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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)**

**CONNECTED TRANSACTION  
ESTABLISHMENT OF ZHEJIANG HUICONG**

**THE AGREEMENT**

On 31 October 2014, Beijing HC International (a wholly-owned subsidiary of the Group) entered into the Agreement with Hui De in relation to the establishment of Zhejiang Huicong. Zhejiang Huicong will be owned as to 80% by Hui De and as to 20% by Beijing HC International.

As at the date of this announcement, Hui De is owned as to 20% by Tianjin HC (a 60% owned subsidiary of the Group).

**LISTING RULES IMPLICATIONS**

As Hui De is a connected person of the Company, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Agreement and the transactions contemplated thereunder are below 5%, the Agreement and the transactions contemplated thereunder is subject to, among other things, reporting and announcement requirements, but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

\* For identification purposes only

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 9 December 2013 in relation to, among other things, a joint venture agreement for the establishment of Hui De entered into by the Company.

On 31 October 2014, Beijing HC International (a wholly-owned subsidiary of the Group) entered into the Agreement with Hui De in relation to the establishment of Zhejiang Huicong. Zhejiang Huicong will be owned as to 80% by Hui De and as to 20% by Beijing HC International.

As at the date of this announcement, Hui De is owned as to 20% by Tianjin HC (a 60% owned subsidiary of the Group).

## **THE AGREEMENT**

Principal terms of the Agreement are set out below:

### **Date:**

31 October 2014

### **Parties:**

Beijing HC International and Hui De

### **Formation of Zhejiang Huicong:**

Pursuant to the Agreement, Beijing HC International and Hui De agreed to establish Zhejiang Huicong, which will be owned as to 80% by Hui De and as to 20% by Beijing HC International.

### **Business scope of Zhejiang Huicong:**

Pursuant to the Agreement and subject to approval by the relevant administration for industry and commerce, Zhejiang Huicong will be principally engaging in investment in real estate, real estate consultation and management; development (subject to valid licences and approval on operation), sales, leasing and property management of real estate; investment in commodities markets; management and consultation on enterprises; property services; software and information technology services; design, production, dissemination and agency of various advertisement; ceremonial services, public relations planning; design and production of computer graphic, conference and exhibition services; planning of corporate image, business consultation.

**Registered capital of Zhejiang Huicong:**

Pursuant to the Agreement, the total registered capital of Zhejiang Huicong shall be RMB250 million (equivalent to approximately HK\$317,250,000), of which RMB200 million (equivalent to approximately HK\$253,800,000) will be contributed by Hui De, and RMB50 million (equivalent to approximately HK\$63,450,000) will be contributed by Beijing HC International.

The registered capital of Zhejiang Huicong shall be contributed in four trenches, and in the following manner:

The first trench of registered capital contribution consists the amount of RMB30,000,000 (equivalent to approximately HK\$38,070,000) and shall be contributed when Zhejiang Huicong is established.

The second trench of registered capital contribution consists the amount of RMB100,000,000 (equivalent to approximately HK\$126,900,000) and shall be contributed by the end of December 2014.

The third trench of registered capital contribution consists the amount of RMB70,000,000 (equivalent to approximately HK\$88,830,000) and shall be contributed by the end of February 2015.

The fourth trench of registered capital contribution consists the amount of RMB50,000,000 (equivalent to approximately HK\$63,450,000) and shall be contributed by the end of April 2015.

Each trench of the above registered capital contribution will be borne by Hui De and Beijing HC International on a pro-rata basis with reference to their respective shareholding in Zhejiang Huicong.

The amount of capital contribution was determined after arm's length negotiations between the parties with reference to the expected capital requirement for the development of the business to be carried out by Zhejiang Huicong. The capital to be contributed by Beijing HC International will be financed by internal resources of the Group.

**Board composition:**

The board of directors of Zhejiang Huicong will comprise 3 directors, to be nominated by negotiation between Hui De and Beijing HC International, and to be elected and rotated by shareholders of Zhejiang Huicong at general meetings.

