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HC INTERNATIONAL, INC.

慧聪网有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

**SUBSCRIPTION OF NEW SHARES OF THE COMPANY
UNDER GENERAL MANDATE
IN CONSIDERATION OF THE CONVERTIBLE BONDS**

Reference is made to the announcements of the Company dated 18 December 2015, 8 January 2016 and 28 March 2017 in relation to the share transaction in relation to the Zhongfu Acquisition and the announcements of the Company dated 13 January 2017 and 3 February 2017 in relation to the discloseable transaction in relation to the Huijia Acquisition.

Completion of the Zhongfu Acquisition took place on 8 January 2016 and the Zhongfu CBs were issued to the Zhongfu Sellers accordingly. The Zhongfu Performance Target for the year ended 31 December 2016 was met, and the Zhongfu Sellers had converted the Zhongfu CBs in the principal amount of HK\$40,427,500 into Shares. As at the date of this announcement, Zhongfu CBs in the principal amount of HK\$60,285,000 remain to be outstanding and unconverted. Completion of the Huijia Acquisition took place on 3 February 2017 and the Huijia Convertible Bonds were issued to the Huijia Vendors accordingly. As at the date of this announcement, all Huijia Convertible Bonds in the principal amount of HK\$225,000,000 remain to be outstanding and unconverted.

In view of the potential impact of the Convertible Bonds to the consolidated financial statements of the Group, which may create confusion to the Shareholders and the financial statements users to understand the actual performance of the Group, the Company proposes to cancel the Convertible Bonds in exchange for Shares to be allotted and put in custodian accounts. On 5 January 2018 (after trading hours), the Company entered into the Subscription Agreements with the Bondholders, pursuant to which the Company has conditionally agreed to allot new Shares to each of the Bondholders in consideration of the Convertible Bonds. The Company will cancel the Convertible Bonds thereafter. The number of Exchange Shares to be allotted to each of the Zhongfu Sellers and the Huijia Vendors will be calculated in accordance with the outstanding principal amount of the Convertible Bonds they are holding and the Zhongfu Conversion Price or the Huijia Conversion Price.

The total number of Exchange Shares under the Subscriptions, being 36,028,500 Shares, represent approximately 3.32% of the existing issued share capital of the Company of 1,085,323,710 Shares as at the date of this announcement and approximately 3.21% of the then issued share capital of 1,121,352,210 Shares as enlarged by the Subscriptions. The aggregate nominal value of the Exchange Shares under the Subscriptions will be HK\$3,602,850. The Exchange Shares will be allotted and issued pursuant the General Mandate.

Completion of the Subscriptions will take place at the earliest convenience of the Company after the fulfillment of all the conditions precedent set out in the Subscription Agreements.

Reference is made to the announcements of the Company dated 18 December 2015, 8 January 2016 and 28 March 2017 in relation to the share transaction in relation to the Zhongfu Acquisition and the announcements of the Company dated 13 January 2017 and 3 February 2017 in relation to the discloseable transaction in relation to the Huijia Acquisition.

THE ZHONGFU ACQUISITION

On 18 December 2015, the Zhongfu Sellers, the Company and the Zhongfu Seller Guarantors entered into the Zhongfu SPA, pursuant to which the Company acquired from the Zhongfu Sellers the entire issued share capital of Zhongfu for an aggregate consideration of HK\$170,807,500 (subject to downward adjustments) settled at completion by way of (i) cash; and (ii) issuance and allotment of the Zhongfu CBs in aggregate principal amount of HK\$100,712,500, which is subject to downward adjustments on the basis of the the Zhongfu Performance Targets of 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 year ended/ending 31 December 2016, 2017 and 2018, respectively.

Completion of the Zhongfu Acquisition took place on 8 January 2016 and the Zhongfu CBs were issued to the Zhongfu Sellers accordingly. The Zhongfu Performance Target for the year ended 31 December 2016 was met, and the Zhongfu Sellers had converted the Zhongfu CBs in the principal amount of HK\$40,427,500 into Shares. As at the date of this announcement, Zhongfu CBs in the principal amount of HK\$60,285,000 remain to be outstanding and unconverted.

