

HM INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號: 8416

2019
ANNUAL REPORT
年度報告

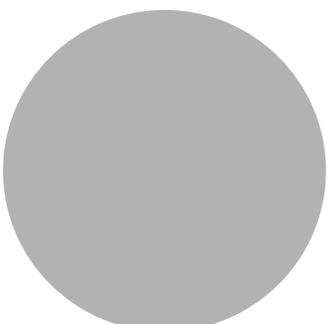
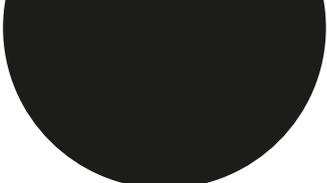
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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no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

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Chi Ming
Mr. Tse Kam Wing Walter
Mr. Chan Wai Lin

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Chan Sau Ling (*resigned on 15 August 2019*)
Mr. Lau Tat Man (*appointed on 15 August 2019 and resigned on 8 November 2019*)
Ms. Soon Yuk Tai, FCIS, FCS (*appointed on 8 November 2019*)

COMPLIANCE OFFICER

Mr. Chan Wai Lin

AUTHORISED REPRESENTATIVES

Mr. Yu Chi Ming
Mr. Chan Wai Lin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INDEPENDENT AUDITORS

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

COMPLIANCE ADVISER

Messis Capital Limited
Room 1606, 16/F, Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

REGISTERED OFFICE

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

WEBSITE

www.hetermedia.com

STOCK CODE

8416



CHAIRMAN'S STATEMENT

Dear Shareholders,

Last year was another challenging year for HM International Holdings Limited (the “Company”) and its subsidiaries (together the “Group”). We however managed to sustain our core businesses, while continued to focus on our development in technology which would allow us to enhance our clients’ experiences with client-centric solutions, and at the same time earning a reasonable profit for our investors. Other than technology, we have also continued to focus on strengthening the other two out of three core areas given the intense competition in various perspectives. As documented in previous reports, our core focuses are Creativity, Service and Technology – these elements have become so important not only by giving us new opportunities but also an edge to retain our clients. To take this even further, we have continued to invest in technology which allowed us to offer resilience to our existing operating platform. The advanced operating processes not only streamlining the existing workflow but also attracting talents as we allow our employees to have the flexibility to work remotely at different office locations. I am delighted to be part of this great company with such gifted employees and I strongly believe that we are one of the most trusted and respected players within the industry. With all the uncertainties and challenges in 2020, our Group will remain to be innovative and committed in order to create new opportunities from the existing industry.

COMPANY OVERVIEW

The Group has continued to evolve our products and services in order to cope with the existing challenges in Hong Kong, offering the best-in-class business process outsourcing solutions that cover financial printing and marketing collateral printing projects, value-added digital services and event management. We have a diverse client base made up of corporations listed or seeking to list on the Stock Exchange, multinational financial institutions such as fund houses and insurance companies, education organisations, and private companies in hospitality, marketing and advertising and legal sectors. The Group has a balanced business makeup with content output falling broadly into three categories, namely 1) listing-related content, 2) fund investment and insurance content, and 3) marketing collaterals. In addition, the Group is rapidly expanding in our technology segment, such as website redesign, video clip production, APP development, e-DM and interactive marketing presentation, etc., which are increasingly in demand from our corporate clients.

This year, our branch office in Taiwan has commenced operations and mainly provided support to operations department. To further accelerate the business development, in August 2019, we agreed to acquire 22.85% equity interest in Wordbee S.A., a software technology company in Luxembourg that works to enhance the translation process and development of computer-assisted translation tools. We are confident that the expansion of our business operations outside Hong Kong will reduce the Group’s risk of dependence upon a certain geographical region.

We have been diligently looking for ways to streamline and automate our workflow and strengthening our IT development for years. This year, IT development has been strengthened even further, focusing on digital innovation and bringing most exciting opportunities that redefine customers’ experience.

CHAIRMAN'S STATEMENT

MISSION

Our mission is to deliver quality services and to meet the ever-changing demands of our clients with the "CARE" attitude: C – Confidentiality; A – Accuracy; R – Reliability; and E – Ease of Mind.

Our greatest strength is our dedicated yet talented team, who enables us to deliver best-in-class products and services. We understand the importance of experience, trust, precision and security – they are our foundation in building lasting partnerships with our clients. We proactively reach out to our clients for feedback in order to exceed their expectations.

PROSPECT

Looking forward, we are still reasonably optimistic to sustain the core business given all the economic uncertainties with the outbreak of coronavirus in 2020. However, we are actively assessing and managing the uncertainties, and implementing, if necessary measures to conquer this challenging time. At the same time, we remain committed to the strategies that we have promised our shareholders before being listed and will continue to seek for the best possible opportunities to grow our business by leveraging our current client base.

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

ACKNOWLEDGEMENT

Here, on behalf of the board of Directors (the "Board") of the Company, I hereby wish to extend my gratitude for the hard work contributed by all employees and the Directors, as well as the support to the Group from all the shareholders. We will adhere to advanced development concept, follow development trend, grasp market opportunities, and make continuous efforts to create greater value for our shareholders and make new contribution to the community.

Yu Chi Ming

Chairman

Hong Kong, 13 March 2020



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

With years of presence and development in the market, we have successfully built up a broad client base including blue chips, state-owned enterprises, global fund houses and major insurance companies. We believe that our ability to maintain recurring clients demonstrates their recognitions of our quality service and we consider these recognitions as one of the key factors leading to our success in the industry. For the years ended 31 December 2019 and 31 December 2018, approximately 82.9% and 73.5% of our clients, respectively, were recurring clients who contributed to approximately 91.4% and 85.3% of the Group's total revenue for the respective years.

This year, our branch office in Taiwan has commenced operations and mainly provided support to operations department. To further accelerate the business development, in August 2019 we agreed to acquire 22.85% equity interest in Wordbee S.A., a software technology company in Luxembourg that works to enhance the translation process and development of computer-assisted translation tools. We are confident that the expansion of our business operations outside Hong Kong will reduce the Group's risk of dependence upon a certain geographical region.

We have been diligently looking for ways to streamline and automate our workflow and strengthening our IT development for years. This year, IT development has been strengthened even further, focusing on digital innovation and bringing most exciting opportunities that redefine customers' experience.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group's revenue remained relatively stable, at approximately HK\$130.5 million, compared with approximately HK\$130.8 million for the year ended 31 December 2018. The decrease primarily stemmed from the drop in revenue generated from the marketing collateral printing projects, which decreased by approximately HK\$2.8 million, or 20.2%, from approximately HK\$14.0 million for 2018, to approximately HK\$11.2 million for 2019. The decrease was partly offset by the increase in revenue generated from financial printing projects of approximately HK\$2.7 million from approximately HK\$114.0 million for 2018 to approximately HK\$116.7 million for 2019.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Financial printing projects	116,694	113,981
Marketing collateral printing projects	11,180	14,017
Other projects	2,631	2,794
	130,505	130,792

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$2.4 million, or 4.0%, from approximately HK\$60.9 million for the year ended 31 December 2018 to approximately HK\$58.5 million for the year ended 31 December 2019. It was mainly due to the increase in the staff costs. The Group's gross profit margin for the years ended 31 December 2019 and 2018 were approximately 44.8% and 46.6% respectively.

Other Income and Losses

The Group's other income and losses increased by approximately HK\$439,000 from approximately HK\$23,000 for the year ended 31 December 2018 to approximately HK\$462,000 for the year ended 31 December 2019. Such increase was mainly caused by the loss on disposal of fixed assets due to relocation of back office during the year ended 31 December 2019.

Selling Expenses

The Group's selling expenses decreased by approximately HK\$0.1 million, or 0.8%, from approximately HK\$12.0 million for the year ended 31 December 2018 to approximately HK\$11.9 million for the year ended 31 December 2019. The decrease was generally in line with decrease in revenue.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$0.1 million, or 0.2%, from approximately HK\$40.8 million for the year ended 31 December 2018 to approximately HK\$40.7 million for the year ended 31 December 2019, which were relatively stable.

Finance Costs

The Group's finance costs increased by approximately HK\$1.6 million which was mainly due to the increase in interest on lease liabilities for the year ended 31 December 2019 (2018: approximately HK\$2,000).

Taxation

The Group's income tax expense increased by approximately HK\$0.4 million, or 42.4%, from approximately HK\$1.0 million for the year ended 31 December 2018 to approximately HK\$1.4 million for the year ended 31 December 2019.

Profit for the year and Net Profit Margin

Profit after tax of the Group decreased by approximately HK\$4.6 million, or 64.7%, from approximately HK\$7.2 million for the year ended 31 December 2018 to approximately HK\$2.5 million for the year ended 31 December 2019. Such decrease was mainly due to the increase in staff costs and the interest on lease liabilities as compared to the year ended 31 December 2018. The net profit margins for the years ended 31 December 2019 and 2018 were approximately 1.9% and 5.5% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2019,

- (a) the Group's total assets increased to approximately HK\$132.8 million (2018: approximately HK\$107.3 million) while the total equity increased to approximately HK\$87.6 million (2018: approximately HK\$84.9 million);
- (b) the Group's current assets increased to approximately HK\$99.0 million (2018: approximately HK\$98.7 million) while the current liabilities increased to approximately HK\$29.7 million (2018: approximately HK\$22.2 million);
- (c) the Group had approximately HK\$65.3 million in cash and bank balances (2018: approximately HK\$58.8 million), which included cash and bank balances in Renminbi ("RMB") of approximately RMB4.9 million, in US dollars ("USD") of approximately USD0.2 million, in Taiwan dollars ("TWD") of approximately TWD0.4 million, and approximately HK\$58.5 million, and the current ratio of the Group was approximately 3.3 times (2018: approximately 4.4 times);
- (d) the Group had leases liabilities of approximately HK\$24.6 million (2018: nil); and
- (e) the gearing ratio (calculated based on debts including payables incurred not in the ordinary course of business divided by total equity as at the respective period end and multiplied 100%) of the Group was 28.1% (2018: zero).

FUTURE PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

As at 31 December 2019, the Group had approximately HK\$3.9 million of capital expenditure (2018: approximately HK\$1.2 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group did not hold any significant investments (2018: nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 129 employees (2018: 116) in Hong Kong, 5 employees (2018: 3) in PRC and 11 employees (2018: nil) in Taiwan. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors' emoluments) were approximately HK\$46.8 million for the year ended 31 December 2019 (2018: approximately HK\$43.1 million). The remuneration packages of the Group's employees include fees, salaries, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2019 are generally appreciated and recognised.

