HeterMedia

HM International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8416)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*This announcement, for which the directors of HM International Holdings Limited (the "**Company**" and the "**Directors**", respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (collectively, the "**Group**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.*

ANNUAL RESULTS

The Board of Directors (the "**Board**") is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2016, together with the comparative audited figures for the year ended 31 December 2015. The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*4*	**160,036**	160,369
Cost of sales		**(91,903)**	(95,899)
Gross profit		**68,133**	64,470
Other income and losses/gains		**(41)**	585
Selling expenses		**(10,670)**	(9,933)
Administrative expenses		**(38,547)**	(36,024)
Finance costs		**(128)**	(133)
Profit before tax		**18,747**	18,965
Income tax expense	*6*	**(3,778)**	(3,967)
Profit and total comprehensive income for the year	*7*	**14,969**	14,998
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**14,969**	13,873
Non-controlling interests		**–**	1,125
		14,969	14,998
		HK cents	*HK cents*
Earnings per share			
Basic and diluted	*9*	**4.99**	4.62

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
Non-current assets			
Property, plant and equipment		**2,817**	3,346
Intangible assets		**461**	1,397
		3,278	4,743
Current assets			
Amounts due from customers on service contracts	*10*	**899**	3,339
Trade and other receivables	*11*	**35,410**	52,538
Pledged bank deposit		**6,000**	6,000
Cash and bank balances		**14,301**	16,574
		56,610	78,451
Total assets		**59,888**	83,194
Current liabilities			
Trade and other payables	*12*	**33,486**	35,021
Amounts due to related companies		**–**	19,642
Bank borrowings		**–**	4,083
Finance leases obligations		**546**	528
Bank overdrafts		**–**	1,972
Current tax liabilities		**588**	2,407
		34,620	63,653
Net current assets		**21,990**	14,798
Total assets less current liabilities		**25,268**	19,541
Non-current liabilities			
Finance leases obligations		**262**	814
Deferred tax liabilities		**82**	272
		344	1,086
Net assets		**24,924**	18,455
Capital and reserves			
Share capital	*13*	**–**	138
Reserves		**24,924**	18,317
Total equity		**24,924**	18,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

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

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

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

The consolidated financial statements have been prepared as if the Company had been the holding company of the Group throughout the years presented in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the years presented, or since their respective dates of incorporation, where this is a shorter period. The consolidated statement of financial position as at 31 December 2015 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the years, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the HKICPA that are effective for the Group's financial year beginning 1 January 2016 throughout the year.

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 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15[2]
Amendments to HKAS 7	Disclosure Initiative[3]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK$22,755,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The Group is in the process of making an assessment on what the impact of the other new or revised HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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 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 are determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. REVENUE

	2016	2015
	HK$'000	*HK$'000*
Integrated printing services	**160,036**	160,369

5. SEGMENT INFORMATION

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

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

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the respective reporting period are as follows:

	2016	2015
	HK$'000	*HK$'000*
Customer A	**28,170**	30,826

6. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Current tax		
– Current year	**4,118**	3,824
Overprovision in prior year	**(150)**	(60)
Deferred tax		
– Current year	**(190)**	203
Total income tax recognised in profit or loss	**3,778**	3,967

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

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

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

	2016	2015
	HK$'000	*HK$'000*
Profit before tax	**18,747**	18,965
Tax at the domestic income tax rate	**3,093**	3,129
Tax effect of expenses not deductible for tax purpose	**1,163**	1,471
Tax effect of income not taxable for tax purpose	**(328)**	(275)
Utilisation of tax losses previously not recognised	**–**	(298)
Overprovision in respect of prior year	**(150)**	(60)
Income tax expense for the year	**3,778**	3,967

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2016	2015
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries, allowances and other benefits in kind	**42,891**	43,635
Contributions to retirement benefits schemes	**1,491**	1,558
Total employee benefits expense	**44,382**	45,193

