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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)**

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

The Board is pleased to announce that on 8 December 2016, the Company and the Vendors have entered into the Letter of Intent in relation to the Proposed Acquisition.

**The Letter of Intent in relation to the Proposed Acquisition is subject to, among others, the execution of the Formal Agreement and any conditions precedent therein. Therefore, the Proposed Acquisition 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 on 8 December 2016 (after trading hours), the Company and the Vendors have entered into the Letter of Intent in relation to the Proposed Acquisition.

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

#### **Key terms of the Letter of Intent**

As stated in the Letter of Intent, the Company or its designated subsidiary intends to acquire the entire equity interest of the Target Company. The Target Company is principally engaged in technology development, marketing and public relations with the focus of developing digital interactive media marketing tool mainly using the mobile terminal as the medium, to assist the clients in setting up cross-border integrated marketing platform based on the technology-driven marketing strategy.

The Target Company has served various foreign and domestic enterprises as well as first-tier brands in the Fortune Global 500. Through the open end of mobile platforms, the Target Company develops a technology system that serves the purpose of precision marketing, e-commerce and distribution, materialising the commercial value of interactive media.

As at the date of this announcement, the Vendors collectively own the entire equity interest in the Target Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their respective associates are Independent Third Parties.

The parties to the Letter of Intent intend that the total consideration for the Proposed Acquisition shall be an amount in Hong Kong dollars equivalent to RMB360,000,000 (the "**Consideration**"), of which (i) the amount equivalent to RMB162,000,000 shall be paid in cash, and (ii) the remaining amount equivalent to RMB198,000,000 shall be paid by way of issuance of convertible bonds by the Company (the "**Convertible Bond(s)**") (the conversion price will be HK\$7.5 (the "**Conversion Price**") at an exchange rate of HK\$1=RMB0.88).

The Vendors will undertake that the after-tax profit of the Target Group for each of the three years after completion of the Proposed Acquisition (each year means the 12-month period and each year being a "**Performance Undertaking Year**") will reach RMB20,000,000, RMB26,000,000 and RMB33,800,000, respectively.

The Consideration shall be adjusted at the end of each Performance Undertaking Year according to the actual performance of the Target Group.

Pursuant to the Letter of Intent, among other things, the completion of the Proposed Acquisition will be subject to, inter alia,

- (a) completion of due diligence of the Target Group by the Company to its satisfaction;
- (b) the Vendors obtaining all requisite approvals in relation to Proposed Acquisition, if applicable;
- (c) completion of appropriate restructuring of the Target Group;
- (d) the obtaining of the approval of the Board, the Shareholders (if applicable) and the Stock Exchange (if necessary); and
- (e) the conditions to be agreed between the vendors and the Company.

Upon completion of the Proposed Acquisition, it is expected that all existing directors of the Target Group will resign, and the Company will nominate new directors to the board of directors of the Target Group.

Pursuant to the Letter of Intent, the Vendors have agreed to grant the Company a period of exclusivity from the signing of the Letter of Intent until the signing of the Formal Agreement or for three months after the signing of the Letter of Intent, whichever ends earlier (the "**Exclusivity Period**"). Each of the Vendors agrees that during the Exclusivity Period, he will not enter into discussion or negotiation with any person (except with the written consent of the Company) for the Proposed Acquisition. The parties to the Letter of Intent intend to finalise and execute the Formal Agreement within three months from the date of the Letter of Intent.

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

In the event the Proposed Acquisition materialises, the Proposed Acquisition may constitute a notifiable transaction of 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 Acquisition is subject to, among others, the execution of the Formal Agreement and any conditions precedent therein. Therefore, the Proposed Acquisition 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:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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 Agreement”	the formal sale and purchase agreement to be entered into for the Proposed Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 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, the Target Company and the Vendors dated 8 December 2016 in relation to the Proposed Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Proposed Acquisition”	the proposed acquisition of the entire equity interest in the Target Company by the Company or its designated subsidiary
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 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 Company”	天津慧嘉元天廣告傳媒有限公司 (Tianjin Huijiayuantian Advertisement Media Company Limited*), a company established in the PRC
“Target Group”	the Target Company and its subsidiaries
“Vendors”	the existing shareholders of the Target Company, being Zou Kai (鄒凱), Hong Chaoran (洪超然), Sun Yi (孫毅) and Wang Fei (王菲), who collectively own the entire equity interest in the Target Company
“%”	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, 8 December 2016

*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. Liu Jun (Executive Director)*

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

*Mr. Wong Chi Keung (Non-executive Director)*

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

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

*Mr. Tang Jie (Independent Non-executive Director)*

\* For identification purposes only