In addition, the Group adopted a share option scheme (the "Scheme") on 15 December 2016. On 16 March 2018 (the "Date of Grant"), 1,560,000 share options were granted for HK\$1.00 consideration to employees under the Scheme at an exercise price of HK\$0.70 per share. No options were exercised under the Scheme during the year ended 31 December 2019 (2018: nil). Details of the Scheme and movement of share options granted under the Scheme for the year ended 31 December 2019 are set out in the paragraph headed "Share Option Scheme" in the Directors' Report herein as well as in Note 27 to the Consolidated Financial Statements.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2019, the Group had assets with the carrying amount of approximately HK\$1.0 million pledged to secure general banking facilities. As at 31 December 2018, the Group had assets with the carrying amount of approximately HK\$4.0 million pledged to secure general banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Reference is made to the announcement of the Company dated 23 August 2019. On 23 August 2019, HM Investment Limited, an indirect wholly-owned subsidiary of the Company, agreed to acquire 22.85% equity interest in Wordbee S.A., from independent third parties for an aggregate cash consideration of one million Euros (equivalent to approximately HK\$8.7 million). As at 31 December 2019, 0.5 million Euros (equivalent to approximately HK\$4.4 million) of the consideration has been paid which represents 12.9% of equity interest in Wordbee S.A..

FOREIGN CURRENCY EXPOSURE

The Group's businesses are mainly operated in Hong Kong. The sales and purchases are mainly denominated in HK\$ and customers rarely request to settle our billing by other foreign currencies such as USD and RMB.

The Group's assets, liabilities and transactions are mainly denominated in HK\$. Only a little portion of the Group's deposits with bank are denominated in USD and TWD (which are freely convertible into HK\$), and RMB (which is not freely convertible currency in the international market). The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and, therefore, no hedging arrangements were made during the year ended 31 December 2019. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

USE OF NET PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds received by the Company from the placing of 100,000,000 shares of the Company (the "Shares") (the "Placing") at a price of HK\$0.60 each on 11 January 2017 (the "Listing Date"), after the deduction of actual listing expenses and underwriting commission, amounted to approximately HK\$40.0 million. Accordingly, the Group has applied the proceeds in the same manner and proportion as shown in the prospectus of the Company dated 29 December 2016 ("the Prospectus").

MANAGEMENT DISCUSSION AND ANALYSIS

A table showing the planned usage of net proceeds from the Placing, the actual utilisation of the net proceeds from the Listing Date up to 31 December 2019 and the remaining unutilised net proceeds up to 31 December 2019 is set out below:

	Planned use of net proceeds from the Placing	Actual use of net proceeds up to 31 December 2019	Unutilised net proceeds up to 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Set up the new office and improve the facilities in the Infinitus Plaza Office	17,487	15,359	2,128 (Note 1)
Enhance the Group's IT systems and infrastructures	14,962	8,361	6,601 (Note 2)
Enhance the Group's work force	3,817	3,817	0
General working capital	3,734	3,734	0
Total	40,000	31,271	8,729 (Note 3)

Notes:

1. The unutilised net proceeds are mainly due to the unintended prolongation to the renovation work for the offices. The Group was unable to identify a suitable time frame to carry out further renovation and improvement work as planned, without having a significant impact to our business operation. Such unutilised net proceeds are expected to be utilised by June 2020.
2. The unutilised net proceeds are mainly due to (i) the Group is still in the process of thoroughly reviewing the impacts on work force in terms of the effectiveness and efficiency and on its value-added process in regards to the implementation of a security mobile office system; (ii) the Group is still in the process of selecting a suitable cloud computing solution for the purpose of enhancing its data server of rental of racks in cage to place its data servers and private cloud space; (iii) the cost saving on maintenance fee of the new human resource software system. Such unutilised net proceeds are expected to be utilised by June 2020.
3. As at 31 December 2019, all of the unused net proceeds were deposited in a licensed bank in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors	Profile
<p>Yu Chi Ming</p> <p>Chairman & Executive Director</p>	<p>Mr. Yu Chi Ming (“Mr. Yu”), aged 61, is an executive Director, the chairman of our Group and a member of the Remuneration Committee of the Company. He is mainly responsible for formulating the overall financial and strategic planning of our Group. Mr. Yu has more than 30 years of experience in the printing industry. Mr. Yu obtained a Diploma in Management for Executive Development from The Chinese University of Hong Kong in September 1991. From April 1982 to February 1992, he was the production supervisor at Speedflex Asia Limited, a financial pre-press services provider, and was subsequently promoted to the position of general manager of production, mainly responsible for managing its printing factory. In January 1992, Mr. Yu was appointed as a director of Sunland Printing Limited (“Sunland”) and he resigned from the role in September 2014. Since March 2000, Mr. Yu has been the chairman of HeterMedia Services Limited (“HM Services”). Mr. Yu is currently a director of each of HM Immediate Holdings Limited (“HM Immediate”), HM Information Services Limited (“HM Information”), HM Services, HM Too Limited (“HM Too”), HM Too (Asia) Limited (“HM Asia”), HM Language Services Limited (“HM Language”) and WordFlow Limited, all of which are subsidiaries of the Company. Mr. Yu is also a director of HM Ultimate Holdings Limited, the controlling shareholder of the Company.</p>
<p>Tse Kam Wing Walter</p> <p>Vice Chairman & Executive Director</p>	<p>Mr. Tse Kam Wing Walter (“Mr. Tse”), aged 60, is an executive Director and the vice chairman of our Group and is mainly responsible for the overall business development and corporate planning of our Group. Mr. Tse has over 30 years of experience in the printing industry. He joined our Group in March 2002, as managing director of HM Services, responsible for developing and implementing a strategic plan. In December 1994, he obtained a degree of Master of Business Administration from Newport University, USA. From July 1982 to March 1988, Mr. Tse worked at Jardine Printing, a division of Jardine Marketing Services Ltd. which is a subsidiary of Jardine Matheson & Co. Ltd., during which he was promoted to the role of business development manager and was mainly responsible for business and products development. Between August 1988 to May 1990, he became the sales manager at Times Ringier (HK) Limited, a company which principally engages in magazine printing services, mainly responsible for building relationship with clients. Between February 1991 and August 1992, Mr. Tse was employed as district manager of the systemedia division at NCR (Hong Kong) Limited, mainly responsible for the provision of financial instrument printing services. From April 1995 to February 2002, Mr. Tse worked at Elegance Finance Printing Services Limited as general manager, mainly responsible for the day-to-day management and was subsequently promoted to the role of director. Mr. Tse is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia, HM Language, Talesis Limited and WordFlow Limited, all of which are subsidiaries of the Company. Mr. Tse is also a director of HM Ultimate Holdings Limited, the controlling shareholder of the Company.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Executive Directors	Profile
<p>Chan Wai Lin</p> <p>Chief Executive Officer, Executive Director & Compliance Officer</p>	<p>Mr. Chan Wai Lin (“Mr. Chan”), aged 47, is an executive Director, the Chief Executive Officer of our Group, the Compliance Officer and a member of the Nomination Committee of the Company. He is mainly responsible for overall business management and making overall operational decisions of our Group. He joined our Group in November 2012 as a director of HM Too. Mr. Chan has over 15 years of experience in the financial printing industry. In December 1998, Mr. Chan obtained a degree of Bachelor of Arts in Economics from the University of Missouri, USA. In December 2000, he obtained a degree of Master of Arts in Finance from Webster University, USA. Mr. Chan also obtained a degree of Master of Business Administration from Webster University, USA, in August 2001.</p> <p>Mr. Chan worked at State Street – Kansas City (formerly known as IFTC (Investors Fiduciary Trust Company)) as fund accountant/portfolio administrator in March 1999 and as financial analyst from May 2000 to March 2001. He was mainly responsible for preparing financial reports and conducting ad hoc analysis on profitability of new fund accounts. Mr. Chan was employed by RR Donnelley Roman Financial Limited, a financial printer, from March 2002 to March 2008 and his last position was head of office in the business process outsourcing department. He was mainly responsible for developing production strategies, planning projects and developing and implementing procedures and systems. In March 2008, Mr. Chan was appointed as director of Dragon Globe Holdings Limited (formerly known as Xuanda Group Limited; HeterMedia Group Limited (軒達資訊集團有限公司); and HeterMedia Holdings Limited (軒達資訊控股有限公司)) (“HMG”), until May 2012. During June 2012 and November 2012, he was appointed as executive director of Williams Lea Asia, Limited responsible for strategic sourcing in Asia excluding Japan. Mr. Chan is currently a director of each of HM Immediate, HM Information, HM Services, HM Too, HM Asia, HM Language, Talesis Limited and WordFlow Limited, all of which are subsidiaries of the Company. Mr. Chan is also a director of HM Ultimate Holdings Limited, the controlling shareholder of the Company.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-Executive Directors	Profile
<p>Choi Hon Ting Derek</p> <p>Independent Non-Executive Director</p>	<p>Mr. Choi Hon Ting Derek (“Mr. Choi”) (formerly known as Choi Kwan Wai Derek), aged 51, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He joined our Group on 15 December 2016. Mr. Choi has over 25 years of experience in the trading of specialised engineering equipment. Mr. Choi is the co-founder of Symbior Energy Limited, whose principal business activities are mainly investing in energy ventures, where he has been its president, responsible for China business operations since August 2010. Since December 1991, Mr. Choi has worked at Balama Prima Engineering Co., Ltd., the core business of which includes infrastructure environmental conservation and agricultural-related business and he is currently its managing director, responsible for its overall management.</p> <p>Mr. Choi graduated with a degree of Bachelor of Science in Agricultural Engineering from Purdue University, USA in May 1991.</p> <p>Mr. Choi has been appointed as an executive director of D&G Technology Holding Company Limited (stock code: 1301) since 11 September 2014, which is listed on the Main Board of the Stock Exchange. Mr. Choi has resigned as an independent non-executive director of IPE Group Limited (stock code: 929), which is also listed on the Main Board of the Stock Exchange, with effect from 2 June 2017.</p> <p>Mr. Choi has resigned as the managing director of Pure Technologies (China) Limited, a company engaged in the development and application of innovative technologies for inspection, monitoring and management of physical infrastructure since September 2018.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-Executive Directors	Profile
<p>Ng Jack Ho Wan</p> <p>Independent Non-Executive Director</p>	<p>Mr. Ng Jack Ho Wan (“Mr. Ng”) (formerly known as Ng Ho Wan), aged 43, was appointed as an independent non-executive Director on 15 December 2016. He is also the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. He has over 19 years of experience in accounting, auditing, asset management and fund administration. He worked in PricewaterhouseCoopers LLP, Canada from September 1997 until February 2001. He then joined KPMG in Hong Kong and was an audit partner during July 2008 and October 2012, where he was responsible for overseeing audit and advisory projects in the wealth and fund management sectors both in China and Hong Kong. He has been the managing director of Jack H.W. Ng CPA Limited since June 2013.</p> <p>In May 2000, Mr. Ng graduated from Simon Fraser University, Canada with a degree of Bachelor of Business Administration (Co-operative Education).</p> <p>Mr. Ng has been a fellow of the Hong Kong Institute of Certified Public Accountants since May 2010 and also a chartered accountant in British Columbia, Canada since February 2001. He was accredited as certified information systems auditor in January 2007. In September 2007, he was certified as chartered financial analyst by the CFA Institute. He was awarded with a specialist certificate in asset management in February 2005.</p> <p>Mr. Ng has been appointed as an independent non-executive director of Zhejiang Cangnan Instrument Group Company Limited (stock code: 1743) since 21 June 2018, which is listed on the Main Board of the Stock Exchange.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Independent Non-Executive Directors	Profile
<p>Wan Chi Wai Anthony</p> <p>Independent Non-Executive Director</p>	<p>Mr. Wan Chi Wai Anthony (“Mr. Wan”), aged 44, was appointed as an independent non-executive Director on 15 December 2016. He is also the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee of the Company. He is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of our Company. Mr. Wan possesses professional experience in both the accounting and legal fields. In November 1997, Mr. Wan graduated from The Hong Kong University of Science and Technology with a degree of Bachelor of Business Administration in Accounting. He subsequently obtained a degree of Bachelor of Laws in August 2003 from the University of London, United Kingdom through distance learning and obtained a Postgraduate Certificate in Laws from The University of Hong Kong in June 2004. He was admitted as a solicitor in Hong Kong in September 2006.</p> <p>Mr. Wan was an associate in the assurance and business advisory services department of PricewaterhouseCoopers Ltd. from August 1997 to May 2001 with his last position held there as senior associate. He was mainly responsible for auditing and accountancy in Hong Kong companies. In October 2001, he joined Wellink Services Limited as accounting manager and resigned in January 2002. He was mainly responsible for handling accounting and financing matters of the company. From April 2002 to September 2003, Mr. Wan worked as an assistant manager of finance in the business services division of MLC (Hong Kong) Limited, and was mainly responsible for accounting and finance matters of the company.</p> <p>Mr. Wan is an associate of the Hong Kong Institute of Certified Public Accountants since January 2002 and was admitted as a fellow of The Association of Chartered Certified Accountants in May 2006. Mr. Wan is currently a partner in the corporate, private equity, M&A and commercial practice of King & Wood Mallesons, Hong Kong.</p> <p>Since 1 December 2015, he has been an independent non-executive director of Charmacy Pharmaceutical Co., Ltd. (formerly known as Chuangmei Pharmaceutical Co., Ltd.) (stock code: 2289), the shares of which are listed on the Main Board of the Stock Exchange. Since 12 January 2018, he has been appointed as independent non-executive director of Dafy Holdings Limited (formerly known as FDB Holdings Limited) (stock code: 1826), the shares of which are also listed on the Main Board of the Stock Exchange.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Senior Management	Profile
<p>Chan Wai Chung Caroline</p> <p>Chief Operations Officer</p>	<p>Ms. Chan Wai Chung Caroline, aged 46, is the chief operations officer of our Group and is responsible for overall business operation and management of our Group. She is primarily responsible for supervising the day-to-day operations of our business units. She joined our Group in August 2010. She obtained a degree in Bachelor of Commerce from Deakin University, Australia, in September 1996. She obtained a degree of Master of Environmental and Business Management from the University of Newcastle, Australia, in December 2005 and a degree of Master of Business Administration jointly issued by the University of Sydney, Australia and the University of New South Wales, Australia, in September 2003. She obtained a degree of Master of Arts in Computer-Aided Translation from The Chinese University of Hong Kong in December 2010.</p> <p>Between September 1999 and January 2000, she was a customer service supervisor of Roman Financial Press Limited, where she was mainly responsible for the daily operations of the international customer service department. During January 2001 to February 2008, She was employed by RR Donnelley Roman Financial Limited with her last position held as financial services service delivery supervisor in the service delivery department. She was mainly responsible for staff training.</p> <p>She has been appointed as a director of Wordbee S.A since 6 November 2019.</p>
<p>Cheng Shuk Wa</p> <p>Shared Services Officer</p>	<p>Ms. Cheng Shuk Wa (“Ms. Cheng”), aged 51, is the shared services officer of our Group and is responsible for supervising all the shared services units such as translation, administration and human resources of our Group. Ms. Cheng joined our Group in June 2012 as human resources and administration manager of HM Services. Ms. Cheng attended University of Victoria, Canada, and obtained a degree of Bachelor of Arts majoring in Economics in May 1994. During May 2003 to June 2004, she was sales administration manager at The Essentials on behalf of Home Apply Limited, where she was mainly responsible for the supervision of sales support team to provide administrative support to business unit. Between June and December 2005, Ms. Cheng was an assistant administration manager at Sun Power Container Services Limited, where she was responsible for running the personnel and general administration functions.</p>

DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Senior Management	Profile
<p>Yung Suk Man</p> <p>Financial Controller</p>	<p>Ms. Yung Suk Man (“Ms. Yung”), aged 52, is the financial controller of our Group and is responsible for reviewing financial reports, overseeing financial and accounting matters of our Group. Ms. Yung was an accountant of Sunland from May 1995, and subsequently joined HM Services as an accounting manager in September 2014. Ms. Yung graduated from Curtin University of Technology, Australia with a degree of Bachelor of Commerce in Accounting and Finance in September 2004. In May 2015, Ms. Yung obtained a degree of Master of Business Administration from European University, through distance learning.</p>

Company Secretary	Profile
<p>Soon Yuk Tai</p> <p>Company Secretary</p>	<p>Ms. Soon Yuk Tai (director of “Team Fame Corporate Advisory Limited”, an external service provider engaged by the Company) has been appointed as the company secretary of the Company with effect from 8 November 2019 and is responsible for the company secretarial and related matters of the Company. She is a Chartered Secretary, a Chartered Governance Professional, and a fellow member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Soon has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Her practice focuses on corporate governance and administration, and regulatory compliance.</p>



REPORT OF DIRECTORS

The Directors have pleasure in presenting the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “Consolidated Financial Statements”).

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in provision of integrated printing services, concept creation and artwork design, IT and languages services. The principal activities of the Company’s subsidiaries are set forth in Note 35 to the Consolidated Financial Statements.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2019, a discussion on the Group’s future business development, particulars of important events affecting the Group since the year ended 31 December 2019 and an analysis of the Group’s performance using financial key performance indicators are provided in the “Management Discussion and Analysis” on pages 6 to 12. In addition, discussions on the principal risks and uncertainties facing the Group, the Group’s environmental policies and performance, the Group’s compliance with the relevant laws and regulations that have a significant impact on the Group and key relationships with its stakeholders are contained in this “Report of Directors”.

PRINCIPAL RISK AND UNCERTAINTIES

Our Group’s financial position, results of operations and business prospects may be affected by a number of risks and uncertainties directly and indirectly pertaining to our Group’s business. The following are the key risks and uncertainties identified by our Group.

We generally do not enter into any long-term contracts with our clients. We may not be successful in maintaining our relationship with existing clients or attracting new clients, which may expose us to potential volatility with respect to our business performance.

We provide integrated printing services for corporate clients mainly in the financial and capital markets in Hong Kong. We, in general, do not enter into any long-term contracts with our clients, and we are engaged by our clients on a project-by-project basis. Most of our projects are non-recurring in nature, such as financial printing projects related to fund investment content outputs, and the availability of these projects are subject to the financial market condition.

REPORT OF DIRECTORS

We engage subcontractors to conduct part of the works in our productions and the performance of these subcontractors may affect the quality of our overall services to our clients.

We outsource part of our productions, in particular the printing and binding/packaging works, to our subcontractors. As we do not operate any printing factory, all of our printing and binding/packaging works are outsourced to third party printing houses. Generally, our final content outputs are delivered to our clients' designated locations directly by our subcontracted printing houses or through third party logistic service providers.

ENVIRONMENTAL POLICY

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

Environmental policy is set out in the "Environmental, Social and Governance Report" which will be published on the websites of the Company and of the Stock Exchange in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, our Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of our Group during the year ended 31 December 2019.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil), save for an interim dividend for the six months ended 30 June 2018 of HK2.5 cents per share, amounting to HK\$10 million, as declared by the Board on 25 July 2018 and paid to the then shareholders on 31 August 2018.

REPORT OF DIRECTORS

FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements or the Prospectus, is set out on page 120 of this report. This summary does not form part of the Consolidated Financial Statements.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2019 are set out in consolidated statement of changes in equity on page 54.

DISTRIBUTABLE RESERVES

The Company had reserves of approximately HK\$62,570,000 (2018: approximately HK\$62,446,000) available for dividend distribution to shareholders of the Company (the "Shareholders") as at 31 December 2019.

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 25 to the Consolidated Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTION SCHEME

The Company has adopted the Scheme as approved by a resolution of the Shareholders passed on 15 December 2016.

REPORT OF DIRECTORS

Details of the Scheme are as follows:

1.	Purpose of the Scheme	To enable the Company to grant options to eligible participants, who have contributed or may contribute to the Group as incentive or reward for their contribute to the Group to subscribe for the Shares thereby linking their interest with that of the Group.
2.	Eligible participants to the Scheme	Any employee (full-time or part-time), director, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary of the Company, or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.
3.	Total number of Shares available for issue under the Scheme and percentage to the issued Shares as at the date of this annual report	40,000,000 Shares (equivalent to 10% of the total number of Shares in issue as at the date of this annual report).
4.	Maximum entitlement of each participant under the Scheme	Not exceeding 1% of the total number of Shares in issue for the time being in any 12-month period. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.
5.	The period within which the Shares must be taken up under an option	A period determined by the Board, which shall not be more than ten (10) years after the offer date and shall be subject to the provisions for early termination as contained in the Scheme.
6.	The minimum period for which an option must be held before it can be exercised	Unless otherwise determined by the Board, there is no performance target required to be achieved and no minimum period required under the Scheme for the holding of an option before it can be exercised.
7.	The amount payable on application or acceptance of the option and the period within which payments or calls must be made	The payment or remittance of HK\$1.00 (being the consideration for the grant) within 21 days from the offer date or within such other period of time as may be determined by the Board pursuant to the GEM Listing Rules.
8.	The basis of determining the exercise price	Being determined by the Board and shall be at least the highest of:– (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the offer date; and (c) the nominal value of a Share on the offer date.
9.	The remaining life of the Scheme	The Scheme is valid and effective for a period of ten (10) years commencing on 15 December 2016 (being the date of adoption of the Scheme).