The chairman of the board of directors of Zhejiang Huicong shall be elected by a majority of directors of Zhejiang Huicong.

The general manager of Zhejiang Huicong shall be nominated by Hui De, and be engaged or removed by the board of directors of Zhejiang Huicong. The term of engagement of the general manager shall be three years, subject to re-election upon Hui De's nomination.

The financial manager of Zhejiang Huicong shall be nominated by Hui De, and be engaged or removed by the board of directors of Zhejiang Huicong. The term of engagement of the financial manager shall be three years, subject to re-election upon by shareholders' nomination.

**Profit sharing:**

Hui De and Beijing HC International will be entitled to share the profits of Zhejiang Huicong in proportion to their respective capital contribution.

**Transfer or pledge of equity interests:**

Each party may transfer its equity interests in Zhejiang Huicong to the other party.

In the event a party wishes to transfer its equity interests in Zhejiang Huicong to any third party, such party shall first obtain written consents from the remaining shareholder(s) of Zhejiang Huicong, and such remaining shareholder(s) shall be entitled to pre-emptive rights to such transfer.

Each party may not pledge its equity interests in Zhejiang Huicong unless written consents have been obtained from the remaining shareholder(s) of Zhejiang Huicong.

**General meetings:**

Pursuant to the Agreement, the following matters shall be approved by more than two-third of the voting rights of shareholders at general meeting: amendments to the articles of association, increase or reduction in registered capital, merger, division, dissolution or alteration of company form. Other matters shall be approved by majority of voting rights of shareholders.

**Other terms:**

Parties agreed and undertake that Beijing HC International (or through its subsidiary) shall be entitled to the sole operating rights of not less than 15 years for commercial properties (e-commercial industrial center project(s)) to be invested and constructed by Zhejiang Huicong in Ningbo (寧波), the PRC, with specific terms (including contracted price and operating model) to be further negotiated.

**INFORMATION OF THE GROUP**

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 sellers 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. Currently, the Group has four business segments, namely: (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminars and other services and (iv) B2B household electrical appliances business exhibition centre.

Beijing HC International is a wholly-owned subsidiary of the Group. It is principally engaged in provision of business information.

## **INFORMATION OF HUI DE**

Hui De is owned as to 20% by Tianjin HC, as to 40% by Tianjin Lekun and as to 40% by Zhongding Borui, respectively, as at the date of this announcement. It was established pursuant to a joint venture agreement, details of which are set out in the announcement of the Company dated 9 December 2013. Hui De is principally engaged in investment management, investment consultation, assets management, corporate management, corporate management consultation and projects investments.

Tianjin Lekun is a limited partnership formed in the PRC. Beijing Lepeng is the general partner of Tianjin Lekun responsible for implementation of the partnership affairs. Beijing Lepeng is a substantial shareholder of Tianjin HC, holding 40% of Tianjin HC's equity interest as at the date of this announcement. Mr. Liu Jun is a controlling shareholder of Beijing Lepeng holding 60% of its equity interest as at the date of this announcement.

Zhongding Borui is a company established in the PRC with limited liability. It is an investment holding company. Zhongding Borui is controlled by Mr. Guo Wei, a non-executive Director.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF ZHEJIANG HUICONG**

The Board (including the independent non-executive Directors) believe that the establishment of Zhejiang Huicong will enable the Group to extend its operating right of not less than 15 years for commercial properties (e-commercial industrial center project(s)) to be invested and constructed by Zhejiang Huicong with relatively low investment cost (when compare to self construction) so that the funding demand for the Group's long term property development of such e-commercial industrial center project(s) can be reduced. As a result, the Group will be able to allocate its resources on its core business, facilitating the development of its online to offline business model so as to benefit the development of the Group as a whole.

The Board notes that as the Group will be holding 20% voting rights in Zhejiang Huicong, it may be out-voted on matters such as board composition and other matters which require majority of voting rights of shareholders at general meeting.

