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

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 70% EQUITY INTEREST
IN I. LINK GROUP LIMITED
AND
CHANGE IN USE OF PROCEEDS**

THE ACQUISITION

The Board is pleased to announce that on 31 July 2020 (after trading hours of the Stock Exchange), the Purchaser as the purchaser and the Vendor as the vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 70% of the entire issued share capital of the Target Company, for the Consideration of HK\$5,000,000.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As the Acquisition is subject to fulfilment of certain conditions precedent set out in the Sale and Purchase Agreement and therefore may or may not proceed, Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

CHANGE IN USE OF PROCEEDS

The Board has resolved to change the use of part of the unutilised Net Proceeds from the Placing originally allocated for (i) setting up the new office and improving the facilities of the Group; and (ii) enhancement of the Group's IT systems and infrastructures, by reallocating and applying HK\$5,200,000 for the Acquisition and related expenses.

THE ACQUISITION

The Board announces that on 31 July 2020 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 70% of the entire issued share capital of the Target Company, for the Consideration of HK\$5,000,000, payable by the Purchaser subject to the terms and conditions of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date

31 July 2020 (after trading hours of the Stock Exchange)

Parties

- (a) the Purchaser; and
- (b) the Vendor.

As at the date of this announcement, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, the Target Company and its beneficial owners are Independent Third Parties.

Subject matter to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, which represent 70% of the entire issued share capital of the Target Company as at the date of this announcement.

Consideration and payment terms

The total consideration for the sale and purchase of the Sale Shares payable under the Sale and Purchase Agreement shall be HK\$5,000,000 and payable by instalments:

- (a) HK\$500,000 paid by the Purchaser to the Vendor on 6 July 2020 (the “**First Instalment**”);
- (b) HK\$1,500,000 paid by the Purchaser to the Vendor upon signing of the Sale and Purchase Agreement (the “**Second Instalment**”); and
- (c) HK\$3,000,000 payable in the following manner (the “**Final Instalment**”):
 - (1) HK\$1,500,000 (the “**First Payment of the Final Instalment**”) will be payable on or before 30 April 2021, subject to the fulfillment of the profit guarantee as set out in the paragraph headed “Profit Guarantee” of this announcement; and
 - (2) the final payment (the “**Final Payment of the Final Instalment**”) calculated as follows will be payable on or before 30 April 2022, subject to the fulfillment of the profit guarantee as set out in the paragraph headed “Profit Guarantee” of this announcement:

Final Payment of the Final Instalment = Final Instalment – First Payment of the Final Instalment

The First Instalment and the Second Instalment upon termination

If, at any time before Completion, the Sale and Purchase Agreement is terminated pursuant to the terms contained therein or otherwise, without prejudice to any of the Purchaser’s rights under the Sale and Purchase Agreement, the Vendor shall forthwith fully return the First Instalment and the Second Instalment to the Purchaser in such manner requested by the Purchaser in writing within five (5) Business Days upon receiving such request.

Basis of Consideration

The Consideration was agreed between the Purchaser and the Vendor after arm’s length negotiations on normal commercial terms with reference to, among others, (i) the adjusted price to earnings ratio of similar listed companies in Hong Kong; and (ii) reasons and benefits of the Acquisition as set out in the paragraph headed “Reasons for and benefits of the Acquisition” of this announcement.

After considering the above factors, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sale and Purchase Agreement (including the Consideration and payment terms) are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Profit Guarantee

The obligations of the Purchaser to fully pay the Final Instalment is subject to the conditions that:

- (a) the amount of the audited profit after tax of the Target Company for the financial year ending on 31 December 2020 (the “**2020 Financial Year**”) shall be no less than HK\$2,000,000 (the “**2020 Target Profit**”); and
- (b) the aggregate amount of the audited profit after tax of the Target Company for the two financial years ending on 31 December 2021 (the “**2020 and 2021 Financial Years**”) shall be no less than HK\$4,000,000 (the “**2020 and 2021 Target Profit**”).