	2016	2015
	HK$'000	*HK$'000*
Auditor's remuneration	**800**	108
Amortisation of intangible assets (included in cost of sales on the consolidated statement of profit or loss and other comprehensive income)	**1,038**	1,657
Depreciation of property, plant and equipment	**1,606**	1,586
Impairment loss recognised on trade receivables	**–**	230
Listing expenses	**5,149**	4,864
Operating lease rentals in respect of:		
– rental premises	**8,563**	7,799
– equipment	**27**	35

8. DIVIDENDS

During the year ended 31 December 2016, HM Language Services Limited declared and paid a dividend of HK$8,500,000 to the then existing shareholder, HeterMedia Group Limited ("**HMG**") prior to the Reorganisation. During the year ended 31 December 2015, HeterMedia Services Limited and HM Too Limited declared and paid dividends of HK$20,850,000 and HK$3,500,000 respectively to the then existing shareholder, HMG. The rate of dividend and the number of shares, ranking the dividend are not presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

No dividend has been proposed by the Company since the end of the reporting period.

9. EARNINGS PER SHARE

The basic earnings per share is calculated based on (i) the profit attributable to owners of the Company for the year ended 31 December 2016 of approximately HK$14,969,000 (2015: approximately HK$13,873,000) and 300,000,000 ordinary shares for the years ended 31 December 2016 and 2015 on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2015. No diluted earnings per share is presented for both years as there was no potential ordinary share outstanding.

10. AMOUNTS DUE FROM CUSTOMERS ON SERVICE CONTRACTS

	2016	2015
	HK$'000	*HK$'000*
Contract costs incurred plus attributable profit	**899**	3,339
Less: progress billings to date	**–**	–
	899	3,339

As at 31 December 2016, no retention held by customers on service contracts (2015: Nil). Advance received from customers on service contracts amounted to approximately HK$4,912,000 as at 31 December 2016 (2015: approximately HK$6,345,000).

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**31,325**	48,261
Other receivables and prepayments	**4,085**	4,277
	35,410	52,538

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

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**14,889**	8,606
31 – 60 days	**7,963**	6,610
61 – 90 days	**4,803**	4,640
91 – 365 days	**3,558**	7,670
Over 365 days	**112**	20,735
	31,325	48,261

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 (2015: 30 days to 90 days). No interest is charged on overdue receivables.

12. TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**17,929**	18,841
Other payables and accruals	**10,645**	9,835
Receipts in advance	**4,912**	6,345
	33,486	35,021

The trade payables are non-interest bearing. The credit period was ranging from 30 days to 90 days (2015: 30 days to 90 days). The following is an aged analysis of trade payables based on the invoice date:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**9,901**	9,371
31 – 60 days	**3,985**	3,906
61 – 90 days	**2,613**	5,086
91 – 365 days	**1,426**	478
Over 365 days	**4**	–
	17,929	18,841

13. SHARE CAPITAL

The share capital of the Group at 31 December 2015 represents the combined share capital of the subsidiaries comprising the Group held by the Controlling Parties, prior to the Reorganisation.

The share capital of the Group at 31 December 2016 represents the share capital of the Company.

Details of movements of authorised and issued share capital of the Company during the year ended 31 December 2016 are as follows:

	Notes	**Number of ordinary shares**	**Amount**
			HK$
Ordinary shares of HK$0.01 each			
Authorised:			
At 13 January 2016 (date of incorporation)	*(a)*	38,000,000	380,000
Increase in authorised share capital	*(b)*	4,962,000,000	49,620,000
At 31 December 2016		5,000,000,000	50,000,000
Issued and fully paid:			
Issue of share at 13 January 2016 (date of incorporation)		1	–
Issue of shares	*(c)*	999	10
At 31 December 2016		1,000	10

	Amount
	HK$'000
Shown on consolidated statement of financial position at 31 December 2016	–

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 13 January 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and 1 share was issued.