THE HUIJIA ACQUISITION

On 13 January 2017, the Huijia Vendors, the Company and the Huijia Vendor Guarantors entered into the Huijia SPA, pursuant to which the Company acquired from the Huijia Vendors the entire issued share capital of Huijia for an aggregate consideration of HK\$409,090,909 (subject to downward adjustments) settled at completion by way of (i) cash; and (ii) issuance and allotment of the Huijia Convertible Bonds in aggregate principal amount of HK\$225,000,000, which is subject to downward adjustments on the basis of the Huijia Performance Targets of 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 year ended/ending 31 December 2017, 2018 and 2019, respectively.

Completion of the Huijia Acquisition took place on 3 February 2017 and the Huijia Convertible Bonds were issued to the Huijia Vendors accordingly. As at the date of this announcement, all Huijia Convertible Bonds in the principal amount of HK\$225,000,000 remain to be outstanding and unconverted.

In view of the potential impact of the Convertible Bonds to the consolidated financial statements of the Group, which may create confusion to the Shareholders and the financial statements users as to the actual performance of the Group, the Company proposes to cancel the Convertible Bonds in exchange for Shares to be allotted and put in custodian accounts. On 5 January 2018 (after trading hours), the Company entered into the Subscription Agreements with the Bondholders, pursuant to which the Company has conditionally agreed to allot new Shares to each of the Bondholders in consideration of the Convertible Bonds. The Company will cancel the Convertible Bonds thereafter.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENTS

Date: 5 January 2018

Parties: (i) the Company as the issuer; and
(ii) the Bondholders as the subscribers.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Bondholders is an Independent Third Party.

Subject matter of the Subscription Agreements

Pursuant to the Subscription Agreements, the Company has conditionally agreed to allot the Exchange Shares to the Bondholders, in consideration of which the Bondholders shall surrender the Convertible Bonds to the Company and the Company will cancel the Convertible Bonds thereafter. The number of Exchange Shares to be allotted to each of the Bondholders will be calculated in accordance with the outstanding principal amount of the Convertible Bonds they are holding and the Zhongfu Conversion Price or the Huijia Conversion Price (as the case may be). At completion of the Subscriptions, the Company and each of the Bondholders shall enter to a custodian agreement with a third party custodian, pursuant to which:

- (1) the Exchange Shares to be allotted to the Bondholders will be put into custodian accounts and will only be released to the Bondholders upon ascertaining the level of fulfilment of the Zhongfu Performance Targets or the Huijia Performance Targets (as the case may be). The number of Exchange Shares to be released to the Bondholders will, just like the Convertible Bonds, be determined with reference to the amount of the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu of the relevant year or the audited profit attributable to equity holders of Beijing Huijia of the relevant (as the case may be) and the Zhongfu Conversion Price or the Huijia Conversion Price, the remaining number of Exchange Shares not released during the relevant year will be repurchased by the Company at HK\$1 and cancelled accordingly (for details of the number of Exchange Shares to be released to the Bondholders at different level of fulfilment of the Zhongfu Performance Targets/the Huijia Performance Targets, please refer to the paragraph headed “Number of Exchange Shares to be released” below);
- (2) the Bondholders will not be able to transfer the Exchange Shares issued to them before the Shares are released to them in accordance with (1);
- (3) the Bondholders will not be able to exercise any voting rights attached to the Exchange Shares issued to them before the Shares are released to them in accordance with (1); and
- (4) the custodian will hold all dividend payment or distribution made to the Exchange Shares and return the same to the Company before the Shares are released to Bondholders in accordance with (1).

