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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)**

**DISCLOSEABLE TRANSACTION IN RELATION TO  
THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL  
OF HUIJIA YUANTIAN LIMITED  
INVOLVING ISSUE OF CONVERTIBLE BONDS**

**THE SALE AND PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 8 December 2016 in relation to, among others, the entering into of the Letter of Intent for the acquisition of the entire equity interest of Tianjin Huijia.

The Board is pleased to announce that on 13 January 2017 (after trading hours), the Vendors, the Company and the Vendor Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Vendors 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\$409,090,909 (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.

\* For identification purposes only

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements. Not more than 30,000,000 Conversion Shares will be issued under the General Mandate upon full conversion of the Convertible Bonds.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 8 December 2016 in relation to the entering into of the Letter of Intent for the acquisition of the entire equity interest in Tianjin Huijia.

The Board is pleased to announce that on 13 January 2017 (after trading hours), the Vendors, the Company and the Vendor Guarantors entered into the Sale and Purchase Agreement, pursuant to which the Vendors 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\$409,090,909 (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: 13 January 2017

Parties:

- (i) Mu Hao, Hong Rui, Chance Technology and Vanguard Technology as the vendors;
- (ii) the Company as the purchaser; and
- (iii) Mr. Zou, Mr. Hong, Ms. Wang and Mr. Sun as the Vendor Guarantors

As at the date of this announcement, each of Mu Hao, Hong Rui, Chance Technology and Vanguard Technology is wholly-owned by Mr. Zou, Mr. Hong, Ms. Wang and Mr. Sun respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and the Vendor Guarantors is an Independent Third Party.

## **Subject matter of the Sale and Purchase Agreement**

Pursuant to the Sale and Purchase Agreement, the Vendors 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 Mu Hao, Hong Rui, Chance Technology and Vanguard Technology is holding 20%, 45%, 20% and 15% of the issued share capital in the Target Company respectively. The Target Company holds the entire issued share capital in Huijia HK, which in turn holds the entire equity interest in Beijing Huijia. Beijing Huijia then holds the entire equity interest in Tianjin Huijia which in turn holds the entire equity interest in Beijing Yimao and 60% equity interest in Shanghai Huiyin.

Upon Completion, Mu Hao, Hong Rui, Chance Technology and Vanguard Technology will transfer their respective interest in the Target Company to the Company and the Target Company will become a direct wholly-owned subsidiary of the Company, Huijia HK, Beijing Huijia, Tianjin Huijia and Beijing Yimao will become indirect wholly-owned subsidiaries of the Company and Shanghai Huiyin will become an indirect non-wholly owned subsidiary of the Company.

## **Consideration**

The Consideration is HK\$409,090,909 (subject to downward adjustments). The Consideration was determined after arm's length negotiations between the Company and the Vendors after taking into account, among others, (i) the Performance Targets; (ii) the latest unaudited net asset value of Beijing Huijia; (iii) the operating performance of the Target Group; (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\$36,818,182 shall be payable by the Company in cash to Mu Hao;
- (ii) HK\$82,840,909 shall be payable by the Company in cash to Hong Rui;
- (iii) HK\$36,818,182 shall be payable by the Company in cash to Chance Technology;
- (iv) HK\$27,613,636 shall be payable by the Company in cash to Vanguard Technology;
- (v) a sum of HK\$45,000,000 (subject to downward adjustments) shall be paid to Mu Hao by way of allotment and issue of the Convertible Bond;
- (vi) a sum of HK\$101,250,000 (subject to downward adjustments) shall be paid to Hong Rui by way of allotment and issue of the Convertible Bond;

- (vii) a sum of HK\$45,000,000 (subject to downward adjustments) shall be paid to Chance Technology by way of allotment and issue of the Convertible Bond; and
- (viii) a sum of HK\$33,750,000 (subject to downward adjustments) shall be paid to Vanguard Technology by way of allotment and issue of the Convertible Bond.

The part of the Consideration which is payable by cash by the Company (i.e. HK\$184,090,909) to the Vendors shall be financed by the internal resources of the Company.

