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*20 years, young HC!*

**HC INTERNATIONAL, INC.**

**慧聪网有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Main Board Stock Code: 2280)**

## **LETTER OF INTENT IN RELATION TO THE PROPOSED ACQUISITIONS**

The Board is pleased to announce that on 17 March 2015, the Company and the Sellers have entered into the Letter of Intent in relation to the Proposed Acquisitions.

**The Letter of Intent in relation to the Proposed Acquisitions is subject to, among others, the execution of the Formal Agreements and any conditions precedent therein. Therefore, the Proposed Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

This announcement is made pursuant to Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

The Board is pleased to announce that 17 March 2015 (after trading hours), the Company entered into the Letter of Intent with the Sellers in relation to the Proposed Acquisitions.

### **THE LETTER OF INTENT IN RELATION TO THE PROPOSED ACQUISITIONS**

#### **Key terms of the Letters of Intent**

As stated in the Letter of Intent, the Purchaser intends to (i) enter into a share purchase agreement with the Offshore Seller to acquire 100% of the entire issued share capital in the Offshore Target (the “**Offshore Acquisition**”); and (ii) appoint a PRC nominee(s) to enter into an equity transfer agreement with the Onshore Sellers to acquire 100% of the equity interests in the Onshore Target (the “**Onshore Acquisition**”), collectively for the purpose of acquiring all the onshore and offshore assets, business and interests of the Target Group. The Offshore Acquisition and the Onshore Acquisition shall collectively be referred to as the “**Proposed Acquisitions**”.

The Target Group operates one of the leading IT vertical portals in the PRC. It holds or will hold certain assets related to the operation of the websites under the key domain names www.zol.com.cn (中關村在線), www.zol.com (中關村商城) and www.ea3w.com (萬維家電網), which are internet portals mainly providing information on product reviews and specifications regarding consumer electronics to the internet consumer users and integrated marketing solutions to the business users.

As stated in the Letter of Intent, the Purchaser has provided a term loan facility of US\$23,000,000 to the Offshore Seller to fund its acquisition of Offshore Target pursuant to a facility agreement between the Purchaser (as lender) and the Offshore Seller (as borrower) on 5 February 2015 (the “**Facility**”).

Pursuant to the Letter of Intent, Liu Xiaodong (劉小東), as one of the Sellers and the controlling shareholder of the Offshore Seller and the Onshore Target, undertakes to the Purchaser to procure the observance and performance of each Seller of its obligations under the Letter of Intent.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Sellers and their respective associates are Independent Third Parties.

The parties to the Letter of Intent intend that the total consideration for the Proposed Acquisitions shall be an amount in United States Dollars equivalent to approximately RMB1,500,000,000, 30% of which shall be paid in cash and the remaining 70% of which shall be paid by way of issuing such number of new Shares by the Company to the Offshore Seller (the “**Consideration Shares**”), as calculated on HK\$8.5 per Consideration Share, which shall be subject to the satisfaction of all the conditions precedent in the Formal Agreements and the escrow and adjustment mechanism as described below and to be set out in the Formal Agreements.

If any of the principal and/or interests under the Facility remains outstanding upon completion of the Proposed Acquisitions, such outstanding amounts shall be automatically converted into a prepayment by the Company to the Offshore Seller towards the cash payment of the consideration payable by the Company and Company’s obligation to pay such portion of consideration shall be discharged accordingly.

The Consideration Shares, once issued to the Offshore Seller, shall be held by an escrow agent (the “**Escrow Agent**”) as jointly appointed by the Purchaser and the Offshore Seller pursuant to an escrow agreement to be entered into on or around the same date of the Formal Agreements and to be adjusted according to the following principles and such other terms as set out in the Formal Agreements:

- (a) each of Liu Xiaodong (劉小東), Wang Qian (王倩) and other key management of the Target Group will provide the performance undertaking (the “**Performance Undertaking(s)**”) to achieve a yearly target amount of RMB100,000,000, RMB130,000,000 and RMB170,000,000 of after-tax profit of the Target Group (the “**Performance Target**”) for each of 3 years respectively (subject to adjustment) after completion of the Proposed Acquisitions (each year means the 12-month period and each year is a “**Performance Undertaking Year**”); and

- (b) at the end of each relevant Performance Undertaking Year, the Offshore Seller and the Purchaser shall, subject to the actual performance results of the Target Group and in accordance with the adjustment mechanism set out in the Formal Agreements, jointly instruct the Escrow Agent to (X) if required, release and return such number of Consideration Shares to the Purchaser for cancellation in accordance with the “amount of deducted Consideration Shares (股份扣減數目)”; and/or (Y) release and return such number of Consideration Shares to the Offshore Seller in accordance with the “amount of released Consideration Shares (股份釋放數目)”.