If the actual audited profit after tax of the Target Company for the 2020 Financial Year (the “**2020 Actual Profit**”) is less than the 2020 Target Profit, an amount calculated as follows shall be deducted from the First Payment of the Final Instalment (the “**First Deduction**”):

First Deduction = 2020 Target Profit – 2020 Actual Profit

provided that if the shortfall shall have exceeded HK\$1,500,000, the amount of the First Deduction will be deemed to be equivalent to HK\$1,500,000.

If the aggregate amount of the actual audited profit after tax of the Target Company for the 2020 and 2021 Financial Years (the “**2020 and 2021 Actual Profit**”) is less than the 2020 and 2021 Target Profit, an amount calculated as follows shall be deducted from the Final Payment of the Final Instalment (the “**Second Deduction**”):

Second Deduction = 2020 and 2021 Target Profit – 2020 and 2021 Actual Profit

provided that if the shortfall shall have exceeded the amount of the Final Payment of the Final Instalment, the amount of the Second Deduction will be deemed to be equivalent to the Final Payment of the Final Instalment.

For the avoidance of doubt:

- (a) if the 2020 Actual Profit is equal to or more than the 2020 Target Profit, the First Deduction will not be applicable but no adjustment will be made to the First Payment of the Final Instalment;
- (b) if the 2020 and 2021 Actual Profit is equal to or more than the 2020 and 2021 Target Profit, the Second Deduction will not be applicable but no adjustment will be made to the Final Payment of the Final Instalment;

- (c) where the First Deduction and/or the Second Deduction is/are applied in accordance with the Sale and Purchase Agreement, the Consideration shall be deemed to have been reduced accordingly; and
- (d) if the Target Company shall have no profit or have suffered loss for both the 2020 and 2021 Financial Years, the Purchaser shall not be obliged to pay the Final Instalment, and the Consideration shall be deemed to have been reduced by the amount of the First Deduction and the Second Deduction.

Conditions precedent

The Completion is conditional upon each of the following conditions precedent being satisfied (or, where applicable, waived by the Purchaser) on or before 31 December 2020:

- (a) the completion of due diligence investigation by the Purchaser and its advisors, authorised agents and representatives into the Target Company, including but limited to the business, affairs, operations, assets, accounts, liabilities, financial condition, legal, taxation, prospects and records of the Target Company and the results of such due diligence investigation being satisfactory to the Purchaser at its sole and absolute discretion and that there is no matter arising from the due diligence review which in the opinion of the Purchaser may adversely affect the value of the Sale Shares;
- (b) all necessary consents, approvals, permits and/or authorisations required to be obtained by the Purchaser, the Vendor and/or the Target Company in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (c) no applicable law, order or governmental authority shall have been enacted, made effective or constituted (as the case may be) that materially delays or makes illegal the performance of the Sale and Purchase Agreement;
- (d) no material adverse change having occurred to the business, assets, financial position and performance of the Target Company prior to the Completion;
- (e) the warranties contained in the Sale and Purchase Agreement shall remain true, accurate in all material respects and not misleading in any material aspect as given at the date of Sale and Purchase Agreement and at all times up to and including the Completion Date; and
- (f) the completion of transfer of 5,000 shares (the “**Kinetic Shares**”) of Kinetic Intelligence Translation Company Limited (聯智翻譯有限公司, a limited liability company incorporated in Hong Kong with company number 2776050) (“**Kinetic**”), representing 50% of the entire issued share capital of Kinetic from Ms. Chan Fung Yee as the legal and beneficial owner of the Kinetic Shares to the Target Company at the consideration of HK\$5,000.

Except for conditions precedent (b) and (c), the conditions precedent above can be waived by the Purchaser. In the event that any of the conditions precedent shall not have been fulfilled (or waived by the Purchaser) on or before 31 December 2020 (or such other date as may be mutually agreed in writing between the Vendor and the Purchaser), the Purchaser shall not be bound to proceed with the Acquisition and can elect to terminate the Sale and Purchase Agreement.

