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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)**

**MAJOR AND CONNECTED TRANSACTION:  
ACQUISITION OF THE REMAINING EQUITY INTERESTS IN  
CHONGQING DIGITAL CHINA HUICONG MICRO-CREDIT CO., LTD.  
AND  
DIGITAL CHINA'S SUBSCRIPTION OF THE COMPANY'S  
NEW SHARES UNDER A SPECIFIC MANDATE**

**THE ACQUISITION**

Reference is made to the announcement of the Company dated 17 August 2016.

The Board is pleased to announce that on 24 April 2017 (after trading hours), Digital China and the Company entered into the Framework Agreement, pursuant to which the Company has conditionally agreed to purchase through the Purchaser, and Digital China has conditionally agreed to procure the Vendor to sell, the Sale Shares for a consideration of HK\$1,227,000,000, which will be settled by the Purchaser in cash within six months from the date of the Formal SPA. Digital China has undertaken that upon the Purchaser transferring any part of the Consideration to the Vendor in the PRC, Digital China will immediately pay, or immediately procure its subsidiary to pay, a sum equal to the said part of the Consideration to the Company in Hong Kong to subscribe for New Shares at the issue price of HK\$7.0 per Share. Upon the Purchaser paying the whole Consideration, a total of 175,285,714 New Shares shall have been subscribed by Digital China or its designated subsidiary.

\* For identification purposes only

The Sale Shares will be transferred to the Purchaser in one batch or in stages proportionate to the payment schedule of the Consideration. Therefore, Chongqing Micro-Credit would become a subsidiary of the Company upon the Company obtaining control through the percentage of shares owned. Upon Completion, Chongqing Micro-Credit will become an indirect wholly-owned subsidiary of the Company.

The New Shares shall be issued and allotted to Digital China or its designated subsidiary under the Specific Mandate proposed to be sought at an EGM. The 175,285,714 New Shares represent approximately 17.56% of the existing issued share capital of the Company and approximately 14.94% of the issued share capital of the Company as enlarged by the issue and allotment of the New Shares. The Company will apply for the listing of, and permission to deal in, the New Shares on the Stock Exchange.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, as Digital China is a substantial Shareholder of the Company, it is a connected person of the Company. The Acquisition and the Subscription therefore constitute connected transactions of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Shares will be issued under a Specific Mandate subject to the approval by the Independent Shareholders.

### **GENERAL**

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve the Acquisition, the Subscription, and the transactions contemplated thereunder and the Specific Mandate. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Acquisition, the Subscription, and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Acquisition, the Subscription, and the transactions contemplated thereunder and the Specific Mandate; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Acquisition; (iv) other information required to be disclosed under the Listing Rules; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 May 2017 as additional time is required for the preparation of the relevant information to be included in the circular.

**Since the Acquisition and the Subscription are subject to the fulfilment of the conditions precedent set out in the Framework Agreement, and may or may not proceed to the entering into of the Formal SPA and/or Completion, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Reference is made to the announcement of the Company dated 17 August 2016.

The Board is pleased to announce that on 24 April 2017 (after trading hours), Digital China and the Company entered into the Framework Agreement, pursuant to which the Company has conditionally agreed to purchase through the Purchaser, and Digital China has conditionally agreed to procure the Vendor to sell, the Sale Shares.

## **THE FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are as follows:-

**Date:** 24 April 2017 (after trading hours)

**Parties:** The Company; and  
Digital China

### **Interest to be acquired**

Pursuant to the Framework Agreement, the Company has conditionally agreed to purchase through the Purchaser, and Digital China has conditionally agreed to procure the Vendor to sell, the Sale Shares. The Sale Shares will be transferred to the Purchaser in one batch or in stages proportionate to the payment schedule of the Consideration. Therefore, Chongqing Micro-Credit would become a subsidiary upon the Company obtaining control through the percentage of shares owned. Upon completion of the Acquisition, Chongqing Micro-Credit will become an indirect wholly-owned subsidiary of the Company.

