise price of the options. The diluted loss per share is equal to the basic loss per share as there is no dilutive potential ordinary share in issue during the three months ended 31 March 2018 and 2017.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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.

With years of presence and development in the market, the Group has successfully built up a broad client base including blue chips, state-owned enterprises, global fund houses and major insurance companies. We believe that the Group's ability to maintain recurring clients demonstrates their recognitions of its quality service and we consider these recognitions as one of the key factors leading to its success in the industry.

During the three months ended 31 March 2018, the Group recorded a revenue of approximately HK\$24.1 million which represents a decrease of approximately 17.8% as compared to the same period of last year. Such decrease was mainly due to the decrease in the number of marketing collateral printings projects by approximately 73.0% 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.

### **OUTLOOK**

In 2018, we are expected to continue the steady growth in the financial printing industry as the Stock Exchange proposed new rules to expand Hong Kong's listing regime to facilitate listings of companies from emerging and innovative sectors. Moreover, we have secured 8 IPOs prospectus projects in the first quarter and expected the pipeline to continue to grow. We, therefore, devote more human resources and outsourcing strategies to cope with our growing momentum.

## FINANCIAL REVIEW

### Revenue

	For the three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Financial printing projects	20,689	21,102
Marketing collateral printing projects	3,380	7,891
Other projects	55	368
	<u>24,124</u>	<u>29,361</u>

The Group's revenue decreased by approximately HK\$5.2 million, or 17.8%, from approximately HK\$29.4 million for the three months ended 31 March 2017 to approximately HK\$24.1 million for the three months ended 31 March 2018.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$1.1 million, or 10.1%, from approximately HK\$10.9 million for the three months ended 31 March 2017 to approximately HK\$9.8 million for the three months ended 31 March 2018, which was due to the decrease in marketing collateral printing projects. Our gross profit margins for the three months ended 31 March 2017 and the three months ended 31 March 2018 were approximately 37.0% and 40.5% respectively.

### Selling Expenses

The Group's selling expenses decreased by approximately HK\$0.2 million, or 5.8%, from approximately HK\$2.7 million for the three months ended 31 March 2017 to approximately HK\$2.6 million for the three months ended 31 March 2018. Such decrease was generally in line with the Group's revenue decrease during the relevant period.

### Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$1.4 million, or 12.7%, from approximately HK\$11.5 million for the three months ended 31 March 2017 to approximately HK\$10.0 million for the three months ended 31 March 2018, which was mainly attributable to the decrease in the non-recurring listing expenses in connection with the listing of the Company in January 2017.

**Taxation**

Income tax expense decreased by approximately HK\$112,000, or 65.1%, from approximately HK\$172,000 for the three months ended 31 March 2017 to approximately HK\$60,000 for the three months ended 31 March 2018. The decrease was primarily attributable to the decrease in profit before tax.

**Loss for the period**

Loss for the Group decreased by approximately 18.9% or approximately HK\$0.6 million from approximately HK\$3.4 million for the three months ended 31 March 2017 to approximately HK\$2.7 million for the three months ended 31 March 2018, which was mainly due to one-off listing expenses incurred in January 2017.

**DIVIDENDS**

The Board did not recommend a payment of any dividend for the three months ended 31 March 2018 and 2017.

## 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 2018, 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 Chi Ming ("Mr. Yu")	Interests held jointly with another person; interest in a controlled corporation ( <i>Note</i> )	299,800,000	74.95%
Mr. Tse Kam Wing Walter ("Mr. Tse")	Interests held jointly with another person; interest in a controlled corporation ( <i>Note</i> )	299,800,000	74.95%
Mr. Chan Wai Lin ("Mr. Chan")	Interests held jointly with another person; interest in a controlled corporation ( <i>Note</i> )	299,800,000	74.95%

*Note:* HM Ultimate Holdings Limited ("HM Ultimate") is beneficially owned as to 53.0% 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**

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Percentage of shareholding</b>
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 2018, 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 2018, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting Shares:

### Long Position in the Shares of the Company

Name of shareholder	Nature of interests	Number of ordinary Shares held	Percentage of shareholding
HM Ultimate ( <i>Note 1</i> )	Beneficial owner	299,800,000	74.95%
Ms. Wong Mee Che Lilian	Interest of spouse ( <i>Note 2</i> )	299,800,000	74.95%
Ms. Wong Yuk Sim Kathy	Interest of spouse ( <i>Note 3</i> )	299,800,000	74.95%
Ms. Tang Wai Kwan May	Interest of spouse ( <i>Note 4</i> )	299,800,000	74.95%

*Note 1:* HM Ultimate is beneficially owned as to 53.0% 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 2018, the Directors were not aware of any persons who/entities which had any interest or short position in the Shares or underlying Shares that would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the substantial shareholders' register required to be kept under section 336 of the SFO.

### SHARE OPTION SCHEME

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

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

#### **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 during the three months ended 31 March 2018.

#### **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 during the three months ended 31 March 2018, 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 during the three months ended 31 March 2018.

## **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 during the three months ended 31 March 2018.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. During the three months ended 31 March 2018, 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 condensed consolidated financial statements of the Group for the three months ended 31 March 2018.

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

Hong Kong, 4 May 2018

*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.*