Nevertheless, taking into account the benefits expected to be brought to the Group as detailed above, the Board (including the independent non-executive Directors) considers that the terms of the Agreement were arrived at after arm's length negotiations among parties to the Agreement, entered into on normal commercial terms, and are fair and reasonable, and that the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the independent Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As Hui De is a connected person of the Company, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Agreement and the transactions contemplated thereunder are below 5%, the Agreement and the transactions contemplated thereunder is subject to, among other things, reporting and announcement requirements, but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Guo Wei, who indirectly holds 99% of equity interest in Zhongding Borui, has abstained from voting on the resolutions of the Board approving the Agreement and the transactions contemplated thereunder. No other Directors has any material interest or is required to abstain from voting.

## DEFINITIONS

Unless the context otherwise requires, terms used in this announcement shall have the meanings below:

“Agreement”	the investment cooperation agreement dated 31 October 2014 entered into between Hui De and Beijing HC International in relation to the establishment of Zhejiang Huicong
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Beijing HC International”	Beijing Huicong International Information Co., Ltd (北京慧聰國際資訊有限公司), a limited liability company established in the PRC on 8 April 1999 and as at the date of this announcement, it is a wholly-owned subsidiary of the Group
“Beijing Lepeng”	Beijing Le Peng De Tai Investment Co., Ltd. (北京樂鵬德泰投資有限公司), a company established in the PRC with limited liability. As at the date of this announcement, Beijing Lepeng is a substantial shareholder of Tianjin HC holding 40% of its equity interest
“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
“connected person(s)”	has the meanings ascribed to it under the Main Board Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hui De”	Hui De Holding Co., Ltd. (慧德控股有限公司), a limited liability company established in the PRC. As at the date of this announcement, it is owned as to 20% by Tianjin HC, as to 40% by Tianjin Lekun and as to 40% by Zhongding Borui, respectively
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	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
“RMB”	Renminbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin HC”	Huicong (Tianjin) E-Commerce Investment Co., Ltd. 慧聰(天津)電子商務產業投資有限公司, a company established in the PRC with limited liability. As at the date of this announcement, Tianjin HC is a subsidiary of the Group which is owned as to 60% indirectly by the Company, and as to 40% by Beijing Lepeng, respectively
“Tianjin Lekun”	Tianjin Lekun Enterprise Management and Consultancy Partnership (Limited Partnership) (天津樂坤企業管理諮詢合夥企業(有限合夥)), a limited partnership formed in the PRC. As at the date of this announcement, the capital of Tianjin Lekun is contributed as to 0.5% by Beijing Lepeng, as to 49.50% by Mr. Liu Jun (劉軍) and as to 50% by Ms. Xin Yuan Yuan (辛元元), respectively
“Zhejiang Huicong”	Zhejiang Huicong Investment Co., Ltd. (浙江慧聰投資有限公司), a joint venture company proposed to be established in the PRC with limited liability pursuant to the Agreement, which will be owned as to 80% by Hui De and as to 20% by Beijing HC International



“Zhongding Borui” Beijing Zhong Ding Bo Rui Investment Management Co., Ltd. (北京中鼎博瑞投資管理有限公司), a company established in the PRC with limited liability. As at the date of this announcement, Zhongding Borui is controlled by Mr. Guo Wei

“%” per cent.

\* *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.*

\*\* *In this announcement, unless otherwise specified, amounts denominated in RMB have been converted into Hong Kong dollars at RMB1.00 to HK\$1.269 for illustration purpose only. No representation has been made by the Company that any amount has been, could have been or could be converted at the above rate or at any other rates or at all.*

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

Beijing, the PRC, 31 October 2014

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. Yang Ning (*Executive Director and President*)

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

Mr. Guo Wei (*Non-executive Director*)

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

Mr. Xiang Bing (*Independent non-executive Director*)

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