## **Consideration**

The Consideration for the Acquisition is preliminarily agreed to be HK\$1,227,000,000, which shall be financed by the internal resources and/or bank loans of the Group.

The Consideration is to be settled by the Purchaser in RMB to be calculated with the Exchange Rate in cash within six months from the date of the Formal SPA. Digital China has undertaken that upon the Purchaser transferring any part of the Consideration to the Vendor in the PRC, Digital China will immediately pay, or immediately procure its subsidiary to pay, a sum equal to the said part of the Consideration to the Company in HK to subscribe for New Shares at the issue price of HK\$7.0 per Share. Upon the Purchaser paying the whole Consideration, a total of 175,285,714 News Shares shall have been subscribed by Digital China or its designated subsidiary.

The Consideration was arrived at after arm's length negotiations between the Company and Digital China. In determining the Consideration, the Directors considered, among other factors, (i) the growth potential and prospect of Chongqing Micro-Credit and its business operation; and (ii) the preliminary valuation of Chongqing Micro-Credit.

## **The Issue Price**

The issue price of HK\$7.0 per New Share represents:

- (i) a premium of approximately 0.72% to the closing price of HK\$6.95 per Share as quoted on the Stock Exchange on 24 April 2017, being the date of the Framework Agreement;
- (ii) a premium of approximately 0.20% to the average closing price of approximately HK\$6.986 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Framework Agreement; and
- (iii) a discount of approximately 0.01% to the average closing price of approximately HK\$7.001 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Framework Agreement.

Such issue price was determined after arm's length negotiation between the Purchaser and the Vendor with reference to, among other things, the market price of the Shares. The Directors consider the issue price fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **Conditions precedent**

Completion is conditional upon the following conditions being satisfied in accordance with the Framework Agreement:

- (a) the approval(s) being obtained from the Shareholders at the EGM and the Board at a board meeting to the entering into and implementation of the transactions contemplated under the Framework Agreement;
- (b) the approval(s) being obtained from the directors of Digital China in a board meeting and, if necessary, the shareholders of Digital China in a shareholder meeting to the entering into and implementation of the transactions contemplated under the Framework Agreement;
- (c) the Specific Mandate being obtained from the Independent Shareholders;
- (d) the approvals, unconditional or subject to customary conditions, being obtained from the Stock Exchange for the listing of and permission to deal in the New Shares and such approvals have not been revoked;
- (e) having obtained all other authorisations and approvals required by applicable laws and regulations and the Listing Rules for the transactions contemplated under the Framework Agreement; and
- (f) other additional conditions precedent to be specified in the Formal SPA.

## **Formal SPA**

The Company and Digital China shall procure the Purchaser and the Vendor to, in three months after the date of the Framework Agreement or such other date to be agreed otherwise but in any event no later than six months after the date of the Framework Agreement, enter into a Formal SPA, which will contain necessary terms for the Acquisition and the subscription of the New Shares by Digital China. An announcement will be published by the Company when the Formal SPA is entered into between the parties.

## **Termination**

The Framework Agreement shall be terminated upon the earlier of (i) the signing of the Formal SPA; and (ii) the expiry of six months from date of the Framework Agreement.

## **THE NEW SHARES**

The New Shares represent approximately:

- (i) 17.56% of the total number of issued Shares of the Company as at the date of the Framework Agreement; and
- (ii) 14.94% of the total number of issued Shares of the Company as enlarged by the allotment and issue of the New Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of the Framework Agreement and the issue of the New Shares).

The New Shares will be issued and allotted pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The New Shares, when issued, allotted and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue on the date of issue and allotment of the New Shares.