### **Performance Targets and adjustment mechanism**

The part of the Consideration which is payable to the Vendors by the allotment and issuance of the aggregate principal amount of the Convertible Bonds (i.e. HK\$225,000,000) is subject to downward adjustments on the basis of the Performance Targets. Assuming 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 Vendors:

<b>Vendors</b>	<b>Relevant Percentage</b>	<b>Principal amount of the Convertible Bonds to be allotted and issued to the relevant Vendors</b>	<b>Number of Conversion Shares (subject to downward adjustments) to be allotted and issued to the relevant Vendors</b>
Mu Hao	20%	HK\$45,000,000	6,000,000
Hong Rui	45%	HK\$101,250,000	13,500,000
Chance Technology	20%	HK\$45,000,000	6,000,000
Vanguard Technology	15%	HK\$33,750,000	4,500,000

Pursuant to the Sale and Purchase Agreement, the Vendor Guarantors jointly, severally and irrevocably covenant and undertake to the Company that the audited consolidated profit attributable to equity holders of Beijing Huijia shall achieve the following Performance Targets for the relevant Performance Undertaking Years:

<b>Financial year</b>	<b>Performance Targets</b>
Year ending 31 December 2017 (“ <b>First Performance Undertaking Year</b> ”)	RMB20,000,000
Year ending 31 December 2018 (“ <b>Second Performance Undertaking Year</b> ”)	RMB26,000,000
Year ending 31 December 2019 (“ <b>Third Performance Undertaking Year</b> ”)	RMB33,800,000

By the end of each Performance Undertaking Year, the Company shall procure the Target Company to prepare the audited consolidated financial statements of Beijing Huijia (the “**Audited Financial Statements**”) in accordance with Hong Kong Financial Reporting Standard issued by The Hong Kong Institute of Certified Public Accountants and provide the Vendors 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 Vendors must convert all or part(s) of the principal amount of its Convertible Bonds that will mature in that financial year (the “**Maturing CB**”) into Conversion Shares (in the following manner depending on the amount of the audited profit attributable to equity holders of Beijing Huijia); and (ii) the Company shall have the right to redeem from each of the Vendors the remaining principal amounts of the Maturing CB at HK\$1 plus any Maturing CB that has not been converted by the Vendors and cancel the same within 30 days after commencement of the relevant conversion period:

*First Performance Undertaking Year*

<b>Audited profit attributable to equity holders of Beijing Huijia</b>	<b>Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)</b>	<b>Principal amount of the Convertible Bonds that the Company can redeem and cancel (HK\$)</b>
RMB20,000,000 or above	61,363,630	0
RMB18,000,000 to RMB19,999,999	55,165,283	6,198,347
RMB16,000,000 to RMB17,999,999	42,768,590	18,595,040
RMB14,000,000 to RMB15,999,999	24,173,551	37,190,079
RMB13,999,999 or below	0	61,363,630

*Second Performance Undertaking Year*

<b>Audited profit attributable to equity holders of Beijing Huijia</b>	<b>Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)</b>	<b>Principal amount of the Convertible Bonds that the Company can redeem and cancel (HK\$)</b>
RMB26,000,000 or above	81,818,185	0
RMB23,400,000 to RMB25,999,999	73,553,722	8,264,463
RMB20,800,000 to RMB23,399,999	57,024,796	24,793,389
RMB18,200,000 to RMB20,799,999	32,231,407	49,586,778
RMB18,199,999 or below	0	81,818,185

### *Third Performance Undertaking Year*

<b>Audited profit attributable to equity holders of Beijing Huijia</b>	<b>Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)</b>	<b>Principal amount of the Convertible Bonds that the Company can redeem and cancel (HK\$)</b>
RMB33,800,000 or above	81,818,185	0
RMB30,420,000 to RMB33,799,999	73,553,722	8,264,463
RMB27,040,000 to RMB30,419,999	57,024,796	24,793,389
RMB23,660,000 to RMB27,039,999	32,231,407	49,586,778
RMB23,659,999 or below	0	81,818,185

### **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 Vendors, the Vendor 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 Stock Exchange and 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 Vendors and the Vendor 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 Vendors and the Vendor Guarantors may be required to comply with, for the completion of transactions contemplated under the Sale and Purchase Agreement; and
- (e) the warranties remaining true, accurate and not misleading in all material respects at Completion, as though the Vendors and the Vendor Guarantors have been repeatedly giving such warranties from the date of the Sale and Purchase Agreement until the Completion.

The Vendors 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 Vendors and the Company in writing), the Sale and Purchase Agreement shall become void and unenforceable.

## **Guarantee**

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

The Vendor 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 Vendors to fully perform the Guaranteed Obligations.