Pursuant to the Letter of Intent, among other things, the completion of the Proposed Acquisitions will be subject to:

- (a) completion of legal, financial, technical and commercial due diligence by the Company to its satisfaction;
- (b) execution and delivery of the Formal Agreements;
- (c) simultaneous completion of the Offshore Acquisition and the Onshore Acquisition;
- (d) the Company obtaining all requisite consents, registrations, filings and approvals (including any consent necessary or desirable under the laws of the relevant jurisdictions and/or the rules of the relevant stock exchange and from relevant third parties) prior to completion of the Proposed Acquisitions;
- (e) completion of the transfer of business and assets of ZOL.com.cn from Beijing Zhide Diankang E-Commerce Co., Ltd. (北京智德典康電子商務有限公司) to the Onshore Target;
- (f) completion of the contracted arrangement (“VIE arrangement”) between the Onshore Target and Offshore Target to the satisfaction of the Purchaser;
- (g) each of Liu Xiaodong (劉小東), Wang Qian (王倩) and other key management of the Target Group entering into a service or employment agreement and a letter of undertaking in relation to the Performance Undertakings with the Target Group on terms to the satisfaction of the Purchaser; and
- (h) customary conditions precedent in similar type of transactions and conditions precedent relating to issues identified during due diligence (if any).

Pursuant to the Letter of Intent, the Sellers have agreed to grant the Company a period of exclusivity in accordance with the terms of the Letter of Intent for one-hundred-and-eighty (180) days after the date of the Letter of Intent or such later date as agreed by the parties (the “**Exclusivity Period**”). Each of the Sellers warrants and represents that during the Exclusivity Period it and its representatives are not directly or indirectly in discussion or negotiations with any person except the Company in connection with any proposed direct or indirect sale or otherwise disposal of the Target Group or any part thereof or the business or any part of its business (or the shares or business of any subsidiary of the Target Group).

The Letter of Intent is non-legally binding save for certain provisions relating to the exclusivity, the confidentiality and announcements, the costs and expenses and the governing law and jurisdiction.

In the event the Possible Acquisitions materialises, the Possible Acquisitions shall constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and the Company will comply with the relevant requirements of the Listing Rules if necessary.

**The Letter of Intent in relation to the Proposed Acquisitions is subject to, among others, the execution of the Formal Agreements and any conditions precedent therein. Therefore, the Proposed Acquisitions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Board”	the board of Directors
“Company”	HC INTERNATIONAL, INC. (慧聰網有限公司)*, a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Formal Agreements”	the formal legal documentation relating to the Proposed Acquisitions in a form to the satisfaction of the Company
“Independent Third Parity(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Letter of Intent”	a letter of intent entered into among the Company and each of the Sellers dated 17 March 2015 in relation to the Proposed Acquisitions

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offshore Seller”	Navi-IT Limited, a limited liability company incorporated under the laws of British Virgin Islands, holding 100% of the issued share capital of the Offshore Target
“Offshore Target”	Orange Triangle Inc., a limited liability company incorporated under the laws of the State of Delaware of the USA
“Onshore Sellers”	Liu Xiaodong (劉小東), Wang Qian (王倩), Xie Xianju (謝先菊), Yang Fan (楊帆), Shi Shilin (施世林) and Yang Ye (楊葉), holding 60%, 5%, 12.5%, 12.5%, 5% and 5% respectively of the equity interests in the Onshore Target
“Onshore Target”	Beijing Zhixing Ruijing Technology Co., Ltd (北京知行銳景科技有限公司), a company incorporated under the laws of the People’s Republic of China
“PRC”	The People’s Republic of China
“Sellers”	Offshore Seller and Onshore Sellers
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Offshore Target and Onshore Target
“USA”	United State of America
“US\$”	USA dollars, the lawful currency of USA
“%”	per cent

By order of the Board of  
**HC International, Inc.**  
**Guo Jiang**

*Chief Executive Officer and Executive Director*

Beijing, the People’s Republic of China, 17 March 2015

*As at the date of this announcement, the Board of the Company comprises:*

*Mr. Guo Fansheng (Executive Director and Chairman)*

*Mr. Guo Jiang (Executive Director and Chief Executive Officer)*

*Mr. Lee Wee Ong (Executive Director and Chief Financial Officer)*

*Mr. Yang Ning (Executive Director and President)*

*Mr. Li Jianguang (Non-executive Director)*

*Mr. Guo Wei (Non-executive Director)*

*Mr. Zhang Ke (Independent non-executive Director)*

*Mr. Xiang Bing (Independent non-executive Director)*

*Mr. Zhang Tim Tianwei (Independent non-executive Director)*

*\* For identification purposes only*