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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)

(Stock Code: 02280)

**SHARE TRANSACTION IN RELATION TO
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL
OF ZHONGFU HOLDINGS LIMITED
INVOLVING ISSUE OF CONVERTIBLE BONDS AND
CONTINUING CONNECTED TRANSACTION
IN RELATION TO THE STRUCTURED CONTRACTS**

THE SALE AND PURCHASE AGREEMENT

Reference is made to the announcement of the Company dated 3 July 2015 in relation to, among others, the entering into of the Letter of Intent for the acquisition of 80.38% equity interest of Zhejiang Zhongfu.

The Board is pleased to announce that on 18 December 2015 (after trading hours), the Sellers, the Company and the Seller Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company for an aggregate consideration of HK\$170,807,500 (subject to downward adjustments), to be settled at Completion by way of (i) cash; and (ii) issuance and allotment of the Convertible Bonds (subject to downward adjustments).

Completion is conditional upon the satisfaction of the Conditions Precedent as more particularly set out in the section headed “Conditions Precedent” below.

THE STRUCTURED CONTRACTS

Hangzhou Saidian Information will enter into the Structured Contracts with Hangzhou Saidian Technology and the PRC Equity Owners on or before the Completion Date. Pursuant to the Structured Contracts, Hangzhou Saidian Information will provide certain management and operations services, including but not limited to business consultations, marketing consultancy, technical services, intellectual-properties licenses, product research and development system maintenance, as well as general corporate management, whereas Hangzhou Saidian Technology will pay the service fee equal to the net income as further elaborated in the paragraph headed “The Structured Contracts” in this announcement. In addition, relevant parties have entered into certain agreements in relation to, among other things, the pledge of, and grant of exclusive acquisition rights of, the equity interests in Hangzhou Saidian Technology, details of which are referred to in the paragraph headed “The Structured Contracts” in this announcement.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are less than 5% and part of the Consideration shall be satisfied by way of issue of the Convertible Bonds, the Acquisition constitutes a share transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements. Not more than 10,071,250 Conversion Shares will be issued under the General Mandate upon full conversion of the Convertible Bonds.

In addition, as Hangzhou Saidian Technology will be owned as to 60% by Mr. Guo who is an executive Director, chief executive officer and a substantial shareholder of the Company, each of Mr. Guo and Hangzhou Saidian Technology will be a connected person of the Company and the transactions contemplated under the Structured Contracts constitute continuing connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Structured Contracts exceed 0.1% but are less than 5%, the Structured Contracts and the annual caps contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 July 2015 in relation to, among others, the entering into of the Letter of Intent for the acquisition of 80.38% equity interest of Zhejiang Zhongfu.

The Board is pleased to announce that on 18 December 2015 (after trading hours), the Sellers, the Company and the Seller Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company for an aggregate consideration of HK\$170,807,500 (subject to downward

adjustments), to be settled at Completion by way of (i) cash; and (ii) issuance and allotment of the Convertible Bonds (subject to downward adjustments). The principal terms and conditions of the Sale and Purchase Agreement are as follows:

THE SALE AND PURCHASE AGREEMENT

Date: 18 December 2015

Parties:

- (i) Daxiong, Hanson, Richard, Grand Novel and Moustache as the Sellers;
- (ii) the Company as the purchaser; and
- (iii) Mr. Cao, Mr. He, Mr. Chen, Mr. Guan and Mr. Liao as the Seller Guarantors

As at the date of this announcement, each of Daxiong, Hanson, Richard, Grand Novel and Moustache is wholly-owned by Mr. Cao, Mr. He, Mr. Chen, Mr. Guan and Mr. Liao respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Sellers and the Seller Guarantors is an Independent Third Party.

Subject matter of the Sale and Purchase Agreement

Pursuant to the Sale and Purchase Agreement, the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company.

As at the date of this announcement, each of Daxiong, Hanson, Richard, Grand Novel and Moustache is holding 5.53%, 6.22%, 63.55%, 19.35% and 5.35% of the issued share capital in the Target Company respectively. The Target Company holds the entire issued share capital in SaiDian HK which in turn holds the entire equity interest in Hangzhou Saidian Information. Hangzhou Saidian Information will enter into the Structured Contracts with Hangzhou Saidian Technology and the PRC Equity Owners on or before the Completion Date.

As at the date of this announcement, Hangzhou Saidian Technology was owned as to 63.55% by Mr. Chen, 19.35% by Mr. Guan, 6.22% by Mr. He, 5.53% by Mr. Cao and 5.35% by Mr. Liao. Upon Completion, through the transfer of the equity interests from Mr. Chen, Mr. Guan, Mr. He, Mr. Cao and Mr. Liao to Mr. Guo, an executive Director, chief executive office and a substantial shareholder of the Company, Hangzhou Saidian Technology will be owned as to 60% by Mr. Guo and as to 40% by Mr. Chen.

Consideration

The Consideration is HK\$170,807,500 (subject to downward adjustments). The Consideration was determined after arm's length negotiations between the Company and the Sellers after taking into account, among others, (i) the Performance Targets; (ii) the latest unaudited net asset value of Hangzhou Saidian Technology; (iii) the operating performance of Zhejiang Zhongfu including but not limited to the number of registered users and the number of daily visitors of the websites operated by Zhejiang Zhongfu and its leading position in the industry; (iv) the business prospect of the Target Group; (v) the payment terms of the Consideration; and (vi) the opportunity for the Company to widen its customer base and business network as a result of the Acquisition.

The Consideration shall be payable by the Company at Completion in the following manner:

- (i) HK\$3,876,254, shall be payable by the Company in cash to Daxiong;
- (ii) HK\$4,359,908, shall be payable by the Company in cash to Hanson;
- (iii) HK\$44,545,373 shall be payable by the Company in cash to Richard;
- (iv) HK\$13,563,382 shall be payable by the Company in cash to Grand Novel;
- (v) HK\$3,750,083 shall be payable by the Company in cash to Moustache;
- (vi) a sum of HK\$5,569,401 (subject to downward adjustments) shall be paid by way of allotment and issue of the Daxiong 2017 Convertible Bond, the Daxiong 2018 Convertible Bond and the Daxiong 2019 Convertible Bond;
- (vii) a sum of HK\$6,264,319 (subject to downward adjustments) shall be paid by way of allotment and issue of the Hanson 2017 Convertible Bond, the Hanson 2018 Convertible Bond and the Hanson 2019 Convertible Bond;
- (viii) a sum of HK\$64,002,793 (subject to downward adjustments) shall be paid by way of allotment and issue of the Richard 2017 Convertible Bond, the Richard 2018 Convertible Bond and the Richard 2019 Convertible Bond;
- (ix) a sum of HK\$19,487,869 (subject to downward adjustments) shall be paid by way of allotment and issue of the Grand Novel 2017 Convertible Bond, the Grand Novel 2018 Convertible Bond and the Grand Novel 2019 Convertible Bond; and
- (x) a sum of HK\$5,388,118 (subject to downward adjustments) shall be paid by way of allotment and issue of the Moustache 2017 Convertible Bond, the Moustache 2018 Convertible Bond and the Moustache 2019 Convertible Bond.

HK\$70,095,000 of the Consideration, which shall be payable in cash to the Sellers, shall be financed by the internal resources of the Company.

Performance Targets and adjustment mechanism

HK\$100,712,500 of the Consideration (being the aggregate principal amount of the allotment and issue of the Convertible Bonds) is subject to downward adjustments on the basis of the Performance Targets to each of the Sellers. In the event that the Performance Targets are achieved in each of the Performance Undertaking Years, the following principal amounts of the Convertible Bonds will be allotted and issued to each of the Sellers:

Sellers	Relevant Percentage	Principal amount of the Convertible Bonds to be allotted and issued to the relevant Sellers	Number of Conversion Shares (subject to downward adjustments) to be allotted and issued to the relevant Sellers
Daxiong	5.53%	HK\$5,569,401	556,940
Hanson	6.22%	HK\$6,264,319	626,432
Richard	63.55%	HK\$64,002,793	6,400,279
Grand Novel	19.35%	HK\$19,487,869	1,948,787
Moustache	5.35%	HK\$5,388,118	538,812

Pursuant to the Sale and Purchase Agreement, the Seller Guarantors jointly, severally and irrevocably covenant and undertake to the Company that the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu shall achieve the Performance Targets for the relevant Performance Undertaking Years:

Financial year	Performance Targets
Year ending 31 December 2016 (“ First Performance Undertaking Year ”)	RMB10,000,000
Year ending 31 December 2017 (“ Second Performance Undertaking Year ”)	RMB13,000,000
Year ending 31 December 2018 (“ Third Performance Undertaking Year ”)	RMB16,900,000

By the end of each Performance Undertaking Year, the Company shall procure the Target Company to prepare the statutory combined audited financial statements of Zhejiang Zhongfu (the “**Audited Financial Statements**”) in accordance with international financial reporting standards, and provide the Sellers with the Audited Financial Statements within 90 days from the end of the relevant Performance Undertaking Year.