## **Completion**

Completion shall take place on the Completion Date which shall be the day falling on the 5<sup>th</sup> Business Days (or any other time as agreed by the Vendors 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\$225,000,000
Maturity date:	the 15 <sup>th</sup> day from the date of issue of the relevant Audited Financial Statements, subject to dispute resolution mechanism if any dispute arises over the content of the relevant Audited Financial Statements.
Interest:	Nil
Conversion Price:	HK\$7.5 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\$7.5 per Conversion Share, an aggregate of 30,000,000 Conversion Shares will be issued and allotted upon full conversion of the Convertible Bonds, which represent:</p> <ul style="list-style-type: none"> <li>(i) approximately 2.99% of the issued share capital of the Company as at the date of this announcement; and</li> <li>(ii) approximately 2.90% 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.</li> </ul> <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:	<p>The Conversion Rights shall not be exercised by a Bondholder if and to the extent that, immediately following the conversion:</p> <ul style="list-style-type: none"> <li>(i) the Company will be unable to meet the public float requirement under the Listing Rules; or</li> <li>(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.</li> </ul>
Conversion period:	5 days from the 11 <sup>th</sup> day following the date of issue of the relevant Audited Financial Statements, subject to dispute resolution mechanism if any dispute arises over the content of the relevant Audited Financial Statements.
Redemption:	<p>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.</p> <p>All redeemed Convertible Bonds shall be cancelled.</p> <p>See the paragraph headed “Performance Targets and adjustment mechanism” of this announcement for details.</p>
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.

Subject to the adjustment mechanism mentioned above, the principal amount of the Convertible Bonds issued to each of the Vendors which will mature are set out as follows:

Vendors	<b>Principal amount of the Convertible Bonds which will mature on the 11<sup>th</sup> day from the date of issue of the relevant Audited Financial Statements for the financial year ended</b>		
	<b>31 December 2017</b> (Note)	<b>31 December 2018</b> (Note)	<b>31 December 2019</b> (Note)
Mu Hao	HK\$12,272,726	HK\$16,363,637	HK\$16,363,637
Hong Rui	HK\$27,613,634	HK\$36,818,183	HK\$36,818,183
Chance Technology	HK\$12,272,726	HK\$16,363,637	HK\$16,363,637
Vanguard Technology	HK\$9,204,544	HK\$12,272,728	HK\$12,272,728

*Note:* Subject to dispute resolution mechanism if any dispute arises over the content of the relevant Audited Financial Statements.

## THE CONVERSION PRICE

The Conversion Price of the Convertible Bonds is HK\$7.5 per Convertible Share, which represents:

- (i) a premium of approximately 44.51% over the closing price of HK\$5.19 per Share as quoted on the Stock Exchange on 8 December 2016, being the date of the Letter of Intent;
- (ii) a premium of approximately 29.31% over the closing price of HK\$5.80 per Share as quoted on the Stock Exchange on 13 January 2017, being the date of the Sale and Purchase Agreement;
- (iii) a premium of approximately 30.21% over the average closing price of approximately HK\$5.76 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 13 January 2017; and
- (iv) a premium of approximately 31.35% over the average closing price of approximately HK\$5.71 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to 13 January 2017.

The Conversion Price was determined after arm's length negotiation between the Company and the Vendors 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 30,000,000 Conversion Shares, will be issued and allotted upon full conversion of the Convertible Bonds, represent (i) approximately 2.99% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.90% 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 30,000,000 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 183,046,020 new Shares (up to 20% of the number of issued Shares of 915,230,103 as at the date of the AGM held on 27 May 2016). The General Mandate has not been utilised since the date of the AGM 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 183,046,020 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 24 October 2016 with limited liability and issued capital of US\$10,000. The entire issued share capital of the Target Company is legally and beneficially owned by the Vendors, i.e. Mu Hao as to 20%, Hong Rui as to 45%, Chance Technology as to 20% and Vanguard Technology as to 15%. As at the date of this announcement, each of Mr. Zou, Mr. Hong, Ms. Wang and Mr. Sun is holding the entire issued share capital in Mu Hao, Hong Rui, Chance Technology and Vanguard Technology respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and the Vendor Guarantors is an Independent Third Party.

As at the date this announcement, the Target Company holds the entire issued shares of Huijia HK, an investment holding company incorporated in Hong Kong on 14 November 2016 with limited liability and issued shares of HK\$10,000, which in turn holds the entire equity interest in Beijing Huijia, a holding company established under the laws of the PRC. Beijing Huijia was established on 2 December 2016 with registered capital of US\$1,050,000.

Beijing Huijia holds the entire equity interest in Tianjin Huijia, a company established in the PRC with limited liability on 26 November 2013 with registered capital of RMB4,000,000. Tianjin Huijia in turn holds the entire share capital of Beijing Yimao, a company established with limited liability in the PRC on 29 October 2013 with registered capital of RMB4,000,000. Tianjin Huijia also holds 60% equity interest in Shanghai Huiyin, a company established in the PRC with limited liability with registered capital of RMB1,000,000. The remaining 40% equity interest of Shanghai Huiyin is owned by an Independent Third Party.