Number of Exchange Shares to be released

For the financial year ended on 31 December 2017

Huijia Performance Targets (RMB)	Number of Exchange Shares subject to the unilateral release by the Company to the Bondholders	Number of Exchange Shares subject to the unilateral buyback and cancellation of the Company
At or above 20,000,000	8,181,819	0
From 18,000,000 to 19,999,999	7,355,372	826,447
From 16,000,000 to 17,999,999	5,702,480	2,479,339
From 14,000,000 to 15,999,999	3,223,141	4,958,678
At or below 13,999,999	0	8,181,819

For the financial year ending on 31 December 2018

Huijia Performance Targets (RMB)	Number of Exchange Shares subject to the unilateral release by the Company to the Bondholders	Number of Exchange Shares subject to the unilateral buyback and cancellation of the Company
At or above 26,000,000	10,909,090	0
From 23,400,000 to 25,999,999	9,807,163	1,101,927
From 20,800,000 to 23,399,999	7,603,306	3,305,784
From 18,200,000 to 20,799,999	4,297,520	6,611,570
At or below 18,199,999	0	10,909,090

For the financial year ending on 31 December 2019

Huijia Performance Targets (RMB)	Number of Exchange Shares subject to the unilateral release by the Company to the Bondholders	Number of Exchange Shares subject to the unilateral buyback and cancellation of the Company
At or above 33,800,000	10,909,091	0
From 30,420,000 to 33,799,999	9,807,164	1,101,927
From 27,040,000 to 30,419,999	7,603,306	3,305,785
From 23,660,000 to 27,039,999	4,297,520	6,611,571
At or below 23,659,999	0	10,909,091

For the financial year ended on 31 December 2017

Zhongfu Performance Targets (RMB)	Number of Exchange Shares subject to the unilateral release by the Company to the Bondholders	Number of Exchange Shares subject to the unilateral buyback and cancellation of the Company
At or above 13,000,000	3,014,250	0
From 11,700,000 to 12,999,999	2,713,536	300,714
From 10,400,000 to 11,699,999	2,112,107	902,143
From 9,100,000 to 10,399,999	1,209,966	1,804,284
At or below 9,099,999	0	3,014,250

For the financial year ending on 31 December 2018

Zhongfu Performance Targets (RMB)	Number of Exchange Shares subject to the unilateral release by the Company to the Bondholders	Number of Exchange Shares subject to the unilateral buyback and cancellation of the Company
At or above 16,900,000	3,014,250	0
From 15,210,000 to 16,899,999	2,713,536	300,714
From 13,520,000 to 15,209,999	2,112,107	902,143
From 11,830,000 to 13,519,999	1,209,966	1,804,284
At or below 11,829,999	0	3,014,250

Conditions of the Subscription Agreements

Completion of the Subscriptions is conditional upon, among others, the Bondholders surrendering the Convertible Bonds to the Company and the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Exchange Shares on the Stock Exchange pursuant to Rule 10.06(3) and Rule 9.18 of the Listing Rules.

If the above condition is not satisfied on or before 31 January 2018 (or such later date as the Company and the Bondholders may agree), all obligations of the Bondholders and the Company under the Subscription Agreements shall cease and terminate and none of the parties shall have any claim against the other in relation thereto.

Completion

Completion of the Subscriptions will take place at the earliest convenience of the Company after the fulfillment of all the conditions precedent set out in the Subscription Agreements.

THE ISSUE PRICE

The issue price of HK\$10 per Exchange Share (being the Zhongfu Conversion Price) to the Zhongfu Sellers represents:

- (i) a premium of approximately 67.79% over the closing price of HK\$5.96 per Share as quoted on the Stock Exchange on 5 January 2018, being the dates of the Subscription Agreements;
- (ii) a premium of approximately 71.53% over the average closing price of approximately HK\$5.83 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 5 January 2018; and
- (iii) a premium of approximately 77.62% over the average closing price of approximately HK\$5.63 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to 5 January 2018.

The issue price of HK\$7.5 per Exchange Share (being the Huijia Conversion Price) to the Huijia Vendors represents:

- (i) a premium of approximately 25.84% over the closing price of HK\$5.96 per Share as quoted on the Stock Exchange on 5 January 2018, being the dates of the Subscription Agreements;
- (ii) a premium of approximately 28.64% over the average closing price of approximately HK\$5.83 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 5 January 2018; and
- (iii) a premium of approximately 33.21% over the average closing price of approximately HK\$5.63 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to 5 January 2018.