If the Performance Target cannot be achieved for a Performance Undertaking Year, (i) each of the Sellers must convert all or part(s) of the principal amount of its Convertible Bonds that will expire in the next financial year (the “**Expiring CB**”) into Conversion Shares (in the following manner depending on the amount of the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu); and (ii) the Company shall have the right to redeem from each of the Sellers the remaining principal amounts of the Expiring CB at HK\$1 plus any Expiring CB that has not been converted by the Sellers and cancel the same within 30 Business Days after the publication of the relevant Audited Financial Statement:

First Performance Undertaking Year

Audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu	Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)	Principal amount of the Convertible Bonds that the Company could redeem and cancel (HK\$)
RMB10,000,000 or above	40,427,500	0
RMB9,000,000 (inclusive) to RMB9,999,999	36,394,280	4,033,220
RMB8,000,000 (inclusive) to RMB8,999,999	28,327,850	12,099,650
RMB7,000,000 (inclusive) to RMB7,999,999	16,228,200	24,199,300
RMB6,999,999 (inclusive) or below	0	40,427,500

Second Performance Undertaking Year

Audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu	Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)	Principal amount of the Convertible Bonds that the Company could redeem and cancel (HK\$)
RMB13,000,000 or above	30,142,500	0
RMB11,700,000 (inclusive) to RMB12,999,999	27,135,360	3,007,140
RMB10,400,000 (inclusive) to RMB11,699,999	21,121,070	9,021,430
RMB9,100,000 (inclusive) to RMB10,399,999	12,099,660	18,042,840
RMB9,099,999 (inclusive) or below	0	30,142,500

Third Performance Undertaking Year

Audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu	Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)	Principal amount of the Convertible Bonds that the Company could redeem and cancel (HK\$)
RMB16,900,000 or above	30,142,500	0
RMB15,210,000 (inclusive) to RMB16,899,999	27,135,360	3,007,140
RMB13,520,000 (inclusive) to RMB15,209,999	21,121,070	9,021,430
RMB11,830,000 (inclusive) to RMB13,519,999	12,099,660	18,042,840
RMB11,829,999 (inclusive) or below	0	30,142,500

Conditions Precedent

The Completion is conditional upon the following conditions being satisfied or waived in accordance with the Sale and Purchase Agreement:

- (a) the completion of the business, legal and financial due diligence of each of the Sellers, the Seller Guarantors and the Target Group by the Company and its advisers to its satisfaction in the Company's absolute discretion;
- (b) the Company having obtained all necessary approvals, authorisations, consents and permits from the relevant authorities (including but not limited to the unconditional approval for the listing of, and permission to deal in, the Conversion Shares from the Listing Committee of the Stock Exchange) and such approvals, authorisations, consents and permits have not been revoked or withdrawn;
- (c) having obtained the agreements, consents, authorisations, permits and any other form of approval that may be necessary pursuant to any existing contractual arrangements of the Target Group, the Sellers and the Seller Guarantors for the completion of the transactions contemplated under the Sale and Purchase Agreement;
- (d) having obtained all necessary consents, authorisations and permits or any other form of approval from any statutory governmental or regulatory authorities, and having fulfilled all legal requirements that the Target Group, the Sellers and the Seller Guarantors may be required to comply with, for the completion of transactions contemplated under the Sale and Purchase Agreement;
- (e) the Structured Contracts and ancillary documents enabling the financial results, the entire economic benefits and the risks of the business of Hangzhou Saidian Technology to flow into Hangzhou Saidian Information and enabling Hangzhou Saidian Information to gain the control of Hangzhou Saidian Technology having been duly executed and remaining valid and subsisting;

- (f) Mr. Guo and Mr. Chen having become the legal and beneficial owners as to 60% and 40% of the equity interest of Hangzhou Saidian Technology respectively;
- (g) Zhejiang Zhongfu having amended its articles of association to the effect that where there is profit in each financial year, Zhejiang Zhongfu shall distribute such distributable profit to its shareholders in accordance with the ratio of the paid-up registered capital of its shareholders;
- (h) the Company having received a legal opinion, which shall be issued by a qualified lawyer in the PRC to be appointed by the Company and shall be in such substance acceptable to the Company, in respect of the Sale Shares and the legal aspects of the Target Group; and
- (i) the warranties remaining true, accurate and not misleading in all material respects at Completion, as though the Sellers and the Seller Guarantors have been repeatedly giving such warranties from the date of the Sale and Purchase Agreement until the Completion.

The Sellers shall use their best endeavours to ensure that the Conditions Precedent set out above to be fulfilled as soon as possible and to the satisfaction of the Company.

If all the Conditions Precedent are not fulfilled or waived by the Company in writing on or before the Long Stop Date (or a later date as agreed by the Sellers and the Company in writing), the Sale and Purchase Agreement shall become void and unenforceable.

Guarantee

Pursuant to the Sale and Purchase Agreement, the Seller Guarantors (as primary obligors and not merely as guarantors) unconditionally and irrevocably guarantee to the Company that the Sellers shall duly perform all obligations under, arising from and in connection with the Sale and Purchase Agreement (the “**Guaranteed Obligations**”). The Seller Guarantors guarantee that, in the case that the Sellers fail to perform any of the Guaranteed Obligations due to any reason, the Seller Guarantors shall forthwith duly perform or procure the Sellers to perform the Guaranteed Obligations.

The Seller Guarantors agree to fully indemnify the Company and/or its representatives all losses, liabilities and damages (including but not limited to all legal fees and costs) arising from, incurred by or in connection with the failure of the Sellers to fully perform the Guaranteed Obligations.

Completion

Completion shall take place on the Completion Date which shall be the day falling on the 6th Business Days (or any other time as agreed by the Sellers and the Company) after the date on which all the Conditions Precedent have been satisfied or otherwise waived in accordance with the Sale and Purchase Agreement.

THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are summarised below:

Principal amount:	An aggregate of HK\$100,712,500
Maturity date:	15 Business Days from the issue of the relevant Audited Financial Statements
Interest:	Nil
Conversion Price:	HK\$10 per Conversion Share (subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds)
Adjustment events:	If the nominal value of the Shares will be changed due to any reason, such as share consolidation, subdivision, or reclassification, the Conversion Price shall be adjusted prior to such change.
Conversion Shares:	<p>On the basis of the Conversion Price of HK\$10 per Conversion Share, an aggregate of 10,071,250 Conversion Shares will be issued and allotted upon full conversion of the Convertible Bonds, which represent:</p> <ul style="list-style-type: none">(i) approximately 1.12% of the issued share capital of the Company as at the date of this announcement; and(ii) approximately 1.11% of the issued share capital of the Company as enlarged by the issuance and allotment of the Conversion Shares upon full conversion of the Convertible Bonds. <p>The Conversion Shares shall be allotted and issued under the General Mandate.</p>
Conversion Rights:	See the paragraph headed “Performance Targets and adjustment mechanism” of this announcement for details.

- Conversion restrictions: The Conversion Rights shall not be exercised by a Bondholder if and to the extent that, immediately following the conversion:
- (i) the Company will be unable to meet the public float requirement under the Listing Rules; or
 - (ii) the Bondholder together with the parties acting in concert with it will hold or control such amount of the Company's voting power at general meetings as shall trigger a mandatory general offer stipulated in the Takeovers Code from time to time.
- Conversion period: From the 11th Business Day following the publication of the Audited Financial Statements.
- Redemption: The Company has the right to redeem all or part(s) of the Convertible Bonds from the Bondholders pursuant to the Sale and Purchase Agreement.
- All redeemed Convertible Bonds shall be cancelled.
- See the paragraph headed "Performance Targets and adjustment mechanism" of this announcement for details.
- Ranking: The Conversion Shares shall rank pari passu in all respects with all other existing Shares at the date of allotment of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of allotment of the Conversion Shares.
- Transferability: The Convertible Bonds cannot be transferred unless with the prior written consent of the Company.
- Application for listing: Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.

THE CONVERSION PRICE

The Conversion Price of the Convertible Bonds is HK\$10 per Convertible Share, which represents:

- (i) a premium of approximately 42.86% over the closing price of HK\$7.00 per Share as quoted on the Stock Exchange on 3 July 2015, being the date of the Letter of Intent;
- (ii) a premium of approximately 112.77% over the closing price of HK\$4.7 per Share as quoted on the Stock Exchange on 18 December 2015, being the date of the Sale and Purchase Agreement;

- (iii) a premium of approximately 118.82% over the average closing price of approximately HK\$4.57 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 18 December 2015; and
- (iv) a premium of approximately 119.30% over the average closing price of approximately HK\$4.56 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to 18 December 2015.