An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the New Shares.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) as at the date of this announcement, and (ii) upon issuance and allotment of the New Shares assuming a total subscription amount of HK\$1,227,000,000 respectively, assuming there is no other change in the shareholding structure of the Company since the date of this announcement, are as follows:

	<b>As at the date of this announcement</b>		<b>Immediately upon the allotment and issue of the New Shares</b>	
	<i>Number of Shares</i>	<i>Approximate % of shareholding</i>	<i>Number of Shares</i>	<i>Approximate % of shareholding</i>
<b>Directors and their associate(s):</b>				
Guo Jiang and his spouse	125,358,771	12.56%	125,358,771	10.68%
Guo Fansheng ( <i>Note 1</i> )	57,749,015	5.79%	57,749,015	4.92%
Liu Jun	40,000,000	4.01%	40,000,000	3.41%
Li Jianguang ( <i>Note 2</i> )	32,000,384	3.21%	32,000,384	2.73%
Lee Wee Ong	18,350,672	1.84%	18,350,672	1.56%
<b>Substantial Shareholders:</b>				
Digital China and its associates	166,029,107 ( <i>Note 3</i> )	16.64%	341,314,821	29.09%
<b>Public Shareholding</b>	<u>558,520,154</u>	<u>55.96%</u>	<u>558,520,154</u>	<u>50.53%</u>
<b>Total</b>	<u>998,008,103</u>	<u>100.00%</u>	<u>1,173,293,817</u>	<u>100.00%</u>

*Note:*

- Such interest in the Company comprises: (a) 35,000,000 Shares (long position) held by Mr. Guo Fansheng; and (b) 22,749,015 Shares (long position) held by a trustee of a trust of which Mr. Guo Fansheng is a beneficiary.
- Holding through Callister Trading Limited, a company wholly owned by Mr. Li Jianguang.
- Holding through Talent Gain Developments Limited and Unique Golden Limited. 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.

## INFORMATION ON CHONGQING MICRO-CREDIT

Chongqing Micro-Credit is a company established in the PRC and is owed as to 40% by the Company and 60% by Digital China through their respective wholly-owned subsidiaries. Chongqing Micro-Credit is principally engaged in development and operation of the micro-credit internet financing business in the PRC and development of micro-finance products such as trade finance, personal credit and guaranteed loan.

Set out below is the financial information of Chongqing Micro-Credit for the years ended 31 December 2015 and 31 December 2016:

	<b>For the year ended 31 December 2015</b> <i>RMB'000</i> Approximately (unaudited)	<b>For the year ended 31 December 2016</b> <i>RMB'000</i> Approximately (unaudited)
Profit before tax	39,723	92,137
Profit after tax	29,718	69,033
	<b>As at 31 December 2015</b> <i>RMB'000</i> Approximately (unaudited)	<b>As at 31 December 2016</b> <i>RMB'000</i> Approximately (unaudited)
Net assets	1,031,797	1,100,830

## INFORMATION ON DIGITAL CHINA

Digital China is principally engaged in businesses commanding high added value and growth potential such as Internet urban services, Internet agriculture, Internet healthcare, Internet manufacturing, Internet taxation, Internet logistics and related Internet financial services, developed on the basis of its core Sm@rt City operations through the provision of IT services and operations in combination with various industry applications, leveraging its technological expertise in the Internet, Cloud Computing and Big Data.

## FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any fundraising activities in the past twelve months before the date of this announcement.

<b>Date of announcement</b>	<b>Fundraising activity</b>	<b>Net proceeds raised</b>	<b>Actual use of proceeds</b>
26 May 2016	Convertible Bond	HK\$378,850,000	<ol style="list-style-type: none"><li>1. approximately HK\$184,000,000 had been used for the acquisition of the entire issued share capital of Huijia Yuantian Limited;</li><li>2. approximately HK\$130,000,000 had been used for financing services relating to finance leasing business of the Group;</li><li>3. approximately HK\$15,000,000 had been contributed to the investment into Smart-Core Holdings Limited; and</li><li>4. the remaining proceeds had been placed in bank deposits for funding the Group's working capital, general corporate purposes, future development of internet finance business/cluster in China and potential mergers and acquisitions or investment into the B2B 2.0 business of the Company.</li></ol>

## REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

Currently the Group is building up, with great effort, the business-to-business (B2B) ecosystem with the financial service cluster as a major constituent. As the Chongqing Micro-Credit is conducting its business throughout the PRC, the acquisition of the remaining equity interest of the Chongqing Micro-Credit pursuant to the Framework Agreement will enhance the development and expansion potential of the Group's financial service cluster by providing more comprehensive services to small and medium size corporate customers in respects of supply chain and transaction funds etc. The Company will benefit from the enhanced financial service cluster as the smoothness and inclusiveness of the transactions handled through the Group will be strengthened by it. In respect of financial performance, the Acquisition, if completed, will bring positive influence to the Group's financial results.