REPORT OF DIRECTORS

Details of movement of the share options granted under the Scheme for the year ended 31 December 2019 are as follows:

Category of option holders	Date of grant (Note 1)	Exercise price per Share	Exercise period	Number of share options					Outstanding as at 31 December 2019
				Outstanding as at 1 January 2019	Granted during the year	Exercised during the year (Note 2)	Lapsed during the year	Cancelled during the year	
Employees of the Group in aggregate									
Group A	16 March 2018	HK\$0.70	16 March 2019 to 15 March 2022	25,000	-	-	-	-	25,000
Group B	16 March 2018	HK\$0.70	16 March 2020 to 15 March 2023	1,325,000	-	-	150,000	-	1,175,000
Total				1,350,000	-	-	150,000	-	1,200,000

Notes:

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

REPORT OF DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2019 are set out in Note 35 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the year ended 31 December 2019 are set out in Note 14 to the Consolidated Financial Statements.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus our Group provides competitive remuneration package and long term career development to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. Our Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the year ended 31 December 2019, there was no material and significant dispute between our Group and its business partners or bank enterprises.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float required under the GEM Listing Rules.

REPORT OF DIRECTORS

CHARITABLE DONATIONS

During the year ended 31 December 2019, the Group made charitable donations totalling approximately HK\$46,000 (2018: approximately HK\$86,000).

KEY RELATIONSHIPS

Employees

Our Group recognises employees as our valuable assets. We provide competitive remuneration package to attract, motivate and retain appropriate and suitable personnel to serve our Group. We have also adopted an annual review system to assess the performance of our staff, which forms the basis of our decisions with respect to salary raises and promotions.

Customers

Our majority of customers are either corporations listed on the Stock Exchange and/or financial institutions such as fund houses, insurance companies and banks. We will endeavour to accommodate their demands for our services to the extent our resources allow in order to capture more opportunities for larger scale projects in the future.

Suppliers

Our Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. All of our major suppliers are our subcontractors. It is our Group's policy to subcontract all printing and binding/packaging works to third parties. Our Group has set up an approved list of suppliers and we select suppliers based on their equipment used, production environment, qualifications and certifications and service/product quality.

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 December 2019, the five largest clients accounted for approximately 18.5% (2018: approximately 22.1%) of the Group's total revenue and the five largest suppliers of the Group accounted for approximately 54.2% (2018: approximately 49.5%) of the Group's total purchase. The largest client of the Group accounted for approximately 4.9% (2018: approximately 6.9%) of the Group's total revenue while the largest supplier of the Group accounted for approximately 24.2% (2018: approximately 17.3%) of the Group's total purchase.

None of the Directors, their close associates, or any substantial Shareholders (which, to the knowledge of the Board, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

REPORT OF DIRECTORS

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year ended 31 December 2019 are disclosed in Note 33 to the Consolidated Financial Statements. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements pursuant to the GEM Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTION

On 21 December 2018, a tenancy agreement was entered into between Unique Concept Development Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Mr. Yu, and HM Services (as tenant), in respect of a property situated at House 77, Tycoon Place, 38 Lo Fai Road, Tai Po, New Territories, Hong Kong (used as the quarters of a Director), for a term of 12 months commencing on 1 January 2019 and ending on 31 December 2019 (both days inclusive) at a monthly rental of HK\$35,000. The total short-term lease expense paid to Unique Concept Development Limited for the year ended 31 December 2019 was HK\$420,000. Each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the rental annual cap is less than 5% and the annual consideration is less than HK\$3,000,000. Accordingly, the entering into of the tenancy agreement constitutes an exempt continuing connected transaction of the Company under Rule 20.74 of the GEM Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS

The Directors who held office during the year ended 31 December 2019 were:

Executive Directors

Mr. Yu Chi Ming
Mr. Tse Kam Wing Walter
Mr. Chan Wai Lin

Independent Non-executive Directors

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

Detailed information of the Directors standing for re-election will be set out in the circular in relation to the forthcoming annual general meeting of the Company to be dispatched together with this annual report to the Shareholders.

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long Position in the Shares of the Company

As at 31 December 2019

Name of Director	Nature of interests	Number of ordinary Shares interested	Approximate percentage* of shareholding
Yu Chi Ming	Interests held jointly with another person; interest held by a controlled corporation (Note)	297,045,000	74.26%
Tse Kam Wing Walter	Interests held jointly with another person; interest held by a controlled corporation (Note)	297,045,000	74.26%
Chan Wai Lin	Interests held jointly with another person; interest held by a controlled corporation (Note)	297,045,000	74.26%

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 297,045,000 Shares held by HM Ultimate.

* The percentage represents the number of ordinary Shares involved divided by the total number of issued Shares as at 31 December 2019.

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

Name of Director	Name of associated corporation	Nature of interests	Number of ordinary shares held	Percentage** of shareholding
Yu Chi Ming	HM Ultimate	Beneficial owner	530	53.0%
Tse Kam Wing Walter	HM Ultimate	Beneficial owner	245	24.5%
Chan Wai Lin	HM Ultimate	Beneficial owner	225	22.5%

** The percentage represents the number of ordinary shares involved divided by the total number of issued shares of the associated corporation as at 31 December 2019.

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 December 2019, the following persons/entities other than a Director or chief executive of the Company had interests or short positions in the Shares or underlying Shares, as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in the Shares of the Company

As at 31 December 2019

Name of shareholder	Nature of interests	Number of ordinary Shares interested	Approximate percentage*** of shareholding
HM Ultimate (Note 1)	Beneficial owner	297,045,000	74.26%
Wong Mee Che Lilian	Interest of spouse (Note 2)	297,045,000	74.26%
Wong Yuk Sim Kathy	Interest of spouse (Note 3)	297,045,000	74.26%
Tang Wai Kwan May	Interest of spouse (Note 4)	297,045,000	74.26%

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.

*** The percentage represents the number of ordinary Shares involved divided by the total number of issued Shares as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, other than the Directors whose interests are set out in the above paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations", no person had any interest or short position in the Shares or underlying Shares recorded in the register required to be kept under section 336 of the SFO.

REPORT OF DIRECTORS

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of the Directors and of the five highest paid individuals in the Group are set out in Note 10 and Note 11 to the Consolidated Financial Statements respectively.

DIRECTORS' SERVICE AGREEMENTS

Each of the Directors is appointed for a term of three years.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company and/or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option as disclosed in the section headed "Share Option Scheme" of this report, during the year ended 31 December 2019, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries or the holding company a party to any arrangement which enabled the Directors to acquire such rights in any other body corporate.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in Note 33 to the Consolidated Financial Statements, there was no contract of significance between the Company or any of its subsidiaries on the one hand, and a controlling Shareholder or any of its subsidiaries on the other, subsisting during or at the end of the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the related party transactions disclosed in Note 33 to the Consolidated Financial Statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries or any related company was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2019.

REPORT OF DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2019, none of the Directors or the controlling Shareholders or their respective close associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely HM Ultimate, Mr. Yu Chi Ming, Mr. Tse Kam Wing Walter, and Mr. Chan Wai Lin, entered into the Deed of Non-Competition in favour of the Company on 15 December 2016 (the "Deed"), details of which have been set out in the Prospectus. The Company has received an annual confirmation from the controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed throughout the year ended 31 December 2019. The independent non-executive Directors have also reviewed the compliance and enforcement of the non-competition undertakings under the Deed by the controlling Shareholders and confirmed that the controlling Shareholders have not been in breach of the Deed throughout the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, cost, charges, losses, damages and expenses incurred or sustained by him as a Director provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty attached to him. The Company has arranged appropriate insurance cover in respect of legal action against the Directors.

EQUITY-LINKED AGREEMENTS

Save for the Scheme as set out in this report, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2019.

REMUNERATION POLICY

As at 31 December 2019, the Group had 129 employees (2018: 116) in Hong Kong, 5 employees (2018: 3) in PRC and 11 employees (2018: nil) in Taiwan. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors' emoluments) were approximately HK\$46.8 million for the year ended 31 December 2019 (2018: approximately HK\$43.1 million). The remuneration packages of the Group's employees include fees, salaries, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2019 are generally appreciated and recognised.

REPORT OF DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

INTERESTS OF COMPLIANCE ADVISER

As notified by Messis Capital Limited (“Messis”), the Company’s compliance adviser, except for the compliance adviser agreement dated 6 September 2016 entered into between the Company and Messis, neither Messis nor any of its directors or employees or close associates had any interest in the securities of the Company or any member of the Group as at 31 December 2019 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

COMPANY SECRETARY

Ms. Soon Yuk Tai is the company secretary of our Company. Please refer to her biography in the section headed “Directors, Senior Management and Company Secretary” for details.

COMPLIANCE OFFICER

Mr. Chan Wai Lin, who is also an executive Director, is the compliance officer of our Company. Please refer to Mr. Chan’s biography in the section headed “Directors, Senior Management and Company Secretary” for details.

REVIEW BY AUDIT COMMITTEE

The audit committee (the “Audit Committee”) consists of three members who are Mr. Ng Jack Ho Wan, Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. Mr. Ng Jack Ho Wan is the chairman of the Audit Committee. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including review of the Consolidated Financial Statements.

REPORT OF DIRECTORS

EVENTS AFTER THE REPORTING DATE

As from 31 December 2019 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

AUDITORS

The Consolidated Financial Statements were audited by HLB Hodgson Impey Cheng Limited, the auditors, who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of HLB Hodgson Impey Cheng Limited, as the independent external auditors of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditors since the date of the Listing.

On behalf of the Board

HM International Holdings Limited

Yu Chi Ming

Chairman

Hong Kong, 13 March 2020



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2019, the Company has complied with all the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company are summarized below.

A. The Board

A1. Responsibilities and Delegation

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

A2. Board Composition

The composition of the Board during the year ended 31 December 2019 and up to the date of this report is as follows:

Executive Directors:

Mr. Yu Chi Ming	(Chairman of the Board and Member of the Remuneration Committee)
Mr. Tse Kam Wing Walter Mr. Chan Wai Lin	(Chief Executive Officer and Member of the Nomination Committee)

Independent Non-executive Directors:

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

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

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

A3. Chairman and Chief Executive Officer

The positions of Chairman of the Board and Chief Executive Officer of the Company are held by Mr. Yu Chi Ming and Mr. Chan Wai Lin respectively. The Chairman provides leadership and is responsible for formulating the overall financial and strategic planning of the Group. The Chief Executive Officer focuses on the Company's overall business management and making overall operational decisions.

A4. Independent Non-executive Directors

Throughout the year ended 31 December 2019, the Board has met the requirements of the GEM Listing Rules of having a minimum of three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

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

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

A5. Appointment and Re-election of Directors

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

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

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

CORPORATE GOVERNANCE REPORT

A6. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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

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

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended 31 December 2019, the Directors have complied with the code provision A.6.5 of the CG Code on participation in continuous professional training as follows:

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

CORPORATE GOVERNANCE REPORT

A7. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended 31 December 2019 are set out below:

Name of Director	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
<i>Executive Directors:</i>					
<i>Mr. Yu Chi Ming</i>	4/4	N/A	1/1	N/A	1/1
<i>Mr. Tse Kam Wing Walter</i>	4/4	N/A	N/A	N/A	1/1
<i>Mr. Chan Wai Lin</i>	4/4	N/A	N/A	1/1	1/1
<i>Independent Non-executive Directors:</i>					
<i>Mr. Choi Hon Ting Derek</i>	4/4	4/4	1/1	N/A	1/1
<i>Mr. Ng Jack Ho Wan</i>	4/4	4/4	N/A	1/1	1/1
<i>Mr. Wan Chi Wai Anthony</i>	2/4	2/4	0/1	0/1	0/1

In addition, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of executive Directors during the year ended 31 December 2019.