The Conversion Price was determined after arm's length negotiation between the Company and the Sellers with reference to, among other things, the issue price per consideration share as mentioned in the Letter of Intent, the historical trading prices of the Shares and the strategic implications of the Target Group to the Company's future business. The Directors consider the Conversion Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

THE CONVERSION SHARES

The aggregate of 10,071,250 Conversion Shares, will be issued and allotted upon full conversion of the Convertible Bonds, represent (i) approximately 1.12% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.11% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares upon full conversion of the Convertible Bonds. Not more than 10,071,250 Conversion Shares shall be issued and allotted under the General Mandate.

Pursuant to the General Mandate, the total number of new Shares that the Directors are authorised to allot and issue is 133,554,923 new Shares (up to 20% of the number of issued Shares of 667,774,618) as at the date of the AGM held on 22 May 2015). The General Mandate has been utilised for the placing of 74,540,000 new Shares on 20 November 2015 and the total number of new Shares that can be allotted and issued under the General Mandate as at the date of this announcement is 59,014,923 new Shares.

The Conversion Shares to be allotted and issued will utilise part of the General Mandate. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement. The Conversion Shares, when issued and allotted, shall rank *pari passu* in all respects with all other existing Shares at the date of allotment of the Conversion Shares. Application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI on 28 August 2015 with limited liability and issued capital of US\$50,000. The entire issued share capital of the Target Company is legally and beneficially owned by the Sellers, i.e. Daxiong as to 5.53%, Hanson as to 6.22%, Richard as to 63.55%, Grand Novel as to 19.35% and Moustache as to 5.35%. As at the date of this announcement, each of Mr. Cao, Mr. He, Mr. Chen, Mr. Guan and Mr. Liao is holding the entire issued share capital in Daxiong, Hanson, Richard, Grand Novel and Moustache respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Sellers and the Seller Guarantors is an Independent Third Party.

As at the date this announcement, the Target Company holds the entire issued share capital in SaiDian HK, an investment holding company incorporated in Hong Kong on 15 September 2015 with limited liability and issued capital of HK\$10,000, which in turn holds the entire equity interest in Hangzhou Saidian Information, a company incorporated under the laws of the PRC. Hangzhou Saidian Information will enter into the Structured Contracts with Hangzhou Saidian Technology and the PRC Equity Owners on or before the Completion Date.

Hangzhou Saidian Technology is a limited company established in the PRC on 8 December 2009 with paid up capital of RMB5,250,000 and is an investment holding company. It holds 80.38% equity interest of Zhejiang Zhongfu which is a limited company established in the PRC on 18 June 2001 with paid up capital of RMB10,000,000. Zhejiang Zhongfu in turn wholly owns Shenzhen Zhongfu and Zhejiang Nuotian. Shenzhen Zhongfu is a limited company established in the PRC on 21 May 2003 with paid up capital of RMB1,000,000. Zhejiang Nuotian is a limited company established in the PRC on 15 March 2007 with paid up capital of RMB5,000,000.

Business overview and revenue model

The VIE Group is principally engaged in the provision of vertical websites in the garment industry in the PRC. It holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), www.5143.cn (服裝加盟網), www.nynet.com.cn (中國內衣網) and www.kidsnet.cn (童裝加盟網), which are internet portals mainly providing information on fashion brands, finished garment products (such as men's wear, women's wear, children's wear, underwear, shoes, leather goods, down jackets and others), fabrics, ancillary materials (such as buttons, zippers), textile equipment (such as sewing machines, cutting machines, stitching machines, printing machines, automated systems) to business users (such as manufacturers, wholesalers, traders, department stores, shopping malls) in the garment industry.

Revenue of Zhejiang Zhongfu was generated from advertising income, marketing solution fees from domestic apparels, bags and accessories manufacturers for the advertisement placed with Zhejiang Zhongfu on its websites in relation to the products and/or brands. Revenue from onestop solution providers for online and offline promotion solutions have been increasing their respective contribution. Revenue from provision of promotion solutions would be in the form of a pre-determined service fee.

Financial information of the Target Group

Given the Target Company, SaiDian HK and Hangzhou Saidian Information have no business activities since their respective incorporation, they have not recorded any profit/loss from their respective dates of incorporation to the date of this announcement.

The following table sets out the unaudited financial information of Hangzhou Saidian Technology for the two financial years ended 31 December 2013 and 2014, respectively and for the nine months ended 30 September 2015:

	For the year ended		For the
	31 December		nine months
	2013	2014	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
			2015
			<i>RMB'000</i>
(Loss) before taxation	(0)	(1)	(1)
(Loss) after taxation	(0)	(1)	(1)
Net assets	5,238	5,238	5,237

The following table sets out the unaudited consolidated financial information of Zhejiang Zhongfu for the two financial years ended 31 December 2013 and 2014, respectively and for the nine months ended 30 September 2015:

	For the year ended		For the
	31 December		nine months
	2013	2014	ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 September
			2015
			<i>RMB'000</i>
Profit/(Loss) before taxation	1,148	(604)	(1,402)
Profit/(Loss) after taxation	1,050	(637)	(1,402)
Net assets	14,371	11,437	10,035

Upon Completion, Hangzhou Saidian Information will be a wholly-owned subsidiary of the Company and it will be able to control the finance and operation of Hangzhou Saidian Technology through the Structured Contracts so as to obtain the economic interest and rights to variable returns from its business activities. Thus, both Hangzhou Saidian Information and Hangzhou Saidian Technology will be fully consolidated into the accounts of the Group, as confirmed by the auditors of the Company, in accordance with the Group's accounting policies.

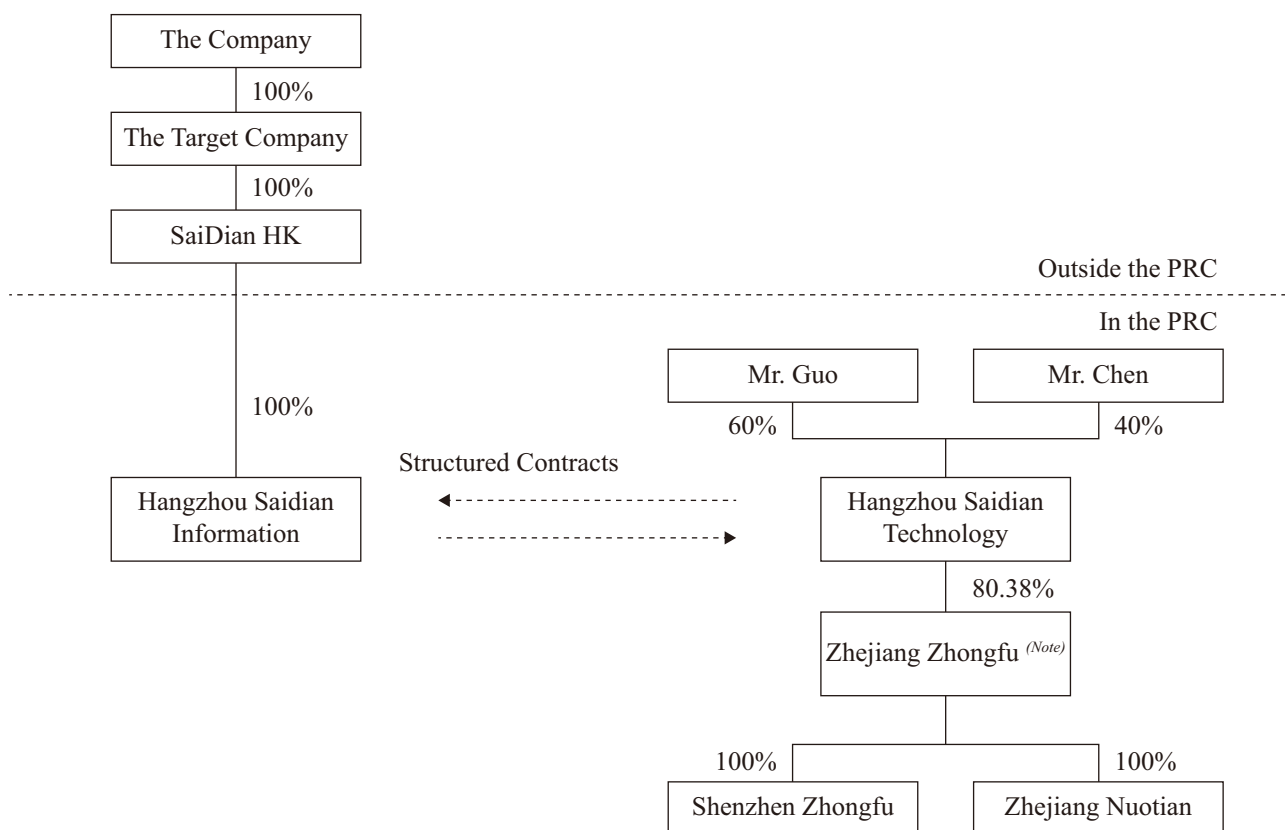
Information on the registered shareholders of Hangzhou Saidian Technology

As at the date of this announcement, Hangzhou Saidian Technology was owned as to 63.55% by Mr. Chen, 19.35% by Mr. Guan, 6.22% by Mr. He, 5.53% by Mr. Cao and 5.35% by Mr. Liao. Upon Completion, it will be owned as to 60% by Mr. Guo, an executive Director, chief executive officer and a substantial shareholder of the Company and as to 40% by Mr. Chen.

