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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: 2280)

DISCLOSEABLE TRANSACTION CORNERSTONE INVESTMENT IN SMART-CORE HOLDINGS

INTRODUCTION

The Board is pleased to announce that on 23 September 2016, Hong Kong Huicong (a wholly-owned subsidiary of the Company) entered into the Cornerstone Investment Agreement with Smart-Core Holdings and the Joint Global Coordinators, pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Smart-Core Holdings up to an aggregate value of US\$4,000,000 (equivalent to approximately HK\$31,000,000).

IMPLICATIONS UNDER THE LISTING RULES

As the relevant applicable percentage ratios (as defined under the Listing Rules) for the Cornerstone Investment exceed 5% but are less than 25%, the Cornerstone Investment Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 23 September 2016, the Company and Hong Kong Huicong (a wholly-owned subsidiary of the Company) entered into the Cornerstone Investment Agreement with Smart-Core Holdings and the Joint Global Coordinators, pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Smart-Core Holdings for up to an aggregate value of US\$4,000,000 (equivalent to approximately HK\$31,000,000).

* For identification purposes only

THE CORNERSTONE INVESTMENT AGREEMENT

Date:

23 September 2016

Parties:

- (a) Hong Kong Huicong, as investor;
- (b) Smart-Core Holdings, as issuer;
- (c) DBS, as the sole sponsor and one of the Joint Global Coordinators; and
- (d) Haitong, as one of the Joint Global Coordinators.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, each of Smart-Core Holdings and the Joint Global Coordinators and their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons (as defined under the Listing Rules).

The Cornerstone Investment

Subject to the terms and conditions of the Cornerstone Investment Agreement, Hong Kong Huicong has agreed to subscribe for shares of Smart-Core Holdings for up to an aggregate value of US\$4,000,000 (equivalent to approximately HK\$31,000,000). Hong Kong Huicong will be allocated shares of Smart-Core Holdings at the IPO Price and rounded down to the nearest board lot of 2,000 shares. The shares to be issued by Smart-Core Holdings to Hong Kong Huicong will, when issued and delivered, be fully paid, and free from all options, licences, charges, mortgages, pledges, claims, equities, encumbrances and other third party rights, and shall rank pari passu in all respects with the other shares of Smart-Core Holdings then in issue and to be listed on the Stock Exchange. Smart-Core Holdings is seeking a listing on the Main Board of the Stock Exchange by way of global offering of its shares. Please also refer to the public documents to be announced by Smart-Core Holdings on the Stock Exchange.

The Company anticipates that, upon completion of the global offering of Smart-Core Holdings, shares of Smart-Core Holdings to be subscribed under the Cornerstone Investment shall represent less than approximately 3.51% of all shares of Smart-Core Holdings immediately after the listing of the shares of Smart-Core Holdings.

The investment amount was agreed between the parties after arm's length negotiations with reference to the prospect of Smart-Core Holdings. The investment amount will be financed by internal resources of the Group. The investment amount shall be settled by cash on the delivery date (being the date of listing of shares of Smart-Core Holdings, or such later time as the Joint Global Coordinators and Smart-Core Holdings may notify Hong Kong Huicong).

Smart-Core Holdings has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, among other things, the shares to be issued to Hong Kong Huicong pursuant to the Cornerstone Investment Agreement.

Restriction on Disposal

Pursuant to the Cornerstone Investment Agreement, unless it has obtained prior written consent of each of Smart-Core Holdings and the Joint Global Coordinators, Hong Kong Huicong will not, at any time during the period of six months following the listing date of Smart-Core Holdings (the “**Lock-up Period**”), among others, (i) dispose of or pledge any of such shares of Smart-Core Holdings; (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions; or (iii) directly or indirectly agree or contract to do (or publicly announce any intention to enter into) any aforesaid transactions (the “**Disposal**”).

During the period of six months following the expiry of the Lock-up Period, Hong Kong Huicong shall inform Smart-Core Holdings and the Joint Global Coordinators in writing prior to any Disposal and shall take reasonable steps to ensure that any such Disposal will not create a disorderly or false market and will comply with all applicable laws.

After expiry of the Lock-up Period, Hong Kong Huicong shall not intentionally or knowingly enter into any transaction for Disposal with a person who engages directly or indirectly in a business that competes or potentially competes with the business of Smart-Core Holdings or its subsidiaries without the prior written consent of each of Smart-Core Holdings and the Joint Global Coordinators.

