



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

First Quarterly Report 2020



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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.*

FIRST QUARTERLY RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020, together with the comparative unaudited figures for the three months ended 31 March 2019. The financial information is as follows:

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

For the three months ended 31 March 2020

		For the three months ended 31 March	
	<i>Notes</i>	2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	19,721	26,568
Cost of sales		(14,508)	(15,161)
Gross profit		5,213	11,407
Other income and gains/(losses)		11	(17)
Selling expenses		(2,294)	(3,325)
Administrative expenses		(9,660)	(10,276)
Share of loss of an associate		(203)	–
Finance costs		(801)	(11)
Loss before tax		(7,734)	(2,222)
Income tax expense	5	(6)	(95)
Loss for the period	6	(7,740)	(2,317)
Other comprehensive expenses			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		5	(7)
Total comprehensive income for the period		(7,735)	(2,324)
Loss for the period attributable to:			
Owners of the Company		(7,777)	(2,273)
Non-controlling interest		37	(44)
		(7,740)	(2,317)
Total comprehensive income attributable to:			
Owners of the Company		(7,772)	(2,280)
Non-controlling interest		37	(44)
		(7,735)	(2,324)
Loss per share attributable to the owners of the Company during the period			
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted	9	(1.94)	(0.57)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to owners of the Company							Non-controlling interest	Total equity
	Share capital	Share premium	Special reserve	Share			Retained earnings		
				option reserve	Translation reserve	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2020 (audited)	4,000	39,009	138	252	(67)	44,305	87,637	(82)	87,555
(Loss) and total comprehensive income for the period	-	-	-	-	5	(7,777)	(7,772)	37	(7,735)
Recognition of equity-settled share-based payment	-	-	-	28	-	-	28	-	28
Balance at 31 March 2020 (unaudited)	<u>4,000</u>	<u>39,009</u>	<u>138</u>	<u>280</u>	<u>(62)</u>	<u>36,528</u>	<u>79,893</u>	<u>(45)</u>	<u>79,848</u>
Balance at 1 January 2019 (audited)	4,000	39,009	138	128	(35)	41,691	84,931	5	84,936
(Loss) and total comprehensive income for the period	-	-	-	-	(7)	(2,273)	(2,280)	(44)	(2,324)
Recognition of equity-settled share-based payment	-	-	-	33	-	-	33	-	33
Balance at 31 March 2019 (unaudited)	<u>4,000</u>	<u>39,009</u>	<u>138</u>	<u>161</u>	<u>(42)</u>	<u>39,418</u>	<u>82,684</u>	<u>(39)</u>	<u>82,645</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability. The Company's 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 Hong Kong Companies Ordinance (Cap. 622) and its shares have been listed on GEM of the Stock Exchange since 11 January 2017.

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 its 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 unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with applicable Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in preparing the audited financial statements for the year ended 31 December 2019.

The unaudited condensed 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 period

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current period:

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
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

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

	For the three months ended 31 March	
	2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)
Recognised over time		
– Provision of financial printing services	18,112	23,389
– Provision of marketing collateral printing services	857	2,121
– Provision of other services	752	1,058
	<u>19,721</u>	<u>26,568</u>

4. SEGMENT INFORMATION

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

In addition, 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

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

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	4,987	3,633
Customer B	–	3,199
	<u>4,987</u>	<u>6,832</u>

5. INCOME TAX EXPENSE

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
Current tax		
– Current period	–	147
The People's Republic of China (the "PRC")		
Enterprise Income Tax		
– Current period	–	7
Deferred tax		
– Current period	6	(59)
Total income tax expense recognised in profit or loss	<u>6</u>	<u>95</u>

Hong Kong Profits Tax has been provided at the rate of 8.25% on the first HK\$2,000,000 of the estimated assessable profits and 16.5% on the remaining amount of the estimated assessable profits for the three months ended 31 March 2020 (three months ended 31 March 2019: 16.5%).

The Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands pursuant to the rules and regulations in those jurisdictions.

The PRC corporate income tax in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	For the three months ended 31 March	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Employee benefits expense (including directors' emoluments):		
Salaries, allowances and other benefits in kind	10,868	10,815
Contributions to retirement benefits schemes	501	441
Equity-settled share-based payments	28	33
	<hr/>	<hr/>
Total employee benefits expense	<u>11,397</u>	<u>11,289</u>
Amortisation of intangible assets (included in cost of sales on the unaudited condensed consolidated statement of profit or loss and other comprehensive income)	17	18
Depreciation of property, plant and equipment	794	998
Depreciation of right-of-use assets	2,397	134
Donation	–	14
Operating lease rentals in respect of:		
– rental premises	60	2,689
– equipment	–	6
	<hr/> <hr/>	<hr/> <hr/>

7. SHARE-BASED PAYMENT

During the three months ended 31 March 2020, total share-based payment of approximately HK\$28,000 (three months ended 31 March 2019: approximately HK\$33,000) has been recognised in the profit or loss. The corresponding net amount of approximately HK\$28,000 (three months ended 31 March 2019: approximately HK\$33,000) has been credited to share option reserve.

8. DIVIDENDS

The Board did not recommend a payment of any dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

9. LOSS PER SHARE

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

	For the three months ended 31 March	
	2020	2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (<i>HK\$'000</i>)	<u>(7,777)</u>	<u>(2,273)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (in thousand)	<u>400,000</u>	<u>400,000</u>
Basic and diluted loss per share (<i>HK cents</i>)	<u>(1.94)</u>	<u>(0.57)</u>

For the three months ended 31 March 2020 and 2019, the calculation of the basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares issued during the periods.

No diluted loss per share is presented for the three months ended 31 March 2020 and 2019, as there was no potential ordinary share outstanding. The computation of diluted loss per share for the current period 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.