As part of the Acquisition, the Company will appoint nominee(s) to enter into an equity transfer agreement with Mr. Chen, Mr. Guan, Mr. He, Mr. Cao and Mr. Liao to acquire 23.55%, 19.35%, 6.22%, 5.53%, and 5.35% equity interests of Hangzhou Saidian Technology respectively. It is expected that Mr. Guo and Mr. Chen will own 60% and 40% equity interests of Hangzhou Saidian Technology respectively upon Completion.

THE STRUCTURED CONTRACTS

The following simplified diagram illustrates the flow of economic benefits from Hangzhou Saidian Technology to Hangzhou Saidian Information stipulated under the Structured Contracts upon Completion:



Note: The remaining equity interest of Zhejiang Zhongfu is owned by 浙江網盛生意寶股份有限公司 (Zhejiang Internet Prosperous Business Company Limited*), an Independent Third Party.

Introduction

Zhejiang Zhongfu is principally involved in the provision of vertical websites in the garment industry in the PRC (the “**Target Businesses**”). It has obtained ICP License (the value-added telecommunications business operating licence (增值電信業務經營許可證), with License No. 浙B2-20120154, issued by Zhejiang Communications Administration (浙江省通信管理局), which is necessary for Zhejiang Zhongfu to conduct the Target Businesses.

The Target Businesses are considered to be value-added telecommunications services, a sector where foreign investment is significantly restricted pursuant to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) and the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Rules**”) issued by the State Council on 11 December 2001 and amended on 10 September 2008. In addition, certain business operation licenses (i.e. ICP License) required for the Value-added Telecommunications Businesses can only be obtained by PRC domestic companies and Sino-foreign entities fulfilling the Qualification Requirements (as defined in the paragraph headed “Risks relating to Structured Contracts – The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations”). Since any investment made by the Target Company directly or indirectly is regarded as foreign investment under PRC Laws, the Target Company as a wholly foreign owned company would not be able to apply for the licenses and approvals required for the operation of the Value-added Telecommunications Businesses. In order to comply with the applicable PRC laws, the licenses and permits that are essential to the operation of the Value-added Telecommunications Businesses need to be held by Zhejiang Zhongfu.

Accordingly, Hangzhou Saidian Information intends to enter into the Structured Contracts, which are designed specifically to confer upon Hangzhou Saidian Information the right to enjoy all the economic benefits of Hangzhou Saidian Technology, to exercise management control over the operations of Hangzhou Saidian Technology, and to prevent any leakage of the assets and values of Hangzhou Saidian Technology to the registered shareholders of Hangzhou Saidian Technology.

The PRC legal advisor is of the opinion that except for certain legal risks of the Structured Contracts as set out in the paragraph headed “Risks relating to Structured Contracts – The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations” below, the Structured Contracts to be entered into by Hangzhou Saidian Information do not violate the articles of association of Hangzhou Saidian Technology nor the articles of association of Hangzhou Saidian Information, and the Structured Contracts are legally binding on and enforceable against each contracting party. The Directors therefore believe that save as otherwise disclosed in the paragraph headed “Risks relating to Structured Contracts – The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations” below, the Structured Contracts provide a mechanism that enables Hangzhou Saidian Information to exercise effective control over Hangzhou Saidian Technology.

The Board believes that the Structured Contracts are narrowly tailored to enable the Company to indirectly operate the Target Businesses which is within the scope of business of Hangzhou Saidian Technology and to minimize the potential conflicts with relevant PRC laws and regulations.

Further announcement will be made by the Company upon the execution of the Structured Contracts.

Principal terms of each of the Structured Contracts are set out below:

1. Exclusive Right to Purchase Agreement

Parties:	(i) Hangzhou Saidian Information; (ii) Hangzhou Saidian Technology; and (iii) The PRC Equity Owners.
Content:	<p>The PRC Equity Owners will irrevocably, and jointly and individually grant Hangzhou Saidian Information the exclusive right to purchase the shares of Hangzhou Saidian Technology at the minimum price permitted by the relevant laws and regulations of PRC at any time, by one or more times.</p> <p>The PRC Equity Owners may not transfer their shares in Hangzhou Saidian Technology without written consent from Hangzhou Saidian Information.</p> <p>The exclusive purchase right may be exercised by Hangzhou Saidian Information by written notice to the PRC Equity Owners. Hangzhou Saidian Technology and the PRC Equity Owners shall provide all necessary information and documents for the share registration. In the situation that more than one shareholder holding the shares, the PRC Equity Owners and Hangzhou Saidian Technology shall procure any remaining shareholders of Hangzhou Saidian Technology, if any to agree to transfer the shares to Hangzhou Saidian Information and/or its designated parties in written statement, indicating their waiver of pre-emptive rights. In the event of transfer of shares, Hangzhou Saidian Technology shall procure the shareholders to sign a share purchase agreement with Hangzhou Saidian Information and/or designated parties upon the receipt of exercise notice. To ensure the performance of this agreement, a Pledge Agreement will be signed.</p>
Price:	<p>The price would be the minimum price permitted by the relevant laws and regulations of PRC. The paid shareholder will return the rest of the transfer price after deducting the paid-up capital by them to Hangzhou Saidian Technology. Any taxes, charges and fees shall be borne by the parties pursuant to relevant laws and regulations of the PRC.</p>
Term:	<p>The Exclusive Right to Purchase Agreement shall be effective upon execution and as long as Hangzhou Saidian Technology subsists. The parties agree that the Exclusive Right to Purchase Agreement can be terminated by Hangzhou Saidian Information by giving 30 days' written notice.</p>

2. Authorisation Agreement

Parties: (i) Hangzhou Saidian Information;

(ii) Hangzhou Saidian Technology; and

(iii) The PRC Equity Owners.

Authorisation rights: Pursuant to the Authorisation Agreement, Hangzhou Saidian Information (or its designated parties who must be one of the Director and a PRC citizen, and must not be the PRC Equity Owners or their connected person(s) (the “**Designated Party(ies)**”)) will have the power to, inter alia, exercise all shareholder’s rights granted by applicable laws, regulations and Hangzhou Saidian Technology’s articles of association, including but not limited to convening shareholders meeting, voting and signing resolutions at shareholders meeting, filing documents to company registration authorities, designating and appointing directors and supervisors, transferring or disposing off equity of Hangzhou Saidian Technology, participating in Hangzhou Saidian Technology’s major decisions, and choosing management for Hangzhou Saidian Technology.

No prior consent from the PRC Equity Owners is required before Hangzhou Saidian Information (or its Designated Parties) exercise its voting rights. The PRC Equity Owners shall recognize Hangzhou Saidian Information’s voting result.

Term: The Authorisation Agreement shall be effective upon execution and as long as Hangzhou Saidian Technology’s shareholders remain to be Hangzhou Saidian Technology’s shareholders. The parties agree that the Authorisation Agreement can be terminated by Hangzhou Saidian Information each by giving 30 days’ written notice.

3. Management and Operations Agreement

Parties: (i) Hangzhou Saidian Information;

(ii) Hangzhou Saidian Technology; and

(iii) The PRC Equity Owners.

Services:	Pursuant to the Management and Operations Agreement, Hangzhou Saidian Technology will appoint Hangzhou Saidian Information as its exclusive services provider of management and operations services. Such services include all necessary services within the scope of Hangzhou Saidian Technology's business, such as but not limited to business consultations, marketing consultancy, technical services, intellectual properties licenses, product research and development, system maintenance, as well as general corporate management.
Personnel:	The PRC Equity Owners and Hangzhou Saidian Technology shall procure the resignation of directors and supervisors whose appointment Hangzhou Saidian Information does not agree to. Those directors and supervisors shall be replaced by personnel appointed by Hangzhou Saidian Information.
Fees:	Hangzhou Saidian Technology shall pay Hangzhou Saidian Information such service fees equivalent to the amount of the Hangzhou Saidian Technology's revenue deducted by Hangzhou Saidian Technology's (and its subsidiaries') expenses (including Hangzhou Saidian Technology's costs, depreciation, other expenses and payments, and relevant tax payments incurred during the term of the Management and Operations Agreement), loss covered by Hangzhou Saidian Technology and the relevant reserve fund extracted by Hangzhou Saidian Technology. The service fee shall be calculated within three months since the end of each financial year based on the audited report prepared in accordance with the PRC Accounting Standards for Business Enterprises and paid within 15 days of the issuance date of such audited report.
Term:	The Management and Operations Agreement shall be effective upon execution for three years, and upon expiry Hangzhou Saidian Information has a sole discretionary right to renew the Management and Operations Agreement for another three years, subject to the applicable law, regulations and rules at that time (including the Listing Rules). The parties agree that the Management and Operations Agreement can be terminated by Hangzhou Saidian Information by giving 30 days' written notice.