A8. Directors' and Employees' Securities Transactions

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 December 2019.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Required Standard of Dealings for securities transactions by employees who are likely to possess inside information of the Company and/or its securities. Throughout the year ended 31 December 2019, no incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

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

CORPORATE GOVERNANCE REPORT

A9. Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2019, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Required Standard of Dealings and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

B. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the website of the Stock Exchange and are available to Shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

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

B1. Audit Committee

The Company has met the GEM Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended 31 December 2019. The Audit Committee consists of three members, being all the three independent non-executive Directors, namely Mr. Ng Jack Ho Wan (chairman of the Committee), Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony, with Mr. Ng Jack Ho Wan and Mr. Wan Chi Wai Anthony possessing appropriate professional qualifications or accounting or related financial management expertise. None of the Audit Committee members is a former partner of the Company's existing external auditors.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and relationship with external auditors, and arrangements to enable employees of the Company to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee has reviewed the Consolidated Financial Statements.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2019, the Audit Committee held 4 meetings to review and discuss the Group's consolidated financial statements, results announcements and reports for the year ended 31 December 2018, for the three months ended 31 March 2019, for the six months ended 30 June 2019 and for the nine months ended 30 September 2019; the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function; re-appointment of external auditors and relevant scope of works; and arrangements for employees to raise concerns, in confidence, about possible improprieties.

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

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

B2. Remuneration Committee

The Remuneration Committee consists of three members, being two independent non-executive Directors, Mr. Choi Hon Ting Derek (chairman of the Committee) and Mr. Wan Chi Wai Anthony, and one executive Director, Mr. Yu Chi Ming. Throughout the year ended 31 December 2019, the Company has met the GEM Listing Rules requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the year ended 31 December 2019, the Remuneration Committee held one meeting to review and make recommendations to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and other related matters.

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

CORPORATE GOVERNANCE REPORT

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management, other than the Directors, by band for the year ended 31 December 2019 is set out below:

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

B3. *Nomination Committee*

The Nomination Committee comprises three members, being two independent non-executive Directors, Mr. Wan Chi Wai Anthony (chairman of the Committee) and Mr. Ng Jack Ho Wan, and one executive Director, Mr. Chan Wai Lin. Throughout the year ended 31 December 2019, the Company has met the code provision A.5.1 of the CG Code of having a majority of the Committee members being independent non-executive Directors and having the Committee chaired by an independent non-executive Director.

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

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

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

CORPORATE GOVERNANCE REPORT

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

During the year ended 31 December 2019, the Nomination Committee has held one meeting in which the Committee members had reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommended the reappointment of the retiring Directors standing for re-election at the Company's 2019 AGM; and assessed the independence of the existing independent non-executive Directors.

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

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

C. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness to safeguard the interests of the Shareholders and the assets of the Group. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems on an ongoing basis. At the same time, the Group endeavours to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems are compatible with the Committee of Sponsoring Organisations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

1. Each division is responsible for identifying and assessing principal risks within the division on a quarterly basis establishing mitigation plans to manage the risks identified;
2. The management is responsible for overseeing the Group's risk management and internal control activities, attending quarterly meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented;

CORPORATE GOVERNANCE REPORT

3. The Board is responsible for reviewing and approving the effectiveness and adequacy of the Group's risk management and internal controls systems.

The risk management framework, coupled with our internal controls, ensures that the risks associated with our different business units are effectively controlled in line with the Group's risk appetite.

Our independent internal control consultant has performed an assessment on our internal control systems including reviewing guidelines and policies which are implemented through our operational process. An internal audit function is set up to examine key issues in relation to the financial and operational matters/practices and to provide its findings and any recommendations for improvement to the Audit Committee.

The Board has the responsibility to maintain the adequacies of resources, and to enhance qualifications and experiences of staff by providing training programs. The Board concluded that the Group's risk management and internal control systems were in place and effective.

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

D. DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the Consolidated Financial Statements is set out in the section headed "Independent Auditors' Report" in this annual report.

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

CORPORATE GOVERNANCE REPORT

E. AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, HLB Hodgson Impey Cheng Limited, in respect of their services for the year ended 31 December 2019 is set out below:

Service Category	Fees Paid/Payable (HK\$)
Audit Services – audit fee for the year ended 31 December 2019	880,000

F. COMPANY SECRETARY

Ms. Soon Yuk Tai of Team Fame Corporate Advisory Limited, external service provider, has been appointed as the Company's secretary with effect from 8 November 2019. Ms. Yung Suk Man, the Company's financial controller, has been designated by the Company as the primary contact person with the said service provider and Ms. Soon.

For the year ended 31 December 2019, Ms. Soon Yuk Tai has undertaken not less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

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

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

Address: 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
(For the attention of the Board of Directors)
Fax: +852.3102.0908
Email: enquiry@hetermedia.com

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

CORPORATE GOVERNANCE REPORT

Shareholders should direct their questions about their shareholdings by mail to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or by telephone at +852.2980.1333, which has been appointed by the Company to deal with Shareholders for share registration and related matters.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the GEM Listing Rules and poll results will be posted on the website of the Stock Exchange as well as the Company's website after each general meeting.

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

Pursuant to the Articles, an EGM can be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company at the Company's principal place of business in Hong Kong (currently 9/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong) for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

I. CONSTITUTIONAL DOCUMENTS

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

J. POLICIES RELATING TO SHAREHOLDERS

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

The Company has adopted a dividend policy on payment of dividends. The Company does not have any predetermined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board for a financial year or period and any final dividend for a financial year will be subject to the Shareholders' approval.



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11 Pedder Street
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Hong Kong

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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HM International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 119, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Revenue recognition

Refer to Note 5 to the consolidated financial statements.

The Group recognised revenue of approximately HK\$130,505,000 from provision of integrated printing services for the year ended 31 December 2019.

Revenue from provision of integrated printing services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Management used significant judgements and estimations to determine the progress towards complete satisfaction of the performance obligation at the reporting date.

Our procedures in relation to revenue recognition mainly included:

- Inspecting quotations and agreements with customers to understand the terms of the provision of integrated printing services to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;
- Assessing the Group's revenue recognition is based on a reasonable measurement of the value of performance completed to date of the individual contract as a percentage of total transaction price; and
- Checking the accuracy of the incurred costs to date and assessing judgements and estimates about budgeted costs to complete and expected gross profits.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.



INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Lo Kin Kei.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Lo Kin Kei

Practising Certificate Number: P06413

Hong Kong, 13 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	5	130,505	130,792
Cost of sales		(72,008)	(69,848)
Gross profit		58,497	60,944
Other income and losses	6	(462)	(23)
Selling expenses		(11,884)	(11,979)
Administrative expenses		(40,718)	(40,793)
Share of profit of an associate		56	–
Finance costs	7	(1,559)	(2)
Profit before tax		3,930	8,147
Income tax expense	8	(1,403)	(985)
Profit for the year	9	2,527	7,162
Other comprehensive expense <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translating of foreign operations		(26)	(35)
Share of other comprehensive expense of an associate		(6)	–
Other comprehensive expense for the year, net of income tax		(32)	(35)
Total comprehensive income for the year		2,495	7,127
Profit/(loss) for the year attributable to:			
Owners of the Company		2,614	7,162
Non-controlling interests		(87)	–
		2,527	7,162
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		2,582	7,127
Non-controlling interests		(87)	–
		2,495	7,127
		HK cents	HK cents
Earnings per share			
Basic and diluted	13	0.65	1.79



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	14	5,206	8,471
Right-of-use assets	15	23,966	–
Intangible assets	16	89	83
Interest in an associate	17	4,405	–
Deferred tax assets	24	168	36
		33,834	8,590
Current assets			
Contract assets	18	3,120	2,554
Trade and other receivables	19	29,416	32,307
Current tax assets		146	1,092
Pledged bank deposits	20	1,000	4,008
Cash and bank balances	20	65,314	58,761
		98,996	98,722
Total assets		132,830	107,312
Current liabilities			
Contract liabilities	18	4,786	3,961
Trade and other payables	21	13,759	18,035
Amount due to non-controlling interests	22	485	–
Lease liabilities	23	9,117	–
Current tax liabilities		1,586	214
		29,733	22,210
Net current assets		69,263	76,512
Total assets less current liabilities		103,097	85,102



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities	23	15,507	–
Deferred tax liabilities	24	35	166
		15,542	166
Net assets			
		87,555	84,936
Capital and reserves			
Share capital	25	4,000	4,000
Reserves	26	83,637	80,931
Equity attributable to owners of the Company		87,637	84,931
Non-controlling interests		(82)	5
Total equity			
		87,555	84,936

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 March 2020 and are signed on its behalf by:

Mr. Tse Kam Wing Walter
Director

Mr. Chan Wai Lin
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								Total equity
	Share capital	Share premium	Special reserve	Share-based	Translation reserve	Retained earnings	Sub-total	Non-controlling interests	
				payments reserve					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 25)		(Note)						
Balance at 1 January 2018	4,000	49,009	138	-	-	34,529	87,676	-	87,676
Profit and total comprehensive (expense)/ income for the year	-	-	-	-	(35)	7,162	7,127	-	7,127
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	5	5
Recognition of equity-settled share-based payments (Note 27)	-	-	-	149	-	-	149	-	149
Forfeiture of share options (Note 27)	-	-	-	(21)	-	-	(21)	-	(21)
Payments of dividends (Note 12)	-	(10,000)	-	-	-	-	(10,000)	-	(10,000)
Balance at 31 December 2018 and 1 January 2019	4,000	39,009	138	128	(35)	41,691	84,931	5	84,936
Profit and total comprehensive (expense)/ income for the year	-	-	-	-	(32)	2,614	2,582	(87)	2,495
Recognition of equity-settled share-based payments (Note 27)	-	-	-	156	-	-	156	-	156
Forfeiture of share options (Note 27)	-	-	-	(32)	-	-	(32)	-	(32)
Balance at 31 December 2019	4,000	39,009	138	252	(67)	44,305	87,637	(82)	87,555