The issue prices were determined after arm's length negotiation between the Company and the Bondholders with reference to, among other things, the Zhongfu Conversion Price or the Huijia Conversion Price (as the case may be). The Directors consider the issue prices are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

REASONS FOR THE TRANSACTIONS CONTEMPLATED UNDER THE SUBSCRIPTION AGREEMENTS

Pursuant to the terms of the Convertible Bonds, the actual number of Shares to be issued to the Bondholders will be highly variable which are subject to the downward adjustments with reference to the Zhongfu Performance Target(s) and Huijia Performance Target(s) detailed above. All the remaining Convertible Bonds not eligible for conversion at their maturities will be subject to the Company's redemption at a negligible HK\$1 consideration. Therefore, the fixed amount of cash or another financial assets for fixed number of equity instruments criteria for an equity classification under the Hong Kong Accounting Standard 32 is not met, resulting in the Convertible Bonds not being considered as an equity instrument of the Company and being accounted for as embedded derivatives.

According to HKAS 39, the Convertible Bonds (without the bifurcation of the embedded derivatives) are designated as financial liabilities at fair values through profit or loss. To measure the fair value of the Convertible Bonds at each reporting period date, income approach would be applied which would mainly consider (i) the management judgement on the probability that the Zhongfu Performance Targets/Huijia Performance Targets being achieved, (ii) the market price of the Shares, (iii) the risk-free rate and (iv) the discount rate at each reporting period date.

In view of the potential impact of the abovementioned valuation of the Convertible Bonds to the consolidated statements of profit or loss of the Group, which may create confusion to the Shareholders and the financial statements users to understand the actual operational performance of the Group, the Directors consider that the Subscriptions and the cancellation of the Convertible Bonds thereunder are desirable as they can reduce the significant impact of non-operational events to the financial statements of the Group in the present and coming financial years.

The Directors assure the Shareholders that the issuance of Exchange Shares in exchange for the cancellation of the Convertible Bonds will not result in the Company holding treasury shares. This is because while the Exchange Shares will be legally and beneficially owned by the Bondholders once they are issued, the Exchange Shares will be, upon issuance, deposited directly into the custodian accounts operated by a third party custodian appointed jointly by the Company and the Bondholders. Such custodian, the Company and the Bondholders are legally bound by a custodian contract under which irrevocable instructions will be given by the Bondholders to the custodian to the effect that the Bondholders (i) will not be able to freely deal with the Exchange Shares, (ii) will not be able to exercise the voting right attached to the Exchange Shares, and/or (iii) must surrender to the Company the dividend or distribution made pursuant to the Exchange Shares, as long as the Exchange Shares remain in the custodian accounts ((i) to (iii) collectively as the “**Restrictions**”).

The Directors also assures the Shareholders that the immediate dilution effect of the issuance of Exchange Shares is very limited and will not affect the interest of the existing Shareholders. Given the Restrictions, while the earning per share or net asset value per share of the Company may decrease after the issuance of the Exchange Shares, the weight of the voting right of the existing Shareholders will not be affected in a general meeting as Shareholders resolutions are passed by the majority of Shareholders present and actually voting, not by the absolute figure of percentages of shareholding of the Shareholders in aggregate. On the other hand, the dividend or distribution to be made to each Share will not be affected by the mere issuance of the Exchange Shares as long as the Restrictions apply because the Directors will put into consideration the dividends to be surrendered by the Bondholders and increase the recommending dividend per Share accordingly when recommending the dividend per Share.