4. Pledge Agreement

Parties:	<ul style="list-style-type: none"> (i) Hangzhou Saidian Information; (ii) Hangzhou Saidian Technology; and (iii) The PRC Equity Owners.
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Pledge:

Pursuant to the Pledge Agreement, the PRC Equity Owners will pledge to Hangzhou Saidian Information their equity interests in Hangzhou Saidian Technology (the “**Pledged Interests**”, being the entire equity interests in Hangzhou Saidian Technology) as security for Hangzhou Saidian Information’s rights and interests granted by the Exclusive Right to Purchase Agreement, the Authorisation Agreement and the Management and Operations Agreement (the “**Master Agreements**”) (including any payment (including legal expense), expense, loss, interests, liquidated damages, compensation, costs for realization of loans, costs and losses for specific performance of Hangzhou Saidian Technology, and the liabilities incurred as results of the termination, recession, whole or partial invalidation of the Master Agreements). Hangzhou Saidian Information shall have the right to compensation by converting the Pledged Interests into money and seek preferential payments from the proceeds from the auction or sales of the Pledged Interests concerned or other disposal methods as agreed by each party in accordance with relevant laws and regulations of the PRC.

The Pledge Agreement shall become effective upon the execution date. The PRC Equity Owners shall cooperate with Hangzhou Saidian Technology to register the pledge in shareholders’ register within five business days following the execution of the Pledge Agreement and register the pledge with the relevant authorities within 15 business days following the execution of the Pledge Agreement.

Prior to the full discharge of the payments and obligations under the Master Agreements, without written consent of the Hangzhou Saidian Information, the PRC Equity Owners shall not assign any of the Pledged Interests.

Termination:

Unless otherwise agreed by Hangzhou Saidian Information in writing, upon the full and complete performance of Hangzhou Saidian Technology and the PRC Equity Owners under the Master Agreements as well as Hangzhou Saidian Information’s written confirmation, the Pledge Agreement shall be terminated. Costs reasonably incurred thereof shall be borne by the PRC Equity Owners.

In the event where Hangzhou Saidian Technology or the PRC Equity Owners failed to fully discharge their obligations under the Master Agreements, Hangzhou Saidian Information shall continuously enjoy the pledge until the above-mentioned obligations being fulfilled in a manner to its satisfaction.

The Company will unwind the Structured Contracts and directly hold the equity interests of Hangzhou Saidian Technology when the relevant restrictions no longer exist. The current legal or regulatory restrictions in exercising the purchase right under the Exclusive Right to Purchase Agreement is stipulated in 外商投資電信企業管理規定 (2008年修訂) (the Provisions on the Administration of Foreign-funded Telecommunications Enterprises (2008 Amended)), as set out in the paragraph headed “Risks relating to Structured Contracts – The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations” below. Furthermore, even if the foreign ownership restriction is relaxed, the transfer of the equity interests in Hangzhou Saidian Technology from the shareholders of Hangzhou Saidian Technology to the Group may still be subject to substantial costs.

Effects of the Structured Contracts

Through the Structured Contracts, the Group will be able to exercise full and effective control over the finance and operation of Hangzhou Saidian Technology and in effect obtain the entire economic interest and rights to variable returns in Hangzhou Saidian Technology.

Hangzhou Saidian Information is not obligated under the Structured Contracts to provide any financial support to Hangzhou Saidian Technology. Where losses occur to Hangzhou Saidian Technology, Hangzhou Saidian Information will not share the losses directly. Furthermore, the Structured Contracts do not amount to a shareholding relationship between Hangzhou Saidian Information and Hangzhou Saidian Technology.

Notwithstanding the above, since Hangzhou Saidian Technology is expected to contribute revenue to Hangzhou Saidian Information by way of making payments to Hangzhou Saidian Information under the Structured Contracts. Any loss incurred by Hangzhou Saidian Technology will have an adverse impact on the ability of Hangzhou Saidian Technology to make such payments and hence indirectly affect Hangzhou Saidian Information’s financial performance on a consolidated basis.

Dispute Resolution Clause in the Structured Contracts

The Structured Contracts are governed by and constructed in accordance with the PRC laws and contain a provision for resolving disputes by arbitration at Beijing Arbitration Commission (“**the arbitral body**”), Beijing in accordance with its then prevailing arbitration rules. The Exclusive Right to Purchase Agreement, the Authorisation Agreement, the Management and Operations Agreement and the Pledge Agreement include a clause in relation to dispute resolution among the parties where upon request by a disputing party, the arbitral body may award remedies over shares and/or assets of Hangzhou Saidian Technology, injunctive relief and/or winding up of Hangzhou Saidian Technology, and that courts in Hong Kong and the Cayman Islands are of competent jurisdiction with power to grant interim remedies in support of arbitration pending formation of arbitral tribunal or in appropriate cases. The Company has been advised by the PRC legal advisors that the above mentioned provisions regarding injunctive relief or interim remedies contained in the Structured Contracts may not be enforceable, and that under PRC laws, arbitral body does not have the power to grant any injunctive relief or liquidation order in case of dispute. Accordingly, such remedies may not be available to the Company or its subsidiaries timely or at all notwithstanding the relevant contractual provisions contained in the Structured Contracts.

Based on the above and as advised by the PRC legal advisor, the Structured Contracts are legally enforceable and therefore the Directors consider that Structured Contracts are enforceable under the relevant laws and regulations and confer on the Group significant control over and economic benefits in the assets of Hangzhou Saidian Technology.

Liquidation

Pursuant to the Authorisation Agreement, in the event of liquidation, the PRC Equity Owners have authorised Hangzhou Saidian Information to organize, apply for and participate in the liquidation and receipt of remaining assets of Hangzhou Saidian Technology. Accordingly, in a liquidation of Hangzhou Saidian Technology, a liquidator may seize the assets of Hangzhou Saidian Technology through Hangzhou Saidian Information based on the Structured Contracts for the benefit of the Company's creditors/shareholders assuming the completion of the Acquisition.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Structured Contracts contained certain provisions in order to exercise effective control over and to safeguard the assets of Hangzhou Saidian Technology.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, following completion of the Sale and Purchase Agreement, to implement, through Hangzhou Saidian Information, additional internal control measures against Hangzhou Saidian Technology as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

Management controls

- i. The Group will appoint a board representative (the “**Representative**”) to the board of Hangzhou Saidian Technology. The Representative is required to conduct reviews on the operations of Hangzhou Saidian Technology and shall submit the reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of Hangzhou Saidian Technology;
- ii. The Representative shall establish a team to be funded by the Group who shall station at Hangzhou Saidian Technology and shall be actively involved in various aspects of the daily managerial and operational activities of Hangzhou Saidian Technology;
- iii. Upon receiving notification of any major events of Hangzhou Saidian Technology by the Representative, the registered shareholders of Hangzhou Saidian Technology must report to the company secretary of the Company (the “**Company Secretary**”), who must in turn report to the Board;
- iv. The Company Secretary shall conduct regular site visits to Hangzhou Saidian Technology and conduct personnel interviews quarterly and submit reports to the Board; and
- v. All seals, chops, incorporation documents and all other legal documents of Hangzhou Saidian Technology must be kept at the office of Hangzhou Saidian Information.

Financial controls

- i. The financial controller of the Company (the “FC”) shall collect monthly management accounts, bank statements and cash balances and major operational data of Hangzhou Saidian Technology for review. Upon discovery of any suspicious matters, the FC must report to the Company Secretary, who shall in turn report to the Board;
- ii. If the payment of the service fees from Hangzhou Saidian Technology to Hangzhou Saidian Information is delayed, the FC must meet with Hangzhou Saidian Technology’s Shareholders to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of Hangzhou Saidian Technology will be removed and replaced;
- iii. Hangzhou Saidian Technology must submit copies of latest bank statements for every bank accounts of Hangzhou Saidian Technology within 15 days after each month end; and
- iv. Hangzhou Saidian Technology must assist and facilitate the Company to conduct quarterly on-site internal audit on Hangzhou Saidian Technology.

RISKS RELATING TO STRUCTURED CONTRACTS

The PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations

There can be no assurance that the Structured Contracts will be deemed by the relevant governmental or judicial authorities to be in compliance with the existing or future applicable PRC laws and regulations, or the relevant governmental or judicial authorities may in the future interpret the existing laws or regulations with the result that the Structured Contracts will be deemed to be in compliance of the PRC laws and regulations.

The Structured Contracts may not be as effective as direct ownership in providing control over Hangzhou Saidian Technology

The Group relies on contractual arrangements under the Structured Contracts with Hangzhou Saidian Technology to operate the vertical website business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over Hangzhou Saidian Technology as direct ownership.