Completion

Subject to fulfilment (or waiver, as the case may be) of the conditions precedent stated in the Sale and Purchase Agreement, the Completion shall take place on the Completion Date.

Upon Completion, the Purchaser will be the legal and beneficial owner of the Sale Shares free of any Encumbrances and other third party's rights whatsoever together with all rights (legal and equitable), including distributions and voting rights, attaching and accruing to the Sale Shares. The Target Company will be owned as to 70% and 7% by the Purchaser and the Vendor, respectively; and the remaining 23% by two minority shareholders who are Independent Third Parties.

INFORMATION OF THE PARTIES

The Purchaser and the Group

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The Group is principally engaged in the financial printing services and marketing collateral printing projects in Hong Kong.

The Vendor

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, Mr. Chan Wing Kin is an Independent Third Party as at the date of this announcement.

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability on 17 September 2007 and is mainly engaged in financial printing services, marketing collateral printing services and design solutions services in Hong Kong. It offers various services to corporations listed on the Stock

Exchange, potential listing applicants, government and organisations, fund houses and insurance companies in Hong Kong. Set out below is the audited financial information of the Target Company for the two years ended 31 December 2019:

	For the year ended	
	31 December	
	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	35,970	29,586
Gross profit	13,331	7,126
Net profit/(loss) before tax	2,338	(8,687)
Net profit/(loss) after tax	2,253	(8,687)
Total assets	17,440	14,436
Net assets (liabilities)	2,990	(7,697)

As at the date of this announcement, the Target Company has issued 5,000 ordinary shares and all of which have been fully paid up. Below are the existing shareholders of the Target Company as at the date of this announcement:

Existing Shareholders	Number of shares held	% of issued share capital
Vendor	3,850	77%
Louie Yee Nin Grace	1,000	20%
Shum Yun Ping	<u>150</u>	<u>3%</u>
Total	<u><u>5,000</u></u>	<u><u>100%</u></u>

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Target Company and its beneficial owners are not connected persons of the Company and are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the financial printing services, marketing collateral printing projects, as well as value-added new media services and provides integrated printing services for various corporate clients in the financial and capital market in Hong Kong. The Group mainly offers a wide spectrum of services from financial printing services for corporations which are listed on the Stock Exchange and potential listing applicants to, fund houses and insurance companies to marketing collateral printing services and is actively seeking to upgrade its products and services for the purpose of enhancing its overall competitiveness.

According to the available market statistics, the total number of companies listed on the Stock Exchange has been increasing for the past few years. The growing number of listed companies represents an expanding customer base for financial printers as publication of listing documents, announcements, circulars and annual reports is required in compliance with listing rules and regulations, representing a greater demand for financial printing services.

In light of the above, the Board considers that the Acquisition represents an opportunity for the Group to invest in the Target Company and to align with the focus and future development strategies of the Group, which will broaden the revenue sources of the Group and expand its customer bases, benefit the Group's business development and the interests of the Company and the Shareholders as a whole in the future. The Directors also believe that the Acquisition would further strengthen and complement the Group's core business of financial printing in light of the growing financial and capital market. Through the Acquisition and with the existing know-how of the Group, the Directors are of the view that the Group will gain additional exposure to the financial and capital market and strengthen the Group's service solutions to its existing and potential clients.

In view of the above, the Board is optimistic on the business prospects of the Target Company and considers that the Acquisition would further enhance the profitability of the Group. After taking into account the above factors, the Directors consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

THE GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under the GEM Listing Rules and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

None of the Directors has material interest in the transaction contemplated under the Sale and Purchase Agreement and is required to abstain from voting on the Board resolutions to approve the transaction contemplated under the Sale and Purchase Agreement.

The completion of the Acquisition is conditional upon fulfilment of the conditions precedent set out in the Sale and Purchase Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of the Company dated 29 December 2016 in relation to the listing of the Company's shares on GEM of the Stock Exchange (the "**Prospectus**"), the supplemental announcement of the Company dated 18 October 2019 (the "**Supplemental Announcement**") in relation to the use of net proceeds from the Placing (the "**Net Proceeds**") and the annual report of the

Company for the year ended 31 December 2019 (the “**2019 Annual Report**”). Unless otherwise expressly defined in this announcement, terms used herein shall bear the same meaning as those defined in the Prospectus, the Supplemental Announcement and the 2019 Annual Report.