(b) Pursuant to the written resolutions passed by the sole shareholder of the Company on 15 December 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 new shares of HK$0.01 each, each ranking *pari passu* with the existing share in all respects.

(c) On 15 December 2016, the Company allotted and issued 999 shares to HM Ultimate credited as fully paid as consideration for the acquisition of the entire issued share capital of HM Immediate Holdings Limited from the Controlling Parties.

(d) Pursuant to the written resolutions passed by the sole shareholder of the Company on 15 December 2016, the directors of the Company were authorised to allot and issue a total of 299,999,000 shares to the register of members of the Company at the close of business on 15 December 2016 in proportion to their respective shareholdings by way of capitalisation of the sum of approximately HK$2,999,990 standing to the credit of the share premium account of the Company as a result of the placing. The shares to be allotted and issued under this resolution rank *pari passu* with the existing share in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

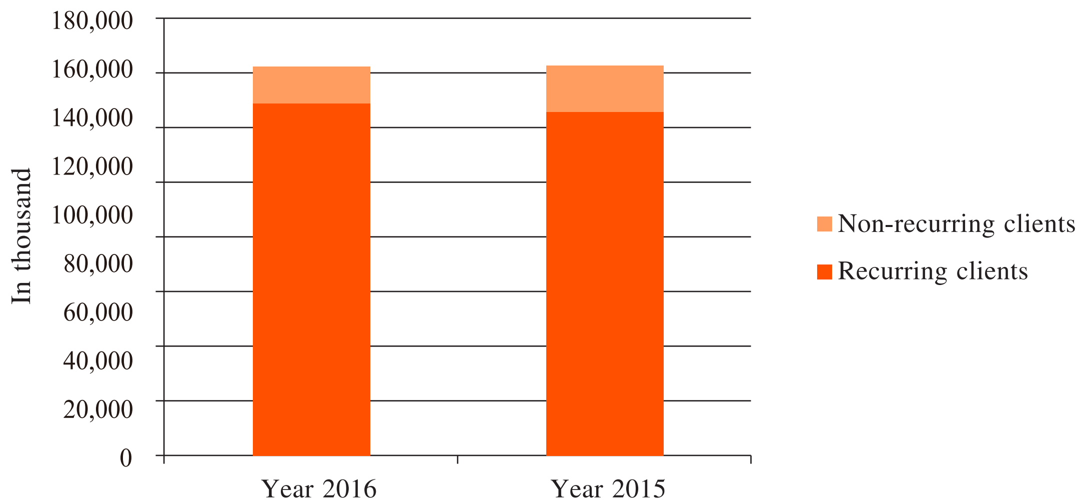
Business Review

Unlike the other players among the industry, the Group is one of the top 10 financial printing service providers in Hong Kong. We offer a wide spectrum of services from financial printing services for corporations which are listed on the Stock Exchange and potential listing applicant to, fund houses and insurance companies to marketing collateral printing services and new bespoke non-printing services, such as website design enhancement and revamp, video production, e-book, APP production and maintenance, electronic marketing presentation material production, etc.