The PRC Equity Owners may potentially have a conflict of interests with the Group

The Group’s control over Hangzhou Saidian Technology is based on the contractual arrangement under the Structured Contracts. Therefore, conflict of interests of the PRC Equity Owners will adversely affect the interests of the Company. Pursuant to the Authorisation Agreement, the PRC Equity Owners will irrevocably authorize Hangzhou Saidian Information (or its director or successor or receiver) as their representative to exercise the voting rights of

the shareholders of Hangzhou Saidian Technology. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the PRC Equity Owners. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the PRC Equity Owners.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the Structured Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability without reducing the tax liabilities of Hangzhou Saidian Technology, and this could further result in late payment fees and other penalties to Hangzhou Saidian Technology for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Hangzhou Saidian Technology, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk.

Development in the Legislation on Foreign Investment in the PRC

Foreign Investment Law of the PRC (Draft for Comment)

On 19 January 2015, MOFCOM published the new draft of the Foreign Investment Law (Draft for Comment) (中華人民共和國外國投資法(草案征求意见稿)) (the “**Draft for Comment**”) for public comment. The new Foreign Investment Law (the “**New Foreign Investment Law**”), if finally adopted, may have significant impact on the foreign investment regime of the PRC.

The Draft for Comment proposes to standardize the market entry requirements and procedures for foreign and PRC investors, replacing the existing requirements for approval of all foreign investments by the competent foreign investment authority, and aims to consolidate and simplify the various regulatory requirements on foreign investment. Specifically, among others, the Draft for Comment introduces a new standard in defining the terms of “foreign investor(s)” and “PRC investor(s)”. Under such new standard, only investment made by a

foreign investor will be treated as foreign investment and the enterprise thus established will be treated as a foreign-invested enterprise, while a domestic enterprise will no longer be deemed as a foreign-invested enterprise even if its immediate shareholders involve foreign individuals or foreign entities, as long as such domestic enterprise's ultimate control person(s) is/are solely PRC investors, upon the competent authorities' approval. "Ultimate control person" refers to natural persons or enterprises that control, directly or indirectly, foreign investors or foreign-invested enterprises. In addition, foreign investment under the Draft for Comment includes, among others, (i) acquiring any share, equity, unit, voting right or other similar equities in a domestic; and (ii) controlling the domestic enterprise or acquiring any interest in the domestic enterprise by means of contracts, trust or otherwise.

Under the Draft for Comment, "foreign investors" refer to the following persons: (i) natural persons without Chinese nationality; (ii) enterprises established in accordance with the laws of other nations or districts; (iii) government and its affiliated departments or offices of other nations or districts; (iv) international organizations. Furthermore, any domestic enterprise controlled by any of the above person will be deemed as a foreign investor.

Under the Draft for Comment, "PRC investors" refer to the following persons: (i) natural persons with Chinese nationality; (ii) the PRC government and its affiliated departments or offices; and (iii) domestic enterprises controlled by any of the aforesaid two bodies. According to the Draft for Comment, with respect to an enterprise, the terms "control", "controlled" or "controlling" shall mean that any of the following:

1. holding, directly or indirectly, more than 50% of shares, equity, share of property, voting right or other similar equities in the enterprise;
2. holding, directly or indirectly, less than 50% of shares, equity, share of property, voting right or other similar equities in the enterprise, but are under any of the following circumstances: (i) being entitled to, directly or indirectly, more than half of the members of the enterprise's board of director or the similar decision-making body; (ii) being capable of ensuring that its nominated personnel can occupy more than 50% of seats of the enterprise' board of directors or the similar decision-making body; and (iii) the voting right it holds is sufficient to have significant impact on the resolutions of the board of shareholders, general assembly of shareholders, board of directors or other decision-making body;
3. exerting decisive impact on the enterprise's management, finance, human resources or technologies by contracts, trust or other ways.

Under the Draft for Comment, the Draft for Comment introduces the standard of "actual control" when defining foreign investors according to the standards of the registered place. On one hand, domestic enterprises controlled by foreign investors are deemed foreign investors; on the other hand, for foreign investors controlled by Chinese investors, their investments within the territory of China may be deemed those of Chinese investors.

Under the Draft for Comment, a negative list (the “**Negative List**”) will be formulated and promulgated by the State Council, which will classify the foreign investment industries into the restricted list and prohibited list. For the industries not listed in the Negative List, foreign investors are allowed to make the investment without approval. For the industries listed in the restricted list of the Negative List, foreign investors need to obtain access permission from competent departments before it is allowed to make the investment. For the industries listed in the prohibited list of the Negative List, foreign investors are prohibited from making any investment. As the Draft for Comment is not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft for Comment, therefore, there is uncertainty as to whether the business of the VIE Group (including the operation of the mobile game business) will fall into the restricted list or prohibited list of the Negative List.

The Draft for Comment was accompanied by the MOFCOM’s notes (the “**Notes**”) on, among others, the background, guidelines and principle, and main content of the Draft for Comment and elaboration on several issues including the treatment of existing contractual arrangement, or “**VIE structure**”, which has established before the Draft for Comment taking effect. The Draft for Comment clearly defines VIE structure as a form of foreign investment. After the New Foreign Investment Law come into force, the New Foreign Investment Law shall apply to investment through VIE structure. For investment by VIE structure before the New Foreign Investment Law takes effect, if such investment still falls within prohibited or restricted foreign investment after the entry into force of the New Foreign Investment Law, MOFCOM proposed three possible ways to deal with such investment: (i) reporting: if the reporting regime is finally adopted, the existing VIE structure being permitted to continue following reporting to MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft for Comment and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the reporting regime; (ii) verification: if the verification regime is finally adopted, the existing VIE structure being permitted to continue following verification, on the application of the investor, by MOFCOM of the VIE structure being ultimately controlled by a PRC investor, but the Draft for Comment and the Notes have not mentioned how to deal with the existing VIE structures ultimately controlled by a foreign investor and whether the relevant entity could continue its business operations under the verification regime; and (iii) access permission: if the access permission regime is finally adopted, the existing VIE structure being permitted to continue following access permission by MOFCOM after taking into account a number of considerations including, without limitation, the identity (whether PRC investor or foreign investor) of the ultimate control person (the “**Actual Controller**”).

There is no definitive timeline for the New Foreign Investment Law to come into effect. The consultation stage for public comment of the Draft for Comment ended in February 2015. Before formal promulgation and implementation, the following legislative stages have to be undergone: (i) the State Council submits the Draft for Comment to the Standing Committee of the National People’s Congress after discussion and amendments by various departments of the State Council; (ii) the Standing Committee of the National People’s Congress may publish

draft legislation for public consultation and put forward the draft legislation for approval after review in usually three rounds of meetings of the Standing Committee of the National People's Congress; and (iii) the Standing Committee of the National People's Congress approves the draft legislation by resolution and the Chairman of the PRC signs the same for formal adoption.

Since a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, the Directors are given no reasonably sufficient evidence to believe that the New Foreign Investment Law will be adopted immediately and/or the New Foreign Investment Law will be in the same content or form with the Draft for Comment and the Notes.

As provided in the Structured Contracts, the contractual arrangement under the Structured Contracts will be terminated as soon as the relevant PRC laws and regulations including without limitation the New Foreign Investment Law and relevant industry policies and regulations and practice of industry competent authorities allow the business to be conducted and operated by owned subsidiaries of the Company without Structured Contracts in place.

Impact on the Structured Contracts and the Business of Hangzhou Saidian Technology

As mentioned above, under the Draft for Comment, a negative list will be formulated and promulgated by the State Council, which will classify the foreign investment industries into the restricted list and prohibited list. As the Draft for Comment is not formally promulgated and no Negative List is formulated or promulgated by the State Council according to the Draft for Comment, therefore, there is uncertainty as to whether the business of the VIE Group (including the operation of the vertical website business) will fall into the restricted list or prohibited list of the Negative List. According to current contents of the Draft for Comment and the Notes, with respect to investment arrangement through VIE structure before the New Foreign Investment Law taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment, as mentioned above, it will be subject to (i) reporting; (ii) verification; or (iii) access permission requirement.

There is uncertainty as to which one of the three possible regimes will be finally adopted in the New Foreign Investment Law. Based on the Draft for Comment and the Notes, a VIE structure which is ultimately controlled by a PRC investor may be permitted to continue following reporting to, verification or access permission by MOFCOM, while a VIE structure which is ultimately controlled by a foreign investor may be permitted to continue following approval by MOFCOM after taking into account a number of consideration including, without limitation, the identity (whether PRC investor or foreign investor) of the Actual Controller.

Taking into account the facts that the consultation stage for public comment of the Draft for Comment ended in February 2015 and a number of legislative stages have to be undergone before the promulgation and implementation of the New Foreign Investment Law, and the Directors consider that proper arrangement has been made at this stage to mitigate against the risk to the minimal extent that, following the closing of the Acquisition, the business under the Structured Contracts may become non-compliant with the Draft for Comment.

Three Options Proposed for the Treatment of the Existing VIE Structure under the Notes

As mentioned above, with respect to investment arrangement through VIE structure before the Draft for Comment taking effect, if the relevant investment still falls within restricted or prohibited industries for foreign investment as and when the Draft for Comment effect, it will be subject to (i) reporting; (ii) verification; or (iii) access permission requirement.