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.

During the three months ended 31 March 2020, the Group recorded a revenue of approximately HK\$19.7 million, which represents a decrease of approximately 25.8% as compared to the same period of last year. Such decrease in revenue resulted from delays and cancellation of projects due to the outbreak of the novel coronavirus (COVID-19) epidemic in early 2020.

OUTLOOK

Looking forward, we are still reasonably optimistic to sustain the core business given all the economic uncertainties with the outbreak of COVID-19. Moreover, we are actively assessing and managing the uncertainties, and implementing necessary measures to conquer this challenging time. 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.

FINANCIAL REVIEW

Revenue

	For the three months ended 31 March	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Financial printing projects	18,112	23,289
Marketing collateral printing projects	857	2,121
Other projects	752	1,058
	<u>19,721</u>	<u>26,568</u>

The Group's revenue decreased by approximately HK\$6.8 million, or 25.8%, from approximately HK\$26.6 million for the three months ended 31 March 2019 to approximately HK\$19.7 million for the three months ended 31 March 2020. Such decrease was mainly due to the decrease in the revenue of financial printing project and marketing printing projects.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately HK\$6.2 million, or 54.3%, from approximately HK\$11.4 million for the three months ended 31 March 2019 to approximately HK\$5.2 million for the three months ended 31 March 2020, which was due to a significant decrease in the revenue and increase in the staff costs. Our gross profit margins for the three months ended 31 March 2019 and the three months ended 31 March 2020 were approximately 42.9% and 26.4% respectively.

Selling Expenses

The Group's selling expenses decreased by approximately HK\$1.0 million, or 31.0%, from approximately HK\$3.3 million for the three months ended 31 March 2019 to approximately HK\$2.3 million for the three months ended 31 March 2020. The decrease was generally in line with the decrease in the Group's revenue during the period.

Administrative Expenses

The Group's administrative expenses decreased by approximately HK\$0.6 million, or 6.0%, from approximately HK\$10.3 million for the three months ended 31 March 2019 to approximately HK\$9.7 million for the three months ended 31 March 2020. The decrease was mainly due to the decrease in rental fee.

Finance Costs

Finance costs increased by approximately HK\$790,000 from approximately HK\$11,000 for the three months ended 31 March 2019 to approximately HK\$801,000 for the three months ended 31 March 2020. Such increase was mainly due to the increase in interest on lease liabilities.

Taxation

Income tax expense decreased by approximately HK\$89,000, or 93.7%, from approximately HK\$95,000 for the three months ended 31 March 2019 to approximately HK\$6,000 for the three months ended 31 March 2020. Such decrease was mainly attributable to the decrease in profit before tax.

Loss for the Period

Loss for the Group increased by approximately 234.1% or approximately HK\$5.4 million from approximately HK\$2.3 million for the three months ended 31 March 2019 to approximately HK\$7.7 million for the three months ended 31 March 2020, which was mainly due to the decrease in gross profit.

DIVIDENDS

The Board did not recommend a payment of any dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

OTHER INFORMATION

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

As at 31 March 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long Position in the Shares of the Company (the "Shares")

As at 31 March 2020

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 (<i>Note</i>)	297,045,000	74.26%
Tse Kam Wing Walter	Interests held jointly with another person; interest held by a controlled corporation (<i>Note</i>)	297,045,000	74.26%
Chan Wai Lin	Interests held jointly with another person; interest held by a controlled corporation (<i>Note</i>)	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 March 2020.

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

Name of Director	Name of associated corporation	Nature of interests	Number of ordinary shares held	Percentage** of shareholding
Yu Chi Ming	HM Ultimate	Beneficial owner	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 March 2020.

Save as disclosed above, as at 31 March 2020, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

So far as the Directors are aware, as at 31 March 2020, the following persons/entities other than a Director or chief executive of the Company had interests or short positions in the Shares or underlying Shares, as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Position in the Shares of the Company

As at 31 March 2020

Name of shareholder	Nature of interests	Number of ordinary Shares interested	Approximate percentage*** of shareholding
HM Ultimate (<i>Note 1</i>)	Beneficial owner	297,045,000	74.26%
Wong Mee Che Lilian	Interest of spouse (<i>Note 2</i>)	297,045,000	74.26%
Wong Yuk Sim Kathy	Interest of spouse (<i>Note 3</i>)	297,045,000	74.26%
Tang Wai Kwan May	Interest of spouse (<i>Note 4</i>)	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. This interest of HM Ultimate is also disclosed as the interest of Mr. Yu, Mr. Tse and Mr. Chan in the above section headed “Directors’ and chief executive’s interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations”.

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 March 2020.

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

SHARE OPTION SCHEME

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

On 16 March 2018 (the “**Date of Grant**”), share options were granted to employees under the Scheme, entitling them to subscribe for up to a total of 1,560,000 Shares from 16 March 2019 to 15 March 2022 (Group A) or 16 March 2020 to 15 March 2023 (Group B) at an exercise price of HK\$0.70 per Share, being the average closing price of the Shares for the five trading days immediately before the Date of Grant. The closing price of the Shares immediately before the Date of Grant is HK\$0.69. No options had been granted, exercised, lapsed or cancelled during the three months ended 31 March 2020. As at 31 March 2020, a total of 1,200,000 share options were outstanding (25,000 share options for Group A and 1,175,000 share options for Group B).

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2020.

CORPORATE GOVERNANCE

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

The Directors consider that during the three months ended 31 March 2020, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors, the management and controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group during the three months ended 31 March 2020.

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 during the three months ended 31 March 2020.

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

AUDIT COMMITTEE

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

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Ng Jack Ho Wan (chairman of the Audit Committee), Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020.

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

Hong Kong, 11 May 2020

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