A table showing the planned usage of the Net Proceeds, the actual utilisation of the Net Proceeds up to 31 December 2019 and 30 June 2020 and the remaining unused Net Proceeds up to 31 December 2019 and 30 June 2020, respectively, is set out below:

	Planned use of Net Proceeds from the Placing HK\$'000	Actual use of Net Proceeds up to 31 December 2019 HK\$'000	Actual use of Net Proceeds up to 30 June 2020 HK\$'000	Unutilised Net Proceeds up to 31 December 2019 HK\$'000	Unutilised Net Proceeds up to 30 June 2020 HK\$'000
Set up the new office and improve the facilities in the Infinitus Plaza office	17,487	15,359	15,359	2,128	2,128 ^(Note 1)
Enhance the Group's IT systems and infrastructures	14,962	8,361	11,301	6,601	3,661 ^(Note 2)
Enhance the Group's work force	3,817	3,817	3,817	0	0
General working capital	3,734	3,734	3,734	0	0
Total	40,000	31,271	34,211	8,729	5,789

Notes:

1. The unutilised Net Proceeds are mainly due to the outbreak of COVID-19 and the change in the business environment of the Group under the working-from-home arrangements. After implementing the working-from-home policy for several months, the Directors are of the view that it did not have any material adverse impact on the work flow, the efficiency or the communication among staff of the Group and working from home will become a business norm of the Group in the near future. Therefore, the availability of additional office space will no longer be a material consideration for the Group's business operation and further renovations and improvements to the offices are no longer necessary.
2. The unutilised Net Proceeds are mainly due to the following reasons: (i) the Group was originally planning to implement the mobile office system with an objective to improve the effectiveness and efficiency of workforce and business processes. However, upon further study and review, there are concerns that such system may not provide adequate and secured processes and procedures for the provision of data-security requirements. Given the nature of mobile devices and the features of instalment of third-party applications, the risk of losing data or information leakage is relatively high. Therefore, the Directors decided not to further implement the mobile office system; and (ii) the Group is applying cloud computing solution for the purpose of enhancing its data servers and private cloud space and the actual utilisation is dragged on in view of the current business environment. The Directors expect that the utilisation of cloud computing solution will be completed by 31 December 2020.

As at 30 June 2020, the Company had utilised approximately HK\$34,211,000, representing approximately 85.5% of the Net Proceeds and the unutilised Net Proceeds was approximately HK\$5,789,000. Having carefully considered the current business environment in Hong Kong and the development needs of the Group, the Board has reviewed the current utilisation of the Net Proceeds and resolved to adjust the use of the Net Proceeds originally designated for (i) setting up the new office and improving the facilities of the Group; and (ii) enhancing the Group's IT systems and infrastructures.

As disclosed in the Supplemental Announcement, approximately HK\$17,487,000, representing approximately 43.7% of the Net Proceeds would be used to set up the new offices and improve the facilities of the Group and approximately HK\$14,962,000, representing approximately 37.4% of the Net Proceeds would be used to enhance the Group's IT systems and infrastructures (collectively the "**Intended Usage**"). For reasons set out in the paragraph headed "Reasons for the Change of Intended Usage" of this announcement, the Board resolved to change the Intended Usage and approved that approximately HK\$5,200,000, being approximately 13% of the Net Proceeds shall be reallocated to finance the Consideration and related expenses. As such, the unutilised Net Proceeds will be applied as follows:

	Planned use of net proceeds from the Placing HK\$'000	Utilised Net Proceeds up to 30 June 2020 HK\$'000	Unutilised Net Proceeds up to 30 June 2020 HK\$'000	Revised allocation of Net Proceeds HK\$'000
Set up the new office and improve the facilities in the Infinitus Plaza office	17,487	15,359	2,128	15,359
Enhance the Group's IT systems and infrastructures	14,962	11,301	3,661	11,890
Enhance the Group's work force	3,817	3,817	0	3,817
General working capital	3,734	3,734	0	3,734
Acquiring the Targe Company	—	—	—	5,200
Total	40,000	34,211	5,789	40,000

Reasons for the Change of Intended Usage

As at the date of this announcement, the Group's financial position remains at a relatively stable and healthy level and the Group has continuously put efforts in increasing market penetration in existing markets and expanding customer base. In order to strengthen the use efficiency of Net Proceeds and protect the interest of investors, the Board has resolved to change the use of Net Proceeds and the proportion of unutilised Net Proceeds for setting up the new office and improving the facilities of the Group and enhancing the Group's IT systems and infrastructures will be reduced to supplement the

Group's business development and be used for acquiring the Target Company. The change is in line with the Group's primary business objective to strengthen the position of the Company and to take up more financial printing projects in order to broaden the income sources, expand the customer base and achieve sustainable growth of the Group. Please also refer to the paragraph headed "Reasons for and Benefits of the Acquisition" of this announcement for details of the benefits of the Acquisition.

As such, based on the interest of the Company and its Shareholders as a whole, and in view of strengthening the efficiency and effectiveness of the capital use, and also to guarantee the flow of its own capital, the use of Net Proceeds is appropriately adjusted to better meet the current business needs of the Group, which also enables the Group to use its financial sources in a more beneficial and effective way so as to cooperate in the future development and grasp the potential business opportunities. The re-allocation of 13% of the Net Proceeds from the Placing in an amount of approximately HK\$5,200,000, which were originally allocated for (i) setting up the new office and improving the facilities of the Group and (ii) enhancing the Group's IT systems and infrastructures, to finance the Acquisition and related expenses is more beneficial to meet the operation needs of the Group and increase its financial effects.

As at the date of this announcement, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider the above change in the use of the Net Proceeds is fair and reasonable as this allows the Group to deploy its financial resources more effectively to enhance the profitability of the Group and is in the interests of the Group and its Shareholders as a whole.

The Directors will continuously assess the plans for the use of the Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance for the Group. The Board confirms that, save as disclosed in this announcement, there are no other changes to the use of Net Proceeds.

DEFINITIONS

The following terms shall have the following meanings ascribed to them respectively in this announcement unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
"Board"	the board of Directors from time to time
"Business Day"	a day on which licensed banks are open for business in Hong Kong, except a Saturday, Sunday or public holiday or a day which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

“Company”	HM International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (Stock Code: 8416)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	a day within five (5) Business Days after the fulfillment (or, where applicable, waiver) of all the conditions contained in the Sale and Purchase Agreement or such other date as may be mutually agreed in writing between the Vendor and the Purchaser
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares in the sum of HK\$5,000,000
“Director(s)”	the director(s) of the Company from time to time
“Encumbrance”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules

“Purchaser”	HM Investment Limited, a company incorporated with limited liability under the laws of the British Virgin Islands and is an indirectly wholly-owned subsidiary of the Company
“Sale Shares”	3,500 shares of the Target Company, representing 70% of the entire issued share capital of the Target Company, which are legally and beneficially owned by the Vendor as at the date of this announcement
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 July 2020 entered into between the Purchaser and the Vendor in respect of the sale and purchase of the Sale Shares
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	I. Link Group Limited, a company incorporated in Hong Kong with limited liability
“Vendor”	Mr. Chan Wing Kin, an Independent Third Party, who legally and beneficially holds the Sale Shares as at the date of this announcement
“%”	per cent

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

Hong Kong, 31 July 2020

As at the date of this announcement, the Board comprises Mr. Yu Chi Ming, Mr. Tse Kam Wing Walter and Mr. Chan Wai Lin as executive Directors; and Mr. Choi Hon Ting Derek, Mr. Ng Jack Ho Wan and Mr. Wan Chi Wai Anthony as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. 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.

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