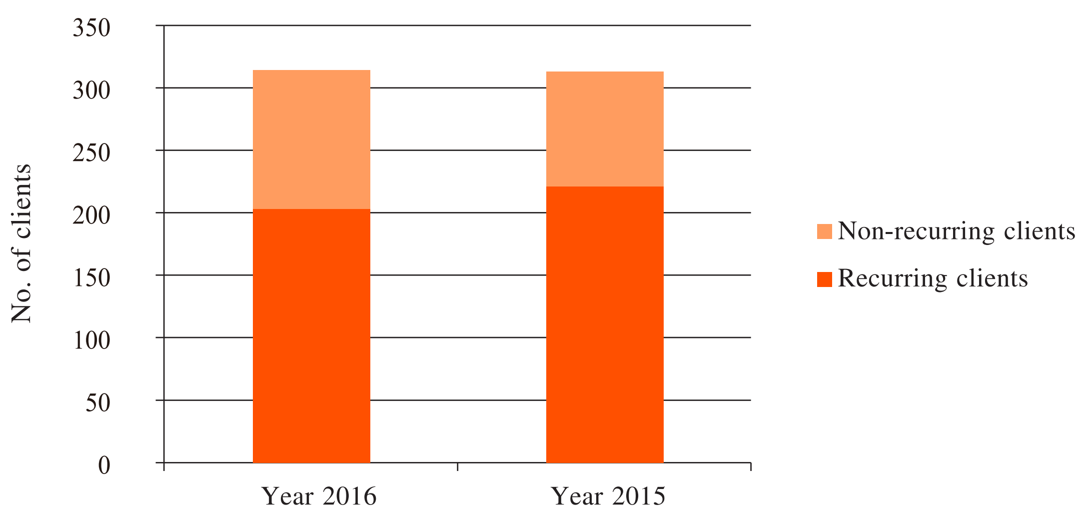
With years of presence and development in the market, the Group has successfully built up a broad client base including blue chips, state-owned enterprises, global fund houses and major insurance companies. We believe that the Group's ability to maintain recurring clients demonstrates their recognitions of its quality service and we consider these recognitions as one of the key factors leading to its success in the industry. For the years ended 31 December 2016 and 31 December 2015, approximately 66.6% and 70.6% of its clients respectively, were recurring clients who contributed to approximately 90.9% and 88.2% of the Group's total revenue for the respective period.

Composite of revenue contributed by recurring and non-recurring clients and number of recurring and non-recurring clients for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, are provided as follows:

For the years ended 31 December 2016 and 2015 (revenue contributed by recurring and non-recurring clients)



For the years ended 31 December 2016 and 2015 (by number of recurring and non-recurring clients)



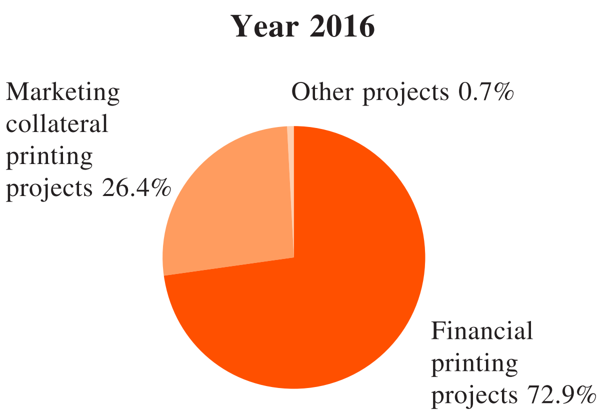
Our revenue generated from financial printing projects is slightly decreased by approximately 0.3% from approximately HK$117.1 million for the year ended 31 December 2015 to approximately HK$116.7 million for the year ended 31 December 2016. Such decrease was mainly due to the decrease in number of financial printing projects including (i) IPO prospectuses; and (ii) fund investment content outputs.

Our revenue generated from marketing collateral printing project is slightly decreased by approximately 1.3% from approximately HK$42.8 million for the year ended 31 December 2015 to approximately HK$42.2 million for the year ended 31 December 2016. Such decrease was mainly due to the decrease in number of marketing collateral printing projects from 811 in the year of 2015 to 678 in the year of 2016.

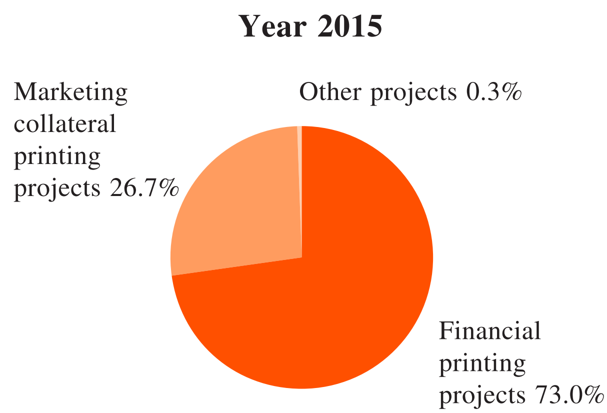
Our revenue from other projects is increased by approximately 137.7% from approximately HK$0.5 million for the year ended 31 December 2015 to approximately HK$1.1 million for the year ended 31 December 2016. Such increase is contributed by the increment of 27 projects.