Based on the Draft for Comment and the Notes, a VIE structure which is ultimately controlled by a PRC investor may be permitted to continue following reporting to, verification or access permission by MOFCOM, while a VIE structure which is ultimately controlled by a foreign investor may be permitted to continue following approval by MOFCOM after taking into account a number of consideration including, without limitation, the identity (whether PRC investor or foreign investor) of the Actual Controller.

The Company will comply with the disclosure requirements under paragraph 20 of Guidance Letter 77-14 issued by the Stock Exchange to keep the Shareholders informed of the VIE Group's business in the Company's annual reports.

Annual Caps

The Directors estimate that the respective annual caps for the transactions contemplated under the Structured Contracts for the three years ending 31 December 2016, 2017 and 2018 are RMB11,000,000, RMB14,000,000 and RMB18,000,000 respectively being the expected maximum sums received by the Company under the Management and Operations Agreement (the “**Annual Caps**”).

The Annual Caps were determined with reference to (1) the latest unaudited net asset value of Hangzhou Saidian Technology, (2) the operating performance of Zhejiang Zhongfu including but not limited to the number of registered users and the number of daily visitors of the websites operated by Zhejiang Zhongfu and its leading position in the industry, and (3) the business prospect of the Target Group.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company as at the date of this announcement and the shareholding structure of the Company immediately after the full conversion of the Convertible Bonds after the First Performance Undertaking Year, the Second Performance Undertaking Year and the Third Performance Undertaking Year, assuming there is no other change in the shareholding structure of the Company since the date of this announcement:

	As at the date of this announcement		Immediately upon full conversion of the Convertible Bonds after the First Performance Undertaking Year with principal amount of HK\$40,427,500 (Note 3)		Immediately upon full conversion of the Convertible Bonds after the Second Performance Undertaking Year with principal amount of HK\$30,142,500 (Note 3)		Immediately upon full conversion of the Convertible Bonds after the Third Performance Undertaking Year with principal amount of HK\$30,142,500 (Note 3)	
	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%	Number of Shares (approximately)	%
Directors and their associate(s)								
Guo Jiang and his spouse	66,724,771	7.41	66,724,771	7.38	66,724,771	7.36	66,724,771	7.33
Guo Fansheng	57,749,015	6.42	57,749,015	6.39	57,749,015	6.37	57,749,015	6.35
Callister Trading Limited (Note 1)	32,000,384	3.56	32,000,384	3.54	32,000,384	3.53	32,000,384	3.52
Lee Wee Ong	3,350,672	0.37	3,350,672	0.37	3,350,672	0.37	3,350,672	0.37
Substantial Shareholders								
Talent Gain Developments Limited (Note 2)	142,621,107	15.85	142,621,107	15.78	142,621,107	15.72	142,621,107	15.67
Unique Golden Limited (Note 2)	23,408,000	2.60	23,408,000	2.59	23,408,000	2.58	23,408,000	2.57
Sellers								
Daxiong	–	–	223,564	0.02	390,252	0.04	556,940	0.06
Hanson	–	–	251,459	0.03	438,945	0.05	626,432	0.07
Richard	–	–	2,569,168	0.28	4,484,724	0.49	6,400,279	0.70
Grand Novel	–	–	782,272	0.09	1,365,529	0.15	1,948,787	0.21
Moustache	–	–	216,287	0.02	377,549	0.04	538,812	0.06
Other public Shareholders	<u>574,092,154</u>	<u>63.79</u>	<u>574,092,154</u>	<u>63.51</u>	<u>574,092,154</u>	<u>63.30</u>	<u>574,092,154</u>	<u>63.09</u>
Total	<u>899,946,103</u>	<u>100</u>	<u>903,988,853</u>	<u>100</u>	<u>907,003,102</u>	<u>100</u>	<u>910,017,353</u>	<u>100</u>

Notes:

- The entire share capital of Callister Trading Limited is owned by Mr. Li Jianguang, a non-executive director of the Company.
- Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 861). Therefore, each of Talent Gain Developments Limited, Digital China (BVI) Limited and Unique Golden Limited are deemed to be interested in the Shares owned by Digital China Holdings Limited.
- Assuming the Performance Targets are achieved in each of the Performance Undertaking Years.

REASONS FOR AND THE BENEFITS OF THE SALE AND PURCHASE AGREEMENT AND THE STRUCTURED CONTRACTS

Currently, the Group has five business segments, namely: (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminars and other services, (iv) B2B household electrical appliances business exhibition centre and (v) anti-counterfeiting products and services.

The Group is one of the leading business-to-business (B2B) e-commerce operators in the PRC according to a report from Enfodesk (易觀智庫). The Group aims to provide business information to facilitate buyers and sellers in the commercial world to disseminate and/or obtain such information to assist them in locating and matching their counterparties and to make business decisions. With its professional information services and advanced internet technologies, it has established a reliable demand and supply platform for SMEs, and has been providing them with complete business solutions.

The Group has been transforming and upgrading its B2B platform and business model towards the online to offline (O2O) business model and establish a more vertical in-depth platform. Also, the Company is strategically planning for B2B2.0 which is transaction based, along with internet finance and other B2B related services, to implement product upgrades and innovations. In order to achieve a sound balance of the ecosystem of the B2B platform, the Company has been providing high quality procurement service for buyers to facilitate the strike between demand and supply.

Since the Company's listings on GEM in 2003, the Group has transformed itself from a traditional business media firm to a B2B internet enterprise, and has been actively exploring its most appropriate development path through transitions. In 2014, approximately 84.1% of the revenue of the Group is generated from online services, and of approximately 10.5% is from seminars and other services, only approximately 3.7% is from the early business of traditional printed media while approximately 1.7% is from the newly acquired digital identity management anti-counterfeiting products and services. The Group currently covers over 50 industries and aims to continue increasing its industry coverage to further drive its subscriber base.

By leveraging on the combined customer base and business network of the Group and the Target Group, it is envisaged that the Group will have a wider and deeper access to different groups of customers who would require the existing services provided by the Group and/or facilitate the matching between the subscribers of the Group (being a customer or a supplier) with the customers and business network of the Target Group. Besides, upon completion of the Acquisition, the Group may widen its industry coverage and geographical coverage. Moreover, the Group may integrate the resources between the Group and the Target Group in various aspects (such as human resources, sales and marketing, financing, back office support, technical support and etc.) to achieve economy of scale, cost reduction and efficiency improvement.

The Directors (including the independent non-executive Director) consider that (i) the Sale and Purchase Agreement, the Structured Contracts and the transactions contemplated thereunder were entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiation, and that the terms of the Sale and

Purchase Agreement, the Structured Contracts and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the amount of the Annual Caps for the transactions contemplated under the Structured Contracts are fair and reasonable.

LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are less than 5% and part of the Consideration shall be satisfied by way of issue of Convertible Bonds, the Acquisition constitutes a share transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements. Not more than 10,071,250 Conversion Shares will be issued under the General Mandate upon full conversion of the Convertible Bonds.

In addition, as Hangzhou Saidian Technology will be owned as to 60% by Mr. Guo who is an executive Director, chief executive officer and a substantial shareholder of the Company, each of Mr. Guo and Hangzhou Saidian Technology will be a connected person of the Company and the transactions contemplated under the Structured Contracts constitute continuing connected transaction of the Company. As one or more of the applicable percentage ratios in respect of the annual caps for the transactions contemplated under the Structured Contracts exceed 0.1% but are less than 5%, the Structured Contracts and the annual caps contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the entire issued capital of the Target Company pursuant to the Sale and Purchase Agreement
“AGM”	the annual general meeting of the Company held on 22 May 2015
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Authorisation Agreement”	the authorisation agreement to be entered into amongst Hangzhou Saidian Information, Hangzhou Saidian Technology and the PRC Equity Owners, details of which are set out in the section headed “The Structured Contracts” in this announcement
“Board”	the board of Directors
“Bondholder(s)”	the person who is for the time being the registered holder of the Convertible Bonds

“Business Day(s)”	means a day on which licensed banks in Hong Kong is generally open for business (other than a Saturday or Sunday or public holiday in Hong Kong)
“BVI”	British Virgin Islands
“Company”	HC INTERNATIONAL, INC., a company incorporated with limited liability under the laws of the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the transactions contemplated under the Sale and Purchase Agreement
“Completion Date”	a day falling within 6 Business Days after the date on which all the conditions precedent have been satisfied or otherwise waived in accordance with the Sale and Purchase Agreement
“Conditions Precedent”	the conditions precedent of the Sale and Purchase Agreement as set out under the paragraph headed “Conditions Precedent” in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration for the Sale Shares payable by the Company pursuant to the Sale and Purchase Agreement
“Conversion Price”	the conversion price of HK\$10 per Conversion Share (subject to adjustment as set out and in accordance with the terms and conditions of the Convertible Bonds)
“Conversion Shares”	10,071,250 new Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the convertible bonds of the Company to be issued to the Sellers as part of the Consideration pursuant to the Sale and Purchase Agreement, namely Daxiong 2017 Convertible Bond, Daxiong 2018 Convertible Bond, Daxiong 2019 Convertible Bond, Hanson 2017 Convertible Bond, Hanson 2018 Convertible Bond, Hanson 2019 Convertible Bond, Richard 2017 Convertible Bond, Richard 2018 Convertible Bond, Richard 2019 Convertible Bond, Grand Novel 2017 Convertible Bond, Grand Novel 2018 Convertible Bond, Grand Novel 2019 Convertible Bond, Moustache 2017 Convertible Bond, Moustache 2018 Convertible Bond, and Moustache 2019 Convertible Bond