Note: Special reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the reorganisation in prior years.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Profit before tax		3,930	8,147
Adjustments for:			
Finance costs recognised in profit or loss		1,559	2
Interest income		(52)	(25)
Share of profit of an associate		(56)	–
Depreciation of property, plant and equipment		3,530	4,146
Depreciation of right-of-use assets		4,553	–
Amortisation of intangible asset		63	209
Provision for impairment losses on trade receivables		174	27
Equity-settled share-based payments		124	128
Net losses/(gains) on disposals of property, plant and equipment		727	(138)
		14,552	12,496
Movements in working capital			
Increase in contract assets		(600)	(1,867)
Decrease/(increase) in trade and other receivables		2,688	(2,890)
Increase/(decrease) in contract liabilities		825	(449)
Decrease in trade and other payables		(4,267)	(2,760)
Cash generated from operations		13,198	4,530
Income tax received/(paid)		658	(246)
Net cash generated from operating activities		13,856	4,284
Cash flows from investing activities			
Interest received		52	25
Proceeds on disposal of property, plant and equipment		781	530
Acquisition of investment in an associate		(4,355)	–
Payments for property, plant and equipment		(1,774)	(1,184)
Payments for right-of-use assets		(264)	–
Payments for intangible assets		(69)	–
Withdrawal of pledged bank deposits		3,008	2,992
Net cash (used in)/generated from investing activities		(2,621)	2,363



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Cash flows from financing activities			
Dividends paid		–	(10,000)
Interest paid		(1,559)	(2)
Contribution from non-controlling interests		485	–
Repayments of lease liabilities		(3,631)	–
Repayments of finance leases obligations		–	(262)
Net cash used in financing activities		(4,705)	(10,264)
Net increase/(decrease) in cash and cash equivalents		6,530	(3,617)
Cash and cash equivalents at the beginning of year		58,761	62,283
Effect of foreign exchange rate changes		23	95
Cash and cash equivalents at the end of year		65,314	58,761
Analysis of balances of cash and cash equivalents			
Cash and bank balances	20	65,314	58,761



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

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

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

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (“HK\$’000”) unless otherwise stated.

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

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

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

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Lease* (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

The following is the reconciliation of operating lease commitments as at 31 December 2018 to the lease liabilities as at 1 January 2019:

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	6,124
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(6,124)
Lease liabilities as at 1 January 2019	–

There was no impact of transition to HKFRS 16 on the retained earnings as at 1 January 2019.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRSs*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

Investment in an associate

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

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

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

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

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Contract assets arise when the Group has right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

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

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

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Lease liabilities

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

The lease payments include:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (continued)

Lease modifications

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

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

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

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

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

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

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets

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

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

Classification of financial assets

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Significant increase in credit risk (continued)

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

Definition of default

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

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets (continued)

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Measurement and recognition of ECL (continued)

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

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

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

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

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to non-controlling interests and contract liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of trade and other receivables and contract assets

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

5. REVENUE AND SEGMENT INFORMATION

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

Disaggregation of revenue from contracts with customers

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised over time:		
– Provision of financial printing services	116,694	113,981
– Provision of marketing collateral printing services	11,180	14,017
– Provision of other services	2,631	2,794
	130,505	130,792

Performance obligations for contracts with customers

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE AND SEGMENT INFORMATION (continued)

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

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

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

Geographical information

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

Information about major customers

No individual customers of the Group contributed over 10% of the total revenue of the Group during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. OTHER INCOME AND LOSSES

	2019 HK\$'000	2018 HK\$'000
Bank interest income	52	25
Sundry income	360	8
Net (losses)/gains on disposals of property, plant and equipment	(727)	138
Net foreign exchange losses	(147)	(194)
	(462)	(23)

7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on lease liabilities	1,559	–
Interest on finance lease obligation	–	2
	1,559	2

8. INCOME TAX EXPENSE

	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax		
Current tax		
– Current year	1,688	1,443
The People's Republic of China (the "PRC")		
Enterprise Income Tax		
Current tax		
– Current year	18	225
Overprovision in prior year	(40)	(121)
Deferred tax (Note 24)		
– Current year	(263)	(562)
Total income tax recognised in profit or loss	1,403	985

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For the year ended 31 December 2019

8. INCOME TAX EXPENSE (continued)

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

Accordingly, one of the subsidiaries of the Company is subjected to the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other Hong Kong subsidiaries of the Company are subjected to Hong Kong Profit Tax at the rate of 16.5% for the years ended 31 December 2019 and 2018.

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

For the year ended 31 December 2018, pursuant to relevant PRC tax laws and regulations, the tax rate of the PRC subsidiary is 25%.

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

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

	2019 HK\$'000	2018 HK\$'000
Profit before tax	3,930	8,147
Calculated at the statutory tax rate	606	1,421
Tax effect of share of profit of an associate	(9)	–
Tax effect of expenses not deductible for tax purpose	1,003	224
Tax effect of income not taxable for tax purpose	(608)	(371)
Income tax at concessionary rate	(165)	(165)
Tax effect of tax loss not recognised	616	–
Utilisation of tax losses previously not recognised	–	(3)
Overprovision in respect of prior year	(40)	(121)
Income tax expense for the year	1,403	985



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefits expense (including directors' emoluments) (Note 10):		
Salaries, allowances and other benefits in kind	44,691	41,349
Contributions to retirement benefits schemes	1,942	1,593
Equity-settled share-based payments	124	128
Total employee benefits expense	46,757	43,070

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	880	860
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	63	209
Depreciation of property, plant and equipment	3,530	4,146
Depreciation of right-of-use assets	4,553	–
Donation	46	86
Provision for impairment losses on trade receivables	174	27
Rental expense from short-term leases	6,367	–
Operating lease rentals in respect of:		
– rental premises	–	10,777
– equipment	–	22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive of the Company for the year were as follows:

Year ended 31 December 2019

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive directors					
Mr. Yu	-	900	-	18	918
Mr. Tse	-	977	-	18	995
Mr. Chan (Note)	-	960	348	18	1,326
Independent non-executive directors					
Mr. Choi Hoi Ting Derek	200	-	-	-	200
Mr. Ng Jack Ho Wan	200	-	-	-	200
Mr. Wan Chi Wai Anthony	200	-	-	-	200
Total emoluments	600	2,837	348	54	3,839

Year ended 31 December 2018

	Fees HK\$'000	Salaries, allowances and other benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive directors					
Mr. Yu	-	880	-	18	898
Mr. Tse	-	960	-	18	978
Mr. Chan (Note)	-	1,120	347	18	1,485
Independent non-executive directors					
Mr. Choi Hoi Ting Derek	200	-	-	-	200
Mr. Ng Jack Ho Wan	200	-	-	-	200
Mr. Wan Chi Wai Anthony	200	-	-	-	200
Total emoluments	600	2,960	347	54	3,961

Note:

Mr. Chan is also the chief executive of the Company and his emoluments disclosed above including these for services rendered by him as the chief executive.

None of the directors waived any emoluments during the years ended 31 December 2019 and 2018. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.



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For the year ended 31 December 2019

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals during the year included two (2018: three) directors, details of whose remuneration are set out in Note 10 above. The emoluments of the remaining three (2018: two) highest paid individuals for the year were as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and other benefits in kind	2,507	1,339
Discretionary bonuses	700	1,121
Contributions to retirement benefits schemes	54	36
Equity-settled share-based payments	12	18
	3,273	2,514

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

	2019 Number of individuals	2018 Number of individuals
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	1
	3	2

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.



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For the year ended 31 December 2019

12. DIVIDENDS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Interim dividend for the year ended 31 December 2018: HK2.5 cents per share	–	10,000

No final dividend was proposed or paid during the year ended 31 December 2019 (2018: nil).

13. EARNINGS PER SHARE

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

	2019	2018
Profit attributable to the owners of the Company (HK\$'000)	2,614	7,162
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	400,000	400,000
Basic earnings per share (HK cents)	0.65	1.79

For the years ended 31 December 2019 and 2018, the calculation of the basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares issued during the year.

For the years ended 31 December 2019 and 2018, the computation of diluted earnings per share does not assume the exercise of the share options because the exercise price of those share options was higher than the average market price of shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Furniture and fixtures	Computer equipment	Motor vehicles	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost						
Balance at 1 January 2018	2,543	2,624	13,475	3,773	6,858	29,273
Additions	-	26	327	710	121	1,184
Disposals	-	-	-	(713)	-	(713)
Balance at 31 December 2018 and 1 January 2019	2,543	2,650	13,802	3,770	6,979	29,744
Additions	-	147	479	-	1,148	1,774
Disposals	-	(665)	(10,724)	(1,439)	(1,635)	(14,463)
Exchange realignment	-	-	(1)	-	-	(1)
Balance at 31 December 2019	2,543	2,132	3,556	2,331	6,492	17,054
Accumulated depreciation						
Balance at 1 January 2018	2,543	647	11,736	1,573	949	17,448
Depreciation expense	-	452	858	1,095	1,741	4,146
Eliminated on disposals of assets	-	-	-	(321)	-	(321)
Balance at 31 December 2018 and 1 January 2019	2,543	1,099	12,594	2,347	2,690	21,273
Depreciation expense	-	410	823	546	1,751	3,530
Eliminated on disposals of assets	-	(292)	(10,724)	(995)	(944)	(12,955)
Balance at 31 December 2019	2,543	1,217	2,693	1,898	3,497	11,848
Carrying amounts						
Balance at 31 December 2019	-	915	863	433	2,995	5,206
Balance at 31 December 2018	-	1,551	1,208	1,423	4,289	8,471

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	20%
Furniture and fixtures	20%
Computer equipment	33 ¹ / ₃ %
Motor vehicles	30%
Leasehold improvements	25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. RIGHT-OF-USE ASSETS

The Group leases certain motor vehicles and properties as office premises for its operations. Leases contracts are entered into for fixed terms of two to four years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

	Motor vehicles <i>HK\$'000</i>	Office premises <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2019			
Carrying amount	–	–	–
As at 31 December 2019			
Carrying amount	1,746	22,220	23,966
For the year ended 31 December 2019			
Depreciation charge	315	4,238	4,553
Finance costs (Note 7)			1,559
Expense relating to short-term leases and other leases within 12 months of the date of initial application of HKFRS 16			6,367
Total cash outflow for leases			11,557
Additions to right-of-use assets			28,511

The Group entered into short-term leases for certain office premises, director's quarter and office equipment. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 9.