Composite of revenue by product line for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, are provided as follows:

For the year ended 31 December 2016 (by product line)



For the year ended 31 December 2015 (by product line)



FINANCIAL REVIEW

Revenue

The Group's revenue is similar with last year, decreased by approximately HK$0.3 million, or 0.2%, from approximately HK$160.4 million for the year ended 31 December 2015 to approximately HK$160.0 million for the year ended 31 December 2016.

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

	2016	2015
	HK$'000	*HK$'000*
Financial printing projects	**116,729**	117,125
Marketing collateral printing projects	**42,211**	42,783
Other projects	**1,096**	461
	160,036	160,369

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately HK$3.6 million, or 5.7%, from approximately HK$64.5 million for the year ended 31 December 2015 to approximately HK$68.1 million for the year ended 31 December 2016, which was due to the increase in other projects revenue. Our gross profit margins for the years ended 31 December 2015 and 2016 were approximately 40.2% and 42.6% respectively, which had been maintained at a stable level.

Selling Expenses

The Group's selling expenses increased by approximately HK$0.8 million, or 7.4%, from approximately HK$9.9 million for the year ended 31 December 2015 to approximately HK$10.7 million for the year ended 31 December 2016. The increase was mainly due to the increases in the amount of bonus and commission payable to our sales and marketing staff.

Administrative Expenses

The Group's administrative expenses increased by approximately HK$2.5 million, or 7.0%, from approximately HK$36.0 million for the year ended 31 December 2015 to approximately HK$38.5 million for the year ended 31 December 2016, which was mainly due to increase in provision of staff bonus.

Taxation

Income tax expense decreased by approximately HK$0.2 million, or 4.8%, from approximately HK$4.0 million for the year ended 31 December 2015 to approximately HK$3.8 million for the year ended 31 December 2016. The decrease was primarily attributable to the deferred tax credited to profit or loss.

Profit for the Year and Net Profit Margin

The net profits and the net profit margin are stable for the years ended 31 December 2015 and 2016. The net profits and the net profit margin for the years ended 31 December 2015 and 2016 had been maintained at approximately $15.0 million and 9.4% respectively.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2016,

(a) the Group's total assets decreased to approximately HK$59.9 million (2015: approximately HK$83.2 million) while the total equity increased to approximately HK$24.9 million (2015: approximately HK$18.5 million);

(b) the Group's current assets decreased to approximately HK$56.6 million (2015: approximately HK$78.5 million) while the current liabilities decreased to approximately HK$34.6 million (2015: approximately HK$63.7 million);

(c) the Group had approximately HK$14.3 million in cash and bank balances (2015: approximately HK$16.6 million), which included cash and bank balances in Renminbi ("**RMB**") of approximately RMB1.0 million, in US dollars ("**US$**") of approximately US$22,300, and in approximately HK$13.0 million, and the current ratio of the Group was approximately 1.6 times (2015: approximately 1.2 times);

(d) the Group had bank borrowings, bank overdrafts and finance leases liabilities of approximately HK$0.8 million (2015: approximately HK$7.4 million); 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 ended and multiplied 100%) of the Group was approximately 3.2% (2015: approximately 40.1%).