On the above basis, the Board is of the view that the terms of the Framework Agreement and the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceed(s) 25% but is/are less than 100%, the Acquisition constitutes a major transaction of the Company under the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, as Digital China is a substantial Shareholder of the Company, it is a connected person of the Company. The Acquisition and the Subscription therefore constitute connected transactions of the Company which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Shares will be issued under a Specific Mandate subject to the approval by the Independent Shareholders.

## **GENERAL**

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve the Acquisition, the Subscription and the transactions contemplated thereunder and the Specific Mandate. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Acquisition, the Subscription and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

Digital China and its associates will be required to abstain from voting at the EGM in respect of the Framework Agreement and the transactions contemplated thereunder and the Specific Mandate.

A circular containing, among other things, (i) further details of the Acquisition, the Subscription and the transactions contemplated thereunder and the Specific Mandate; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee in respect of the Acquisition; (iv) other information required to be disclosed under the Listing Rules; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 May 2017 as additional time is required for the preparation of the relevant information to be included in the circular.

**Since the Acquisition and the Subscription are subject to the fulfilment of the conditions precedent set out in the Framework Agreement, and may or may not proceed to the entering into of the Formal SPA and/or Completion, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Framework Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chongqing Micro-Credit”	重慶神州數碼慧聰小額貸款有限公司(Chongqing Digital China Huicong Micro-Credit Co., Ltd.*), a company established in the PRC with limited liability
“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 (stock code: 02280)
“Completion”	the completion of the Acquisition and the Subscription, which may be performed in stages, pursuant to the Framework Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition preliminarily agreed to be the RMB equivalent of HK\$1,227,000,000 payable by the Purchaser pursuant to the Framework Agreement
“control”	when the Company is exposed, or has rights, to variable returns from its involvement with Chongqing Micro-Credit and has the ability to affect those returns through its power over the Chongqing Micro-Credit
“Digital China”	DIGITAL CHINA HOLDINGS LIMITED (神州數碼控股有限公司*), 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)”	the director(s) of the Company

“EGM”	the extraordinary general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving, the entering of the Framework Agreement and the transactions contemplated thereunder, including the allotment and issue of New Shares under the Specific Mandate
“Exchange Rate”	RMB88.316: HK\$100, being the central parity rate of the exchange rate of RMB and HK\$ as announced by the People’s Bank of China on the date of the Framework Agreement
“Formal SPA”	the formal sale and purchase agreement to be entered into for the Acquisition
“Framework Agreement”	the framework agreement made by Digital China and the Company on 24 April 2017 for the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the terms of the Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not interested or involved in the Framework Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Shares”	the new Shares to be allotted and issued by the Company to Digital China or its designated subsidiary pursuant to the Framework Agreement
“PRC”	the People’s Republic of China
“Purchaser”	北京慧聰國際資訊有限公司 (Beijing Huicong International Information Co., Ltd*), a wholly-owned subsidiary of the Company, or another wholly-owned subsidiary of the Company to be specified in the Formal SPA
“RMB”	Renminbi, the lawful currency of PRC

“Sale Shares”	60% equity interest in Chongqing Micro-Credit
“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)
“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders at an EGM authorising the allotment and issue of New Shares under the Framework Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	Subscription of New Shares by Digital China or its designated subsidiary pursuant to the Framework Agreement
“Vendor”	神州投資有限公司 (Digital China Investments Limited*), an indirect wholly-owned subsidiary of Digital China
“%”	per cent

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

Beijing, PRC, 24 April 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*)

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