Conditions Precedent

The Cornerstone Investment shall be conditional upon the following conditions having been satisfied (or waived in accordance with the terms of the Cornerstone Investment Agreement):

- (1) the underwriting agreements in respect of the global offering of shares of Smart-Core Holdings having been entered into, become effective and having become unconditional (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) by no later than the time and date as specified in these underwriting agreements;
- (2) neither of the aforesaid underwriting agreements having been terminated;
- (3) the IPO Price having been agreed upon between Smart-Core Holdings and the Joint Global Coordinators (for themselves and on behalf of the underwriters under the above underwriting agreements);
- (4) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, shares of Smart-Core Holdings in issue and to be issued pursuant to the global offering and that such approval having not been revoked prior to the commencement of dealings in shares of Smart-Core Holdings on the Stock Exchange;

- (5) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated under the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Cornerstone Investment Agreement; and
- (6) the respective representations, warranties and confirmations of Hong Kong Huicong and Smart-Core Holdings as set out in the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the closing date as defined in the Cornerstone Investment Agreement) accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of Hong Kong Huicong and Smart-Core Holdings.

In the event that the conditions above have not been fulfilled within 30 days from the date of prospectus to be published by Smart-Core Holdings in Hong Kong (or such other date as may be agreed), the Cornerstone Investment shall cease (without prejudice to accrued rights or liabilities).

INFORMATION OF THE GROUP

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) O2O household electrical appliances business exhibition centre, and (v) anti-counterfeiting products and services.

INFORMATION OF SMART-CORE HOLDINGS

Smart-Core Holdings is a leading distributor of integrated circuit (IC) and other electronic components based in the PRC. Smart-Core Holdings has strong capability to provide engineering support, and operate a distinctive e-commerce platform. Smart-Core Holdings offers a wide range of IC and other electronic components and provides comprehensive value-added services including engineering solutions and field application engineering support to the customers.

Based on the Post Hearing Information Pack of Smart-Core Holdings published on the Stock Exchange's website on 25 September 2016, set out below are audited financial information of Smart-Core Holdings for the financial years ended 31 December 2014 and 2015 and the three months ended 31 March 2016:

	As at 31 December 2014 US\$'000	As at 31 December 2015 US\$'000	As at 31 March 2016 US\$'000
Total assets	73,492	125,358	124,024
Net assets	20,581	23,231	25,606

	For the year ended 31 December 2014 US\$'000	For the year ended 31 December 2015 US\$'000	For the three months ended 31 March 2016 US\$'000
Net profit (before taxation and extraordinary items)	9,089	9,042	2,830
Net profit (after taxation and extraordinary items)	7,382	6,902	2,378

Note: extraordinary items includes listing expenses and stock-based compensation expenses.

Further financial information of Smart-Core Holdings is contained in the Post Hearing Information Pack of Smart-Core Holdings published on the Stock Exchange.

INFORMATION OF THE JOINT GLOBAL COORDINATORS

DBS is a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the Securities and Futures Ordinance.

Haitong is a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading), and Type 4 (advising on securities) of the regulated activities under the Securities and Futures Ordinance.

REASONS FOR AND BENEFITS OF THE CORNERSTONE INVESTMENT

As disclosed above, Smart-Core Holdings offers a wide range of IC and other electronic components and provide comprehensive value-added services. The Directors believe that in addition to investment return that may be brought, the Cornerstone Investment can promote a potential synergy effect in business-to-business (B2B) of electronic components verticals between the two companies.

The Directors are of the view that the terms of the Cornerstone Investment Agreement are fair and reasonable, on normal commercial terms and are beneficial to the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant applicable percentage ratios (as defined under the Listing Rules) for the Cornerstone Investment exceed 5% but are less than 25%, the Cornerstone Investment Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	HC International, Inc., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Cornerstone Investment”	the subscription of shares of Smart-Core Holdings contemplated under the Cornerstone Investment Agreement
“Cornerstone Investment Agreement”	the Cornerstone Investment Agreement dated 23 September 2016 entered into amongst Hong Kong Huicong, Smart-Core Holdings and the Joint Global Coordinators
“DBS”	DBS Asia Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the Securities and Futures Ordinance
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Haitong”	Haitong International Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) of the regulated activities under the Securities and Futures Ordinance
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Huicong”	Hong Kong Huicong International Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability. It is a wholly-owned subsidiary of the Company
“IPO Price”	the final price per share of Smart-Core Holdings, exclusive of the Stock Exchange trading fee, the transaction levy imposed by the Securities and Futures Commission and the brokerage fee, at which shares are issued by Smart-Core Holdings under the global offering, expressed in HK\$
“Joint Global Coordinators”	DBS and Haitong

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Smart-Core Holdings”	Smart-Core Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are proposed to be listed on the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this announcement is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

By order of the Board
HC International, Inc.
Guo Jiang
Chief Executive Officer and Executive Director

Beijing, the PRC, 26 September 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)