“Daxiong”	Daxiong Holdings Limited, a company incorporated with limited liability under the laws of the BVI
“Daxiong 2017 Convertible Bond”	Convertible Bond with principal amount of HK\$2,235,641 (subject to downward adjustment) to be issued by the Company to Daxiong to settle part of the Consideration
“Daxiong 2018 Convertible Bond”	Convertible Bond with principal amount of HK\$1,666,880 (subject to downward adjustment) to be issued by the Company to Daxiong to settle part of the Consideration
“Daxiong 2019 Convertible Bond”	Convertible Bond with principal amount of HK\$1,666,880 (subject to downward adjustment) to be issued by the Company to Daxiong to settle part of the Consideration
“Director(s)”	directors of the Company
“Exclusive Right to Purchase Agreement”	the exclusive right to purchase agreement to be entered into amongst Hangzhou Saidian Information, Hangzhou Saidian Technology and the PRC Equity Owners, details of which are set out in the section headed “The Structured Contracts” in this announcement
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Grand Novel”	Grand Novel Developments Limited 浩新發展有限公司, a company incorporated with limited liability under the laws of the BVI
“Grand Novel 2017 Convertible Bond”	Convertible Bond with principal amount of HK\$7,822,721 (subject to downward adjustment) to be issued by the Company to Grand Novel to settle part of the Consideration
“Grand Novel 2018 Convertible Bond”	Convertible Bond with principal amount of HK\$5,832,571 (subject to downward adjustment) to be issued by the Company to Grand Novel to settle part of the Consideration
“Grand Novel 2019 Convertible Bond”	Convertible Bond with principal amount of HK\$5,832,574 (subject to downward adjustment) to be issued by the Company to Grand Novel to settle part of the Consideration
“Group”	the Company and its subsidiaries

“Hangzhou Saidian Information”	杭州賽典信息科技有限公司 (Hangzhou Saidian Information Technology Company Limited*), a wholly foreign owned enterprise established in the PRC in November 2015 with limited liability and a wholly-owned subsidiary of the Target Company
“Hangzhou Saidian Technology”	杭州賽點科技有限公司 (Hangzhou Saidian Technology Company Limited*), a company established in the PRC in December 2009 with limited liability, the equity interest of which is held by the PRC Equity Owners
“Hanson”	Hanson He Holdings Limited, a company incorporated with limited liability under the laws of the BVI
“Hanson 2017 Convertible Bond”	Convertible Bond with principal amount of HK\$2,514,591 (subject to downward adjustment) to be issued by the Company to Hanson to settle part of the Consideration
“Hanson 2018 Convertible Bond”	Convertible Bond with principal amount of HK\$1,874,864 (subject to downward adjustment) to be issued by the Company to Hanson to settle part of the Consideration
“Hanson 2019 Convertible Bond”	Convertible Bond with principal amount of HK\$1,874,864 (subject to downward adjustment) to be issued by the Company to Hanson to settle part of the Consideration
“Independent Third Party(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 parties independent of and not connected with the Company and its connected persons
“Letter of Intent”	a letter of intent entered into among the Company, 杭州賽點科技有限公司 (Hang Zhou Sai Dian Technology Company Limited*), 浙江浩遠創業投資有限公司 (Zhejiang Hao Yuan Chuang Ye Investment Company Limited*), Mr. Chen, Mr. He and Mr. Cao dated 3 July 2015 in relation to the acquisition of 80.38% equity interest of Zhejiang Zhongfu
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	29 February 2016 or such other subsequent date as the parties agree in writing

“Management and Operations Agreement”	the management and operations agreement to be entered into amongst Hangzhou Saidian Information, Hangzhou Saidian Technology and the PRC Equity Owners, details of which are set out in the section headed “The Structured Contracts” in this announcement
“MOFCOM”	Ministry of Commerce of the PRC
“Moustache”	Mr Moustache Holdings Limited, a company incorporated with limited liability under the laws of the BVI
“Moustache 2017 Convertible Bond”	Convertible Bond with principal amount of HK\$2,162,872 (subject to downward adjustment) to be issued by the Company to Moustache to settle part of the Consideration
“Moustache 2018 Convertible Bond”	Convertible Bond with principal amount of HK\$1,612,623 (subject to downward adjustment) to be issued by the Company to Moustache to settle part of the Consideration
“Moustache 2019 Convertible Bond”	Convertible Bond with principal amount of HK\$1,612,623 (subject to downward adjustment) to be issued by the Company to Moustache to settle part of the Consideration
“Mr. Cao”	曹國熊 (Cao Guoxiong)
“Mr. Chen”	陳學軍 (Chen Xuejun)
“Mr. Guan”	管建忠 (Guan Jianzhong)
“Mr. Guo”	郭江 (Guo Jiang), the executive Director, chief executive officer and a substantial shareholder of the Company
“Mr. He”	何順生 (He Shunsheng)
“Mr. Liao”	廖斌 (Liao Bin)
“Performance Target(s)”	a yearly target amount of RMB10,000,000, RMB13,000,000 and RMB16,900,000 of the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu for each of three Performance Undertaking Years
“Performance Undertaking Year(s)”	the year ending 31 December 2016, 2017 and 2018, respectively
“Pledge Agreement”	the pledge agreement to be entered into amongst Hangzhou Saidian Information, Hangzhou Saidian Technology and the PRC Equity Owners, details of which are set out in the section headed “The Structured Contracts” in this announcement

“PRC”	the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
“PRC Equity Owners”	Mr. Guo and Mr. Chen
“Richard”	Richard Chen Holdings Limited, a company incorporated with limited liability under the laws of the BVI
“Richard 2017 Convertible Bond”	Convertible Bond with principal amount of HK\$25,691,675 (subject to downward adjustment) to be issued by the Company to Richard to settle part of the Consideration
“Richard 2018 Convertible Bond”	Convertible Bond with principal amount of HK\$19,155,559 (subject to downward adjustment) to be issued by the Company to Richard to settle part of the Consideration
“Richard 2019 Convertible Bond”	Convertible Bond with principal amount of HK\$19,155,559 (subject to downward adjustment) to be issued by the Company to Richard to settle part of the Consideration
“SaiDian HK”	SaiDian HK Limited, a company with limited liability incorporated under the laws of Hong Kong
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 18 December 2015 entered into between the Company, the Sellers and the Seller Guarantors in respect of the Acquisition
“Sale Shares”	50,000 ordinary shares with par value of US\$1 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company, of which 2,765, 3,110, 31,775, 9,675 and 2,675 shares are held by Daxiong, Hanson, Richard, Grand Novel and Moustache respectively
“Seller Guarantors”	Mr. Cao, Mr. He, Mr. Chen, Mr. Guan, Mr. Han and Mr. Liao
“Sellers”	Daxiong, Hanson, Richard, Grand Novel and Moustache
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Shenzhen Zhongfu”	深圳市中服引線網絡科技有限公司 (Shenzhen Zhongfu Yinxian Internet Technology Company Limited*), a company incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	the Exclusive Right to Purchase Agreement, the Authorisation Agreement, the Management and Operations Agreement and the Pledge Agreement, details of which are set out in the section headed “The Structured Contracts” in this announcement
“substantial shareholder”	as the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	ZhongFu Holdings Limited, a limited liability company incorporated under the laws of the BVI
“Target Group”	the Target Company and its subsidiaries, namely SaiDian HK, Hangzhou Saidian Information and the VIE Group to be controlled through the Structured Contracts
“VIE(s)”	variable interest entity controlled by Hangzhou Saidian Information through the Structured Contracts
“VIE Group”	Hangzhou Saidian Information, Zhejiang Zhongfu, Shenzhen Zhongfu and Zhejiang Nuotian
“Zhejiang Nuotian”	浙江諾天網絡科技有限公司 (Zhejiang Nuotian Internet Technology Company Limited*), a company incorporated under the laws of the PRC
“Zhejiang Zhongfu”	浙江中服網絡科技有限公司 (Zhe Jiang Zhong Fu Internet Technology Company Limited*), a company incorporated under the laws of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

“RMB”

Renminbi, the lawful currency of the PRC

“%”

per cent.

By Order of the board of the Directors
HC INTERNATIONAL, INC.

Guo Jiang

Chief Executive Officer and Executive Director

Beijing, PRC, 18 December 2015

As at the date of this announcement, the Board 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. 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*