## **Business overview**

The Target Group is principally engaged in technology development, marketing and public relations with the focus on developing digital interactive media marketing tools mainly using the mobile terminal as the medium, to assist the clients in setting up cross-border integrated marketing platform based on technology-driven marketing strategy.

The Target Group 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 Group develops a technology system that serves the purpose of precision marketing, e-commerce and distribution, materializing the commercial value of interactive media.

## **Financial information of the Target Group**

Given the Target Company, Huijia HK and Beijing Huijia have no business activities since their respective incorporation, they have not recorded any profit/loss from their respective dates of incorporation/establishment to the date of this announcement. The following table sets out the unaudited financial information of Tianjin Huijia for the two financial years ended 31 December 2014 and 2015, respectively and for the nine months ended 30 September 2016:

	<b>For the year ended 31 December</b>		<b>For the nine months ended</b>
	<b>2014</b>	<b>2015</b>	<b>30 September</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	4,253	3,071	5,242
Profit after taxation	3,190	2,303	4,456
Net assets	4,081	6,384	10,840

## **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 that all Performance Targets are achieved in each of the Performance Undertaking years and 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\$61,363,630 (Note 3)		Immediately upon full conversion of the Convertible Bonds after the Second Performance Undertaking Year with principal amount of HK\$81,818,185 (Note 3)		Immediately upon full conversion of the Convertible Bonds after the Third Performance Undertaking Year with principal amount of HK\$81,818,185 (Note 3)	
	Number of Shares	% (approximately)	Number of Shares	% (approximately)	Number of Shares	% (approximately)	Number of Shares	% (approximately)
<b>Directors and their associate(s)</b>								
Guo Jiang and spouse	125,358,771	12.48%	125,358,771	12.38%	125,358,771	12.25%	125,358,771	12.12%
Guo Fansheng	57,749,015	5.75%	57,749,015	5.70%	57,749,015	5.64%	57,749,015	5.58%
Liu Jun	40,000,000	3.98%	40,000,000	3.95%	40,000,000	3.91%	40,000,000	3.87%
Callister Trading Limited (Note 1)	32,000,384	3.19%	32,000,384	3.16%	32,000,384	3.13%	32,000,384	3.09%
Lee Wee Ong	18,350,672	1.83%	18,350,672	1.81%	18,350,672	1.79%	18,350,672	1.77%
<b>Substantial Shareholders</b>								
Talent Gain Developments Limited (Note 2)	142,621,107	14.20%	142,621,107	14.09%	142,621,107	13.94%	142,621,107	13.79%
Unique Golden Limited (Note 2)	23,408,000	2.33%	23,408,000	2.31%	23,408,000	2.29%	23,408,000	2.26%
<b>Vendors</b>								
Mu Hao	0	0.00%	1,636,364	0.16%	3,818,182	0.37%	6,000,000	0.58%
Hong Rui	0	0.00%	3,681,818	0.36%	8,590,909	0.84%	13,500,000	1.31%
Chance Technology	0	0.00%	1,636,364	0.16%	3,818,182	0.37%	6,000,000	0.58%
Vanguard Technology	0	0.00%	1,227,273	0.12%	2,863,636	0.28%	4,500,000	0.44%
<b>Other Public Shareholders</b>	<u>564,820,154</u>	<u>56.24%</u>	<u>564,820,154</u>	<u>55.79%</u>	<u>564,820,154</u>	<u>55.19%</u>	<u>564,820,154</u>	<u>54.61%</u>
<b>Total</b>	<u>1,004,308,103</u>	<u>100%</u>	<u>1,012,489,921</u>	<u>100%</u>	<u>1,023,399,012</u>	<u>100%</u>	<u>1,034,308,103</u>	<u>100%</u>

**Notes:**

1. The entire share capital of Callister Trading Limited is owned by Mr. Li Jianguang, a non-executive director of the Company.
2. 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.
3. Assuming the Performance Targets are achieved in each of the Performance Undertaking Years.

## **REASONS FOR AND THE BENEFITS OF THE SALE AND PURCHASE AGREEMENT**

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) online to offline (“O2O”) 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 vendors 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.