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

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

As at 31 December 2019, the Group did not enter into any lease that is not yet commenced.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. INTANGIBLE ASSETS

	Computer software <i>HK\$'000</i>
Cost	
Balance at 1 January 2018, 31 December 2018 and 1 January 2019	7,024
Additions	69
Balance at 31 December 2019	7,093
Accumulated amortisation	
Balance at 1 January 2018	6,732
Amortisation expense	209
Balance at 31 December 2018 and 1 January 2019	6,941
Amortisation expense	63
Balance at 31 December 2019	7,004
Carrying amounts	
Balance at 31 December 2019	89
Balance at 31 December 2018	83

The above items of intangible assets are amortised on a straight-line basis at the following rate per annum:

Computer software 33¹/₃%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. INTEREST IN AN ASSOCIATE

	2019 HK\$'000
Cost of unlisted investment in an associate	4,355
Share of post-acquisition profit and other comprehensive income	50
	4,405

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

Name of associate	Form of entity	Place of incorporation/ operation	Registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				2019	2018	2019	2018	
Wordbee S.A ("Wordbee")	Limited liabilities	Luxembourg	Euros ("EUR") 31,618	12.90%	–	12.90%	–	Software technology (Note)

In August 2019, HM Investment Limited ("HM Investment"), an indirectly wholly-owned subsidiary of the Company, entered into the shareholders agreement with Wordbee, pursuant to which HM Investment has agreed to subscribe for, and Wordbee has agreed to allot and issue, an aggregate of 8,156 new ordinary shares, representing approximately 22.85% of the total issued shares of Wordbee after the issue of the subscription shares. The consideration of the acquisition is EUR1,000,000 (equivalent to approximately HK\$8,726,000), which is satisfied by (i) 4,078 ordinary shares at consideration of EUR500,000 on or before September 2019 and (ii) 4,078 ordinary shares at consideration of EUR500,000 on or before May 2020. In September 2019, HM Investment paid the first instalment of EUR500,000 (equivalent to approximately HK\$4,355,000) and subscribed 4,078 ordinary shares. Subsequent to the reporting period, the remaining balance of EUR500,000 (equivalent to approximately HK\$4,303,000) was fully settled in February 2020. Upon the completion of the acquisition, the total shareholding of the Group will be increased from 12.90% to 22.85%.

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

Note:

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



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For the year ended 31 December 2019

17. INTEREST IN AN ASSOCIATE (continued)

Summarised financial information of an associate

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

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

	2019 HK\$'000
Current assets	7,092
Non-current assets	8,106
Current liabilities	7,327
Non-current liabilities	1,899
Revenue	3,418
Profit for the period	431
Other comprehensive expense for the period	(44)
Total comprehensive income for the period	387

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

	2019 HK\$'000
Net assets of Wordbee	5,972
Proportion of the Group's ownership interest in Wordbee	12.90%
Goodwill	770 3,635
Carrying amount of the Group's interest in Wordbee	4,405



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For the year ended 31 December 2019

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contract assets	3,120	2,554
Less: provision for impairment loss	–	–
Contract assets – net	3,120	2,554
Contract liabilities	(4,786)	(3,961)
	(1,666)	(1,407)

As at 1 January 2018, contract assets amounted to approximately HK\$765,000 and contract liabilities amounted to approximately HK\$4,410,000.

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

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

For the years ended 31 December 2019 and 2018, the Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The counterparties are grouped based on shared credit risk characteristics. No provision was made against the gross amounts of contract assets.

As at 31 December 2019 and 2018, none of the Group's contract assets were impaired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

Revenue recognised in relation to contract assets and contract liabilities

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	3,549	4,346
Revenue recognised from performance obligation satisfied in prior periods	2,554	765

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

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

The increase in contract assets as at 31 December 2019 was mainly due to the increase in the ongoing provision of financial printing services at the end of the year.

The increase in contract liabilities as at 31 December 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of financial printing services at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	22,152	25,456
Less: provision for impairment losses on trade receivables	(209)	(35)
	21,943	25,421
Other receivables and prepayments	7,473	6,886
	29,416	32,307

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	10,951	12,030
31 – 60 days	4,931	4,161
61 – 90 days	796	756
91 – 365 days	1,677	6,517
Over 365 days	3,797	1,992
	22,152	25,456

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 (2018: 30 days to 90 days). Interest could be charged on overdue receivables.

The management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality. As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$9,177,000 (2018: approximately HK\$13,248,000) which are past due as at the reporting date. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date for which the Group has not recognised an allowance for doubtful debts because there were no historical default of payments by the respective customers and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. TRADE AND OTHER RECEIVABLES (continued)

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

	Trade receivables <i>HK\$'000</i>
As at 1 January 2018	180
Trade receivables written off during the year as uncollectible	(172)
Provision for impairment losses on trade receivables	27
As at 31 December 2018 and 1 January 2019	35
Provision for impairment losses on trade receivables	174
As at 31 December 2019	209

Impairment assessment on trade receivables subject to ECL model

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. The debtors are grouped based on shared credit risk characteristics. For the year ended 31 December 2019, additional provision of approximately HK\$174,000 (2018: approximately HK\$27,000) was made against the gross amounts of trade receivables.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2018 and 2019 are set out in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. CASH AND BANK BALANCES/PLEGDED BANK DEPOSITS

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Bank balances earn interest at floating rates based on daily bank deposit rates.

Pledged bank deposits represent deposits pledged with bank to secure the banking facilities granted to the Group. As at 31 December 2019, the deposits carry effective interest at 0.26% per annum (2018: 0.13% per annum). The pledged bank deposits will be released upon expiry of the relevant banking facilities.

As at 31 December 2019 and 2018, bank overdrafts were secured by (i) pledged bank deposits; and (ii) corporate guarantees by HeterMedia Services Limited ("HM Services"), HM Too Limited ("HM Too") and the Company.

As at 31 December 2019, included in cash and cash equivalents of the Group was approximately HK\$5,449,000 (2018: approximately HK\$1,596,000) of bank balances denominated in Renminbi ("RMB") place with banks in Hong Kong, which are not freely convertible into other currencies.

21. TRADE AND OTHER PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	8,663	11,466
Other payables and accruals	5,096	6,569
	13,759	18,035

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days (2018: 30 days to 90 days). The following is an aged analysis of trade payables presented based on the invoice date:

	2019 HK\$'000	2018 HK\$'000
0 – 30 days	3,966	5,729
31 – 60 days	2,549	3,665
61 – 90 days	1,841	1,727
91 – 365 days	307	345
	8,663	11,466



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For the year ended 31 December 2019

22. AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

23. LEASE LIABILITIES

	2019
	<i>HK\$'000</i>
Lease liabilities payable:	
Within one year	9,117
Within a period of more than one year but not exceeding two years	9,104
Within a period of more than two years but not exceeding five years	6,403
	24,624
Less: Amount due for settlement with 12 months shown under current liabilities	(9,117)
Amount due for settlement after 12 months shown under non-current liabilities	15,507

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

	2019
	<i>HK\$'000</i>
RMB	685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

24. DEFERRED TAXATION

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Deferred tax assets	168	36
Deferred tax liabilities	(35)	(166)
	133	(130)

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

	Provision for loss allowance on trade receivables <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	(1)	693	692
Credited to profit or loss (<i>Note 8</i>)	(4)	(558)	(562)
At 31 December 2018 and 1 January 2019	(5)	135	130
Credited to profit or loss (<i>Note 8</i>)	(24)	(239)	(263)
At 31 December 2019	(29)	(104)	(133)

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$3,733,000 (2018: nil) available for offsetting against future profits. No deferred tax asset has been recognised in respect of these estimated unused tax losses due to unpredictability of future profit streams. The losses may be carried forward indefinitely.



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25. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company during the year ended 31 December 2019 are as follows:

	Number of ordinary shares	Amount <i>HK\$</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	5,000,000,000	50,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	400,000,000	4,000,000
		Amount <i>HK\$'000</i>
Shown on consolidated statement of financial position at 31 December 2019 and 2018		4,000

26. RESERVES

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54 of the consolidated financial statements.

27. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

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

At 31 December 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 1,200,000 (2018: 1,350,000), representing 0.30% (2018: 0.34%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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

Details of specific categories of options are as follows:

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

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27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The following table discloses the details and movements of the Company's share options held by eligible employees of the Group during the years ended 31 December 2019 and 2018:

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

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

During the year ended 31 December 2019, 150,000 share options (2018: 210,000) granted under the Scheme forfeited upon the resignation of the employees of the Group.

The Group recognised the total expense of approximately HK\$124,000 for the year ended 31 December 2019 (2018: approximately HK\$128,000) in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. RETIREMENT BENEFIT PLANS

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

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

The total expense recognised in consolidated statement of profit or loss and other comprehensive income amounted to approximately of HK\$1,942,000 (2018: approximately HK\$1,593,000) represents contributions paid to these plans by the Group at rates specified in the rules of the plans. There was no outstanding contribution as at 31 December 2019 and 2018.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from 2018.

The capital structure of the Group consists of net debt (which includes the lease liabilities disclosed in Note 23), net of cash and cash equivalents and equity attributable to owners of the Company (comprising share capital, reserves and retained earnings).

Adjusted debt-to-equity ratio

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the issuance of new shares, raise of borrowings or repayment of the existing borrowings.

The adjusted debt-to-equity ratios at the end of each of the reporting period were as follows:

	2019 HK\$'000	2018 HK\$'000
Debts (Note (i))	24,624	–
Less: cash and bank balances	(65,314)	(58,761)
Net debt	(40,690)	(58,761)
Equity (Note (ii))	87,637	84,931
Adjusted debt-to-equity ratio	N/A	N/A

Notes:

- (i) Debt comprises lease liabilities as detailed in Note 23.
- (ii) Equity includes all capital and reserves attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
<i>Financial assets at amortised cost</i>		
Trade and other receivables	26,030	29,135
Pledged bank deposits	1,000	4,008
Cash and bank balances	65,314	58,761
	92,344	91,904
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Trade and other payables	13,759	18,035
Amount due to non-controlling interests	485	–
Lease liabilities	24,624	–
	38,868	18,035

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, amount due to non-controlling interests and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management has been monitoring these risk exposures to ensure appropriate measures are implemented in a timely and effective manner so as to mitigate or reduce such risks.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks during both years.

30. FINANCIAL INSTRUMENTS (continued)

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

Foreign currency risk management

As the assets and liabilities of the Group are mainly denominated in HK\$ as at 31 December 2019 and 2018, the management does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK\$ and other currencies and the Group's income and operating cash flows are substantially independent of changes in foreign currency exchange.

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

Interest rate risk management

The Group is exposed to fair value interest rate in relation to fixed-rate lease liabilities. The Group is not exposed to significant cash flow interest rate risk. The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

Price risk management

As the Group did not have any financial assets classified as financial assets at fair value through profit or loss at the end of each of the reporting period, the Group is not exposed to significant price risk.

Credit risk management

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, pledged bank deposits and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

In order to minimise the credit risk on trade receivables and contract assets, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The credit quality of the debtors is assessed based on their financial position, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. In addition, the Group reviews the recoverable amount of each individual trade debt by weekly basis and debt instrument at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk is significantly reduced.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation. The Group is also subject to concentration of credit risk arising from its trade receivables as 10% (2018: 16%) of these receivables are due from the Group's largest five customers as at 31 December 2019.