FUTURE PROSPECTS

As set out in our prospectus dated 29 December 2016 (the "**Prospectus**"), the total revenue of the financial printing service industry in Hong Kong is expected to grow at a compound annual growth rate of approximately 4.0% from approximately HK$1,721.4 million in 2016 to approximately HK$2,014.3 million in 2020, attributable to the growing demand for listing related content outputs, as well as fund investment and insurance content outputs. The high demand for quality marketing collateral printing and corporate gifts increasing alongside marketing and advertising activities also presents numerous business opportunities to the Group. We believe that our Group is well-positioned to capture these market opportunities for expanding market share and strengthening its market position in Hong Kong.

In terms of the total revenue contributed by financial printing services, although our Group ranked 6th among financial printing service providers in Hong Kong, it only accounted for approximately 7.1% of the market share of the financial printing services industry in Hong Kong for the year ended 31 December 2015. Therefore, there is still room for us to increase our market share in the industry. By (i) setting up the new office in a prime location in Central, Hong Kong in mid-2017 and improving the facilities in our existing office; (ii) enhancing our IT systems and infrastructure; and (iii) enhancing our workforce, we believe that we can capture more market share in the industry.

CAPITAL EXPENDITURE

As at 31 December 2016, the Group has approximately HK$1.6 million of capital expenditure (2015: approximately HK$1.7 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2016, the Group did not hold any significant investments (2015: Nil).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 125 employees (2015: 111) in Hong Kong. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a reliable financial printer. Total staff costs (including Directors' emoluments) were approximately HK$44.4 million for the year ended 31 December 2016 (2015: approximately HK$45.2 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 2016 are generally appreciated and recognised.

In addition, the Group adopted a share option scheme (the "**Scheme**") on 15 December 2016. Since its adoption, no share options have been granted or agreed to be granted pursuant to the Scheme and therefore, there were no outstanding share options as at 31 December 2016.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2016, the Group had assets with the carrying amount of approximately HK$7.1 million pledged to secure general banking facilities and the finance leases obligations (2015: approximately HK$7.6 million).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

Prior to the listing of the Company's shares on GEM on 11 January 2017 (the "**Listing Date**"), the Company underwent corporate reorganisation, the details of which are set out in the section headed "History, Reorganisation and Development" in the Prospectus.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries by the Group during the year ended 31 December 2016.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely 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 US$ and RMB.

The Group's assets, liabilities and transactions are mainly denominated in HK$. Only a little portion of the Group's deposits with bank are denominated in US$ and RMB which is freely convertible into HK$. 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 2016. 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.

CORPORATE GOVERNANCE PRACTICES

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 since the Listing Date and up to the date of this announcement, the Company has complied with all the code provisions as set out in the CG Code.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2016, the Group was in compliance with all the laws and regulations applicable to the business operations of the Group.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Since the Listing Date of the Company was subsequent to the year ended 31 December 2016, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities for the year ended 31 December 2016.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings in the securities (the "**Required Standard of Dealings**") as contained in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on the Directors, all of the Directors confirmed that they had complied with the Required Standard of Dealings during the period from the Listing Date to the date of this announcement.

USE OF NET PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds from the listing of the Company's shares on GEM after deducting the underwriting commission and actual expenses related to the placing of the 100,000,000 new shares of the Company were approximately HK$40.5 million. Accordingly, the Group has applied the proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

As at the date of this announcement, the Directors do not anticipate any change to the above intention. Up to the date of this announcement, there are no use of proceeds, and the unutilised net proceeds are placed with an authorised financial institution in Hong Kong.

EVENTS AFTER THE BALANCE SHEET DATE

As from 31 December 2016 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM will be held on 8 June 2017. A notice convening the AGM will be published on the Company's website at www.hetermedia.com and the GEM website at www.hkgem.com in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 2 June 2017 for registration.

AUDIT COMMITTEE

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

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Ng Jack Ho Wan (chairman of the Audit Committee), Mr. Choi Hon Ting Derek and Mr. Wan Chi Wai Anthony. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, risk management, internal control and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2016.

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

Hong Kong, 20 March 2017

As at the date of this announcement, 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.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.hetermedia.com.