A comparison showing the comparable entitlements of the Bondholders to the equity interest of the Company before and after the Subscriptions is as follow:

	Bondholders holding Convertible Bonds before the Subscriptions	Bondholders holding Exchange Shares after the Subscriptions
Nature of the equity interest of the Bondholders	Conversion Shares	Exchange Shares
Maximum number of new Shares to be issued	36,028,500	
Downward adjustment of the equity interest of the Bondholders	The amount of convertible principals, which can be converted into Conversion Shares, is subject to the downward adjustments to be performed by the Company based on the level of achievement of the yearly performance targets provided in the Sales and Purchase Agreements	The number of Exchange Shares, which can be freely dealt with by the Bondholders, is subject to the downward adjustments to be performed by the Company based on the level of achievement of the yearly performance targets provided in the Subscription Agreements
Performance targets and the corresponding number of new Shares at the Bondholders' disposal	Please refer to the paragraph headed "Number of Exchange Shares to be released" above. The performance targets and the number of new Shares to be released to the Bondholders at their disposal accordingly before and after the Subscriptions remain unchanged.	
Downward adjustment to be performed by the Company	Company has the right to redeem and cancel the amount of unconvertible principals equal to the said downward adjustment with HK\$1	Company has the right to buy back and cancel the number of Exchange Shares equal to the said downward adjustment with HK\$1
Time when the Bondholders can freely deal with the new Shares	Bondholders can only deal with the relevant portion of the Zhongfu Conversion Shares/ the Huijia Conversion Shares of the year converted after the end of each relevant financial year after the downward adjustment is performed by the Company	Bondholders can only deal with the relevant portion of the Exchange Shares of the year in custody after the end of each relevant financial year after the downward adjustment is performed by the Company

Voting right of the Bondholders	Bondholders can only vote when they can deal with the new Shares	Bondholders can only vote when they can deal with the new Shares
Entitlement of the Bondholders to dividend	Bondholders are entitled to dividend only when they can deal with the new Shares (i.e. the Conversion Shares)	Bondholders are entitled to dividend only when they can deal with the new Shares (i.e. the Exchange Shares)

The Directors consider that the terms of the Subscription Agreements, which were arrived at after arm's length negotiations between the Company and the Bondholders, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fundraising activities in the past twelve months before the date of this announcement.

EXCHANGE SHARES

The Exchange Shares will be allotted and issued pursuant the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 200,410,170 Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate. The Exchange Shares will be issued under the General Mandate and therefore the transactions contemplated under the Subscription Agreements are not subject to any Shareholder' approval.

The 36,028,500 Exchange Shares under the Subscriptions represent approximately 3.32% of the existing issued share capital of the Company of 1,085,323,710 Shares as at the date of this announcement and approximately 3.21% of the then issued share capital of 1,121,352,210 Shares as enlarged by the Subscriptions. The aggregate nominal value of the Exchange Shares under the Subscriptions will be HK\$3,602,850.

The Exchange Shares under the Subscriptions will rank, upon issue, *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the Exchange Shares.

APPLICATION FOR LISTING OF EXCHANGE SHARES

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Exchange Shares.

As the transactions contemplated under the Subscription Agreements involve the issue of the Exchange Shares which will occur simultaneously with the redemption of the Convertible Bonds, approval from the Stock Exchange is required under Rule 10.06(3) of the Listing Rules. The Company has made an application to the Stock Exchange and the Stock Exchange has granted the approval under Rule 10.06(3) for the issue of the Exchange Shares within 30 days after redemption of the Convertible Bonds.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the transactions contemplated under the Subscription Agreements assuming there is no other change in the shareholding structure of the Company since the date of this announcement, are as follows:

	As at the date of this announcement		Immediately upon the allotment and issue of the Exchange Shares in full	
	Approximate		Approximate	
	Number of Shares	% of shareholding	Number of Shares	% of shareholding
Directors and their associate(s):				
Guo Jiang and his spouse	128,858,771	11.87%	128,858,771	11.49%
Guo Fansheng (<i>Note 1</i>)	57,749,015	5.32%	57,749,015	5.15%
Liu Jun	44,870,000	4.13%	44,870,000	4.00%
Li Jianguang (<i>Note 2</i>)	32,000,384	2.95%	32,000,384	2.85%
Lee Wee Ong	25,350,672	2.34%	25,350,672	2.26%
Substantial Shareholders:				
Digital China and its associates (<i>Note 3</i>)	253,671,964	23.37%	253,671,964	22.62%
Liu Xiaodong (<i>Note 4</i>)	62,273,794	5.74%	62,273,794	5.55%
Public Shareholding:				
Huijia Vendors (<i>Note 5</i>)	—	—	30,000,000	2.68%
Zhongfu Sellers (<i>Note 6</i>)	4,042,750	0.37%	10,071,250	0.90%
Public other than Bondholders	476,506,360	43.90%	476,506,360	42.49%
Total	1,085,323,710	100.00%	1,121,352,210	100.00%