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

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

30. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

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

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

Pledged bank deposits and bank balances

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

Other receivables

As at 31 December 2019 and 2018, the internal credit rating of other receivables were performing. Management considered all of these financial assets are considered to have low credit risk as they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. Thus, no loss allowance provision was recognised during the years ended 31 December 2019 and 2018.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

Trade receivables and contract assets

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

To measure the ECL, trade receivables and contract assets have been assessed individually for debtors with significant balances based on shared credit risk characteristics of customers. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forwarding-looking information such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant changes to the debtor's ability to meet its obligation. As at 31 December 2019 and 2018, the impairment loss allowance for trade receivables and contract assets were determined as follows.

	Within 30 days	Over 31 days and within 60 days	Over 61 days and within 90 days	Over 91 days and within 365 days	Over 365 days	Total
Trade receivables						
As at 31 December 2019						
Average loss rate	0.1%	0.1%	0.9%	2.6%	3.8%	
Gross carrying amount (HK\$'000)	10,951	4,931	796	1,677	3,797	22,152
Loss allowance provision (HK\$'000)	11	4	7	43	144	209
						Total
Contract assets						
As at 31 December 2019						
Average loss rate					0.0%	
Gross carrying amount (HK\$'000)						3,120
Loss allowance provision (HK\$'000)						-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

30. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management (continued)

Trade receivables and contract assets (continued)

	Within 30 days	Over 31 days and within 60 days	Over 61 days and within 90 days	Over 91 days and within 365 days	Over 365 days	Total
Trade receivables						
As at 31 December 2018						
Average loss rate	0.1%	0.1%	0.1%	0.2%	0.3%	
Gross carrying amount (HK\$'000)	12,030	4,161	756	6,517	1,992	25,456
Loss allowance provision (HK\$'000)	12	4	1	13	5	35
						Total
Contract assets						
As at 31 December 2018						
Average loss rate						0.0%
Gross carrying amount (HK\$'000)						2,554
Loss allowance provision (HK\$'000)						-

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

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

	Trade receivables HK\$'000
As at 1 January 2018	180
Trade receivables written off during the year as uncollectible	(172)
Provision for impairment losses on trade receivables	27
As at 31 December 2018 and 1 January 2019	35
Provision for impairment losses on trade receivables	174
As at 31 December 2019	209

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

30. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

In addition, the Group had aggregate banking facilities of approximately HK\$11,000,000 (2018: approximately HK\$14,000,000) from several banks for certain banking facilities for the year ended 31 December 2019. Unused facilities as at 31 December 2019 amounted to approximately HK\$11,000,000 (2018: approximately HK\$14,000,000).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from applicable interest rate at the end of each of the reporting period.

	On demand or less than 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash flows <i>HK\$'000</i>	Total carrying amounts <i>HK\$'000</i>
At 31 December 2019					
Trade and other payables	13,759	-	-	13,759	13,759
Amount due to non-controlling interests	485	-	-	485	485
Leases liabilities	11,871	10,584	6,661	29,116	24,624
	26,115	10,584	6,661	43,360	38,868
At 31 December 2018					
Trade and other payables	18,035	-	-	18,035	18,035

(c) Fair value measurements of financial instruments

At the end of each of the reporting period, the Group has no financial instruments measured at fair value subsequent to initial recognition on a recurring basis.

During the years ended 31 December 2019 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

31. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each of the reporting period, the Group had operating lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000
Within one year	6,124

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

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Finance leases obligation HK\$'000	Lease liabilities HK\$'000 (Note 23)	Amount due to non-controlling interests HK\$'000 (Note 22)	Total HK\$'000
At 1 January 2018	262	–	–	262
Finance costs	2	–	–	2
Financing cash outflows	(264)	–	–	(264)
At 31 December 2018 and 1 January 2019	–	–	–	–
Finance costs	–	1,559	–	1,559
Financing cash inflows	–	–	485	485
Financing cash outflows	–	(5,190)	–	(5,190)
New leases entered	–	28,247	–	28,247
Exchange adjustments	–	8	–	8
At 31 December 2019	–	24,624	485	25,109



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

33. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following significant related party transactions:

- (i) The Group entered into the following significant related party transactions with related parties based on the terms mutually agreed by both parties during the reporting period:

Name of related party	Nature of transaction	2019	2018
		HK\$'000	HK\$'000
Unique Concept Development Limited (<i>Note</i>)	Expenses relating to short-term lease for director's quarter	420	100
Wordbee	I.T. services fee	103	–

Note:

Unique Concept Development Limited was controlled by Mr. Yu.

- (ii) Compensation of key management personnel

The directors of the Company are identified as key management personnel of the Group and the remuneration of key management during the reporting period is set out in Note 10.

34. PLEDGE OF ASSETS

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

	2019	2018
	HK\$'000	HK\$'000
Pledged bank deposits	1,000	4,008



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35. LIST OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out as follows:

Name of company	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of equity attributable to the Company		Principal activities and place of operation
			2019	2018	
HM Immediate Holdings Limited	BVI, limited liability company	Ordinary share US\$1	100% (direct)	100% (direct)	Investment holding in Hong Kong
HM Services	Hong Kong, limited liability company	Ordinary shares HK\$10,000	100% (indirect)	100% (indirect)	Provision of integrated printing services in Hong Kong
HM Information Services Limited	Hong Kong, limited liability company	Ordinary shares HK\$10,000	100% (indirect)	100% (indirect)	Provision of IT services to the Group in Hong Kong
HM Too	Hong Kong, limited liability company	Ordinary share HK\$1	100% (indirect)	100% (indirect)	Provision of commercial printing services in Hong Kong
HM Too (Asia) Limited	Hong Kong, limited liability company	Ordinary shares HK\$10,000	100% (indirect)	100% (indirect)	Provision of procurement services to the Group in Hong Kong
HM Language Services Limited	Hong Kong, limited liability company	Ordinary shares HK\$100,000	100% (indirect)	100% (indirect)	Provision of translation services in Hong Kong
軒達資訊服務(北京)有限公司 (HM (Beijing) Limited*)	PRC, limited liability company	Registered capital RMB100,000	100% (indirect)	100% (indirect)	Provision of integrated printing services in the PRC
HM Investment	BVI, limited liability company	Ordinary share US\$1	100% (indirect)	100% (indirect)	Investment holding in Hong Kong
WordFlow Limited	Hong Kong, limited liability company	Ordinary shares HK\$100	100% (indirect)	100% (indirect)	Inactive
Talesis Limited	Hong Kong, limited liability company	Ordinary shares HK\$10,000	51% (indirect)	51% (indirect)	Provision of IT services in Hong Kong

None of the subsidiaries had issued any listed securities at the end of the reporting period. The Group had no subsidiaries which have material non-controlling interests for the years ended 31 December 2019 and 2018.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. LITIGATION

In July 2017, a writ of summons was issued against HM Services as a defendant by a customer (the "Plaintiff") for the claims of loss and damage by the allegation that HM Services had issued certain notices since 6 June 2016 without authority from the Plaintiff which contained untrue information, of which HM Services emphatically denied. The directors are in the view that there was a Court order dated 14 June 2016, which showed that the change of the Plaintiff's board of directors had not effectively taken place until and after 16 June 2016. Accordingly, HM Services had authority from the Plaintiff (controlled by the previous board of directors) to issue the alleged notices until 16 June 2016. HM Services has ceased to render further services to the Plaintiff after the change of her board of directors on and/or after 16 June 2016.

The Plaintiff is claiming loss and damage in an unknown amount caused by the above. It is estimated that if the claim was successful, the amount of loss/damage would be about HK\$200,000 to HK\$300,000. In the same action, HM Services was counter-claiming a sum of approximately HK\$163,000 plus interest amounted to approximately HK\$33,000 thereon, being fees for services already rendered to the Plaintiff. Up to the date of approval of these consolidated financial statements, the litigation is still ongoing. After consideration for the views of the Group's legal advisor, the directors are of the view that the above would have no material adverse effect. Accordingly, no provision has been made in these consolidated financial statements.

37. EVENTS AFTER THE REPORTING PERIOD

Since early January 2020, the coronavirus outbreak has spread across mainland China and beyond, causing disruption to business and economic activity. The directors will keep continuous attention on the situation of the coronavirus outbreak and react actively to its impact on the financial position and operating results of the Group. The impact on gross domestic product and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under HKFRS 9 in 2020.

38. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors on 13 March 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets		
Investment in a subsidiary	23,917	23,917
Current assets		
Prepayments	240	240
Amounts due from subsidiaries	37,813	35,637
Cash and bank balances	4,732	6,652
	42,785	42,529
Total assets	66,702	66,446
Current liabilities		
Accruals	132	–
Net current assets	42,653	42,529
Net assets	66,570	66,446
Capital and reserves		
Equity attributable to owners of the Company		
Share capital	4,000	4,000
Reserves	62,570	62,446
Total equity	66,570	66,446

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 13 March 2020 and are signed on its behalf by:

Mr. Tse Kam Wing Walter
Director

Mr. Chan Wai Lin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Movement in the Company's reserves

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i> <i>(Note)</i>	Share-based payments reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2018	49,009	23,917	–	(629)	72,297
Profit and total comprehensive income for the year	–	–	–	21	21
Recognition of equity-settled share-based payments <i>(Note 27)</i>	–	–	149	–	149
Forfeiture of share options <i>(Note 27)</i>	–	–	(21)	–	(21)
Payments of dividends <i>(Note 12)</i>	(10,000)	–	–	–	(10,000)
At 31 December 2018 and 1 January 2019	39,009	23,917	128	(608)	62,446
Profit and total comprehensive income for the year	–	–	–	–	–
Recognition of equity-settled share-based payments <i>(Note 27)</i>	–	–	156	–	156
Forfeiture of share options <i>(Note 27)</i>	–	–	(32)	–	(32)
At 31 December 2019	39,009	23,917	252	(608)	62,570

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



FINANCIAL SUMMARY

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Revenue	130,505	130,792	148,611	160,036	160,369
Cost of sales	(72,008)	(69,848)	(81,548)	(91,903)	(95,899)
Gross profit	58,497	60,944	67,063	68,133	64,470
Other income and (losses)/gains	(462)	(23)	165	(41)	585
Selling expenses	(11,884)	(11,979)	(11,152)	(10,670)	(9,933)
Administrative expenses	(40,718)	(40,793)	(43,600)	(38,547)	(36,024)
Share of profit of an associate	56	–	–	–	–
Finance costs	(1,559)	(2)	(37)	(128)	(133)
Profit before tax	3,930	8,147	12,439	18,747	18,965
Income tax expense	(1,403)	(985)	(2,517)	(3,778)	(3,967)
Profit for the year	2,527	7,162	9,922	14,969	14,998
Profit/(loss) for the year attributable to:					
Owners of the Company	2,614	7,162	9,922	14,969	14,998
Non-controlling interests	(87)	–	–	–	–
	2,527	7,162	9,922	14,969	14,998
Assets and Liabilities					
Total assets	132,830	107,312	115,404	59,888	83,194
Total liabilities	45,275	22,376	27,549	34,964	64,739
Total capital and reserves	87,555	84,936	87,855	24,924	18,455

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

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