Since the listing on the Growth Enterprise Market of the Stock Exchange in 2003 and the transfer of listing to the Main Board in 2014, the Company has transformed from a traditional media company to a B2B online company and explored its most appropriate development path through transitions, a vertical in-depth services model is clearly formed. The Group continues to establish its own B2B ecosystem, including the building of the B2B2.0 transaction platform, providing the Internet financial products and services, promoting the added value of B2B1.0 service and proceeding the construction of the O2O business exhibition centre and various micro-innovation projects.

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 expects to widen its industry coverage and geographical coverage. Moreover, the Group expects to 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 the Sale and Purchase Agreement and the transactions contemplated thereunder were entered into on normal commercial terms after arm's length negotiation, and that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements. Not more than 30,000,000 Conversion Shares will be issued under the General Mandate upon full conversion of the Convertible Bonds.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the entire issued share capital of the Target Company pursuant to the Sale and Purchase Agreement
“AGM”	the annual general meeting of the Company held on 27 May 2016
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Beijing Huijia”	北京慧嘉元天文化傳媒有限公司 (Beijing Huijiayuantian Cultural Media Company Limited*), a company established in the PRC
“Beijing Yimao”	北京億茂廣告有限公司 (Beijing Yimao Advertising Company Limited*), a company established in the PRC
“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

“Chance Technology”	CHANCE TECHNOLOGY CO. LTD, a company incorporated in the BVI with limited liability whose entire issued share capital is owned by Ms. Wang
“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 on the 5 <sup>th</sup> 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 (or any other time as agreed by the Vendors and the Company)
“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\$7.5 per Conversion Share (subject to adjustment as set out and in accordance with the terms and conditions of the Convertible Bonds)
“Conversion Shares”	30,000,000 new Shares to be allotted and issued to the Vendors 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 Vendors as part of the Consideration pursuant to the Sale and Purchase Agreement with the aggregate principal amount of HK\$225,000,000 (subject to downwards adjustment mechanism) and convertible into the Conversion Shares at the Conversion Price
“Director(s)”	directors of the Company
“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
“Group”	the Company and its subsidiaries



“Hong Kong”	Hong Kong Special Administrative Region
“Hong Rui”	Hong Rui Technology Holdings Limited, a company incorporated in the BVI with limited liability, whose entire issued share capital is owned by Mr. Hong
“Huijia HK”	Huijia HK Limited, a company incorporated in Hong Kong with limited liability
“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, Tianjin Huijia, Mr. Zou, Mr. Hong, Ms. Wang and Mr. Sun dated 8 December 2016 in relation to the acquisition of entire issued share capital of Tianjin Huijia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2017 or such other subsequent date as the parties agree in writing
“Mr. Hong”	HONG Chaoran (洪超然)
“Mr. Sun”	SUN Yi (孫毅)
“Mr. Zou”	ZOU Kai (鄒凱)
“Ms. Wang”	WANG Fei (王菲)
“Mu Hao”	Mu Hao Holdings Limited, a company incorporated in the BVI with limited liability, whose entire issued share capital is owned by Mr. Zou
“Performance Target(s)”	a yearly target amount of RMB20,000,000, RMB26,000,000 and RMB33,800,000 of the audited consolidated profit attributable to equity holders of Beijing Huijia for each of three Performance Undertaking Years
“Performance Undertaking Year(s)”	the year ending 31 December 2017, 2018 and 2019 respectively

“PRC”	the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 13 January 2017 entered into between the Company, the Vendors and the Vendor Guarantors in respect of the Acquisition
“Sale Shares”	10,000 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 Mu Hao, Hong Rui, Chance Technology and Vanguard Technology is holding 2,000, 4,500, 2,000 and 1,500 shares in the Target Company respectively
“Shanghai Huiyin”	上海慧峯嘉岑有限公司 (Shanghai Huiyinjiacen Company Limited*), a company established in the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	as the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Huijia Yuantian Limited, a limited liability company incorporated under the laws of the BVI
“Target Group”	the Target Company and its subsidiaries, namely Huijia HK, Beijing Huijia, Tianjin Huijia, Beijing Yimao and Shanghai Huiyin
“Tianjin Huijia”	天津慧嘉元天廣告傳媒有限公司 (Tianjin Huijiayuantian Advertising Media Company Limited*), a company established in the PRC
“Vanguard Technology”	Vanguard Technology Holdings Limited, a company incorporated in the BVI with limited liability, whose entire issued share capital is owned by Mr. Sun
“Vendor Guarantors”	Mr. Zou, Mr. Hong, Ms. Wang and Mr. Sun

“Vendors”	Mu Hao, Hong Rui, Chance Technology and Vanguard Technology
“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, 13 January 2017

*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*