Note:

- Such interest in the Company comprises: (a) 35,000,000 Shares held by Mr. Guo Fansheng; and (b) 22,749,015 Shares held by a trustee of a trust of which Mr. Guo Fansheng is a beneficiary.
- Such interest in the Company is held by Callister Trading Limited, a company wholly-owned by Mr. Li Jianguang.
- Such interest in the Company comprises: (a) 230,263,964 Shares held by Talent Gain Developments Limited and (b) 23,408,000 Shares held by Unique Golden Limited, respectively. 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, which ultimately is wholly and beneficially owned by Digital China.

4. Such interest in the Company is held by Wisdom Limited, a company wholly-owned by Mr. Liu Xiaodong.
5. To the best knowledge of the Directors, Huijia Vendors will only be interested in the Shares to be issued and allotted to them by the Company pursuant to the Subscriptions.
6. To the best knowledge of the Directors, Zhongfu Sellers and will only be interested in the Shares issued and allotted to them by the Company upon conversion of part of the Zhongfu CBs in 2017 and the Shares to be issued and allotted to them by the Company pursuant to the Subscriptions.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 26 May 2017
“associate(s)”	has the meaning 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
“Board”	the board of Directors
“Bondholders”	the Zhongfu Sellers and the Huijia Vendors
“Business Day(s)”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Shares”	the Huijia Conversion Shares and Zhongfu Conversion Shares

“Convertible Bonds”	the Zhongfu Convertible Bonds and the Huijia Convertible Bonds
“Daxiong”	Daxiong Holdings Limited, a company incorporated with limited liability under the laws of the BVI, whose issued share capital is owned by Mr. Cao
“Digital China”	a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 00861)
“Director(s)”	directors of the Company
“Exchange Shares”	the new Shares to be allotted and issued to the Bondholders and deposited into the custodian accounts pursuant to the Subscription Agreements
“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, whose issued share capital is owned by as to 85% by Mr. Guan and as to 15% by his spouse
“Group”	the Company and its subsidiaries
“Hanson”	Hanson He Holdings Limited, a company incorporated with limited liability under the laws of the BVI, whose issued share capital is owned by Mr. He
“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”	Huijia Yuantian Limited, a limited liability company incorporated under the laws of the BVI
“Huijia Acquisition”	the acquisition of the entire issued share capital of Huijia pursuant to the Huijia SPA
“Huijia Consideration”	the aggregate consideration for the Huijia Acquisition paid by the Company pursuant to the Huijia SPA
“Huijia Conversion Price”	the conversion price of HK\$7.5 per Huijia Conversion Share (subject to adjustment as set out and in accordance with the terms and conditions of the Huijia Convertible Bonds)

“Huijia Conversion Shares”	30,000,000 new Shares to be allotted and issued to the Huijia Vendors by the Company upon conversion of the Huijia Convertible Bonds at the Huijia Conversion Price
“Huijia Convertible Bonds”	the convertible bonds of the Company issued to the Huijia Vendors as part of the Huijia Consideration pursuant to the Huijia SPA with the aggregate principal amount of HK\$225,000,000 (subject to downward adjustments) and convertible into the Huijia Conversion Shares at the Huijia Conversion Price
“Huijia 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 Huijia Performance Undertaking Years
“Huijia Performance Undertaking Year(s)”	the year ended/ending 31 December 2017, 2018 and 2019 respectively
“Huijia SPA”	the sale and purchase agreement dated 13 January 2017 entered into between the Company, the Huijia Vendors and the Huijia Vendor Guarantors in respect of the Huijia Acquisition
“Huijia Vendor Guarantors”	Mr. Zou, Mr. Hong, Ms. Wang and Mr. Sun
“Huijia Vendors”	Mu Hao, Hong Rui, Chance Technology and Vanguard Technology
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Moustache”	Mr Moustache Holdings Limited, a company incorporated with limited liability under the laws of the BVI, whose issued share capital is owned by Mr. Liao
“Mr. Cao”	曹國熊 (Cao Guoxiong)
“Mr. Chen”	陳學軍 (Chen Xuejun)
“Mr. Guan”	管建忠 (Guan Jianzhong)

“Mr. He”	何順生 (He Shunsheng)
“Mr. Hong”	洪超然 (Hong Chaoran)
“Mr. Liao”	廖斌 (Liao Bin)
“Mr. Sun”	孫毅 (Sun Yi)
“Mr. Zou”	鄒凱 (Zou Kai)
“Ms. Wang”	王菲 (Wang Fei)
“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
“PRC”	the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan
“Richard”	Richard Chen Holdings Limited, a company incorporated with limited liability under the laws of the BVI, whose issued share capital is owned by Mr. Chen
“Sales and Purchase Agreements”	the Huijia SPA and the Zhongfu SPA
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the transactions contemplated under the Subscription Agreements
“Subscription Agreements”	the two conditional subscription agreements entered into by the Company respectively with the Huijia Vendors and the Zhongfu Sellers dated 5 January 2018
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“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
“Zhejiang Zhongfu”	浙江中服網絡科技有限公司 (Zhe Jiang Zhong Fu Internet Technology Company Limited*), a company established under the laws of the PRC
“Zhongfu”	Zhongfu Holdings Limited, a limited liability Company incorporated under the laws of the BVI
“Zhongfu Acquisition”	the acquisition of the entire issued capital of Zhongfu
“Zhongfu CBs”	the convertible bonds of the Company issued to the Zhongfu Sellers as part of the Zhongfu Consideration pursuant to the Zhongfu SPA with the aggregate principal amount of HK\$100,712,500 (subject to downward adjustments) and convertible into the Zhongfu Conversion Shares at the Zhongfu Conversion Price
“Zhongfu Consideration”	the aggregate consideration for the Zhongfu Acquisition paid by the Company pursuant to the Zhongfu SPA
“Zhongfu Conversion Price”	the conversion price of HK\$10 per Zhongfu Conversion Share (subject to adjustment as set out and in accordance with the terms and conditions of the Zhongfu CBs)
“Zhongfu Conversion Shares”	10,071,250 new Shares to be allotted and issued by the Company upon conversion of the Zhongfu CBs at the Zhongfu Conversion Price
“Zhongfu Convertible Bonds”	Zhongfu CBs in the principal amount of HK\$60,285,000 which remain to be outstanding and unconverted as at the date of this announcement
“Zhongfu 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 Zhongfu Performance Undertaking Years
“Zhongfu Performance Undertaking Year(s)”	the year ended/ending 31 December 2016, 2017 and 2018, respectively
“Zhongfu Seller Guarantors”	Mr. Cao, Mr. He, Mr. Chen, Mr. Guan and Mr. Liao
“Zhongfu Sellers”	Daxiong, Hanson, Richard, Grand Novel and Moustache

“Zhongfu SPA”	the sale and purchase agreement dated 18 December 2015 entered into between the Company, the Zhongfu Sellers and the Zhongfu Seller Guarantors in respect of the Zhongfu Acquisition
“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
HC International, Inc.
Guo Jiang
Chairman

Beijing, the People’s Republic of China, 5 January 2018

* *for identification purpose only.*

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

Mr. Guo Jiang (*Executive Director and Chairman*)
Mr. Liu Jun (*Executive Director and Chief Executive Officer*)
Mr. Lee Wee Ong (*Executive Director and Chief Financial Officer*)
Mr. Guo Fansheng (*Non-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*)
Ms. Qi Yan (*Independent non-executive Director*)