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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)

**CONNECTED TRANSACTION
IN RELATION TO CAPITAL INCREASE AGREEMENT INVOLVING
DEEMED DISPOSAL OF EQUITY INTEREST IN
GUANGZHOU HUICONG**

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 15 March 2016 (after trading hours), the Subscribers entered into the Capital Increase Agreement with Shenzhen Jing Huicong, Beijing Huicong Interconnection and Guangzhou Huicong (each an indirect wholly-owned subsidiary of the Company), pursuant to which the parties agreed that the registered capital of Guangzhou Huicong (an indirect wholly-owned subsidiary of the Company) shall be increased from RMB5,000,000 to RMB8,333,333. The Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333, comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong.

Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively.

* For identification purposes only

LISTING RULES IMPLICATIONS

Each of Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke is a director of certain indirect non-wholly owned subsidiary(ies) of the Company. In addition, Mr. Liu Jun also holds approximately 62.5% equity interest in 北京樂鵬德泰投資有限公司 (Beijing Le Peng De Tai Investment Company Limited*), which in turn holds 40% equity interest in 慧聰(天津)電子商務產業投資有限公司 (Huicong (Tianjin) E-Commerce Investment Company Limited*), an indirect non-wholly owned subsidiary of the Company. Each of Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute a connected transaction of the Company under the Listing Rules.

Given that upon completion of the Capital Increase, the equity interest held by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively in Guangzhou Huicong will decrease from 100% to approximately 60.00%, the transactions contemplated under the Capital Increase Agreement constitute a deemed disposal of approximately 40.00% equity interest in Guangzhou Huicong by the Group.

As more than one of the applicable percentage ratios in respect of the Capital Increase Agreement exceed 0.1% but are all less than 5%, the transactions contemplated under the Capital Increase Agreement are subject to the reporting and announcement requirement but exempt from independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 March 2016 (after trading hours), the Subscribers entered into the Capital Increase Agreement with Shenzhen Jing Huicong, Beijing Huicong Interconnection and Guangzhou Huicong (each being an indirect wholly-owned subsidiary of the Company), pursuant to which the parties agreed that the registered capital of Guangzhou Huicong shall be increased from RMB5,000,000 to RMB8,333,333. The Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333. The principal terms of the Capital Increase Agreement are set out below:

THE CAPITAL INCREASE AGREEMENT

Date

15 March 2016 (after trading hours)

Parties

1. 深圳市京慧聰網絡科技有限公司 (Shenzhen Jing Huicong Network Technology Company Limited*), which holds 80% equity interest in Guangzhou Huicong as at the date of this announcement;

2. 北京慧聰互聯信息技術有限公司 (Beijing Huicong Interconnection Information Technology Company Limited*), which holds 20% equity interest in Guangzhou Huicong as at the date of this announcement;
3. Mr. Liu Jun (劉軍) as a Subscriber;
4. Mr. Song Bingchen (宋冰晨) as a Subscriber;
5. Mr. Han Gang (韓剛) as a Subscriber;
6. Mr. Xu Ke (許可) as a Subscriber; and
7. 廣州慧聰網絡科技有限公司 (Guangzhou Huicong Network Technology Company Limited*).

Each of Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke is a director of certain indirect non-wholly owned subsidiary(ies) of the Company. In addition, Mr. Liu Jun also holds approximately 62.5% equity interest in 北京樂鵬德泰投資有限公司 (Beijing Le Peng De Tai Investment Company Limited*), which in turn holds 40% equity interest in 慧聰 (天津) 電子商務產業投資有限公司 (Huicong (Tianjin) E-Commerce Investment Company Limited*), an indirect non-wholly owned subsidiary of the Company. Each of Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Capital contribution

Pursuant to the Capital Increase Agreement, the Subscribers agreed to make the following capital contribution to the registered capital of Guangzhou Huicong:

- (i) Mr. Liu Jun agreed to contribute RMB2,000,000 to Guangzhou Huicong by way of cash, which corresponds to approximately 24.00% of the registered capital of Guangzhou Huicong as enlarged by the Capital Increase;
- (ii) Mr. Song Bingchen agreed to contribute RMB666,667 to Guangzhou Huicong by way of cash, which corresponds to approximately 8.00% of the registered capital of Guangzhou Huicong as enlarged by the Capital Increase;
- (iii) Mr. Han Gang agreed to contribute RMB333,333 to Guangzhou Huicong by way of cash, which corresponds to approximately 4.00% of the registered capital of Guangzhou Huicong as enlarged by the Capital Increase; and
- (iv) Mr. Xu Ke agreed to contribute RMB333,333 to Guangzhou Huicong by way of cash, which corresponds to approximately 4.00% of the registered capital of Guangzhou Huicong as enlarged by the Capital Increase.

Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively. Guangzhou Huicong will cease to be an indirect wholly-owned subsidiary of the Company but will become an indirect non-wholly-owned subsidiary of the Company.

Payment schedule

The Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333, comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. Payment for the Capital Increase shall be made by the Subscribers in four instalments (the “Instalments”) in the following manner:

Subscriber	Within 30 days after the date of the Capital Increase Agreement (the “First Instalment”)	Before 30 June 2016	Before 30 September 2016	Before 31 December 2016 (the “Fourth Instalment”)	Total capital contribution
Mr. Liu Jun	7,999,999.95	7,999,999.95	7,999,999.95	7,999,999.95	31,999,999.80
Mr. Song Bingchen	2,666,666.65	2,666,666.65	2,666,666.65	2,666,666.65	10,666,666.60
Mr. Han Gang	1,333,333.33	1,333,333.33	1,333,333.33	1,333,333.33	5,333,333.30
Mr. Xu Ke	1,333,333.33	1,333,333.33	1,333,333.33	1,333,333.33	5,333,333.30
Total:	13,333,333.26	13,333,333.26	13,333,333.26	13,333,333.26	53,333,333.00

If any Subscriber fails to settle any of the Instalments on time, the overdue fine shall be calculated based on the overdue period in accordance with the bank lending rates for the same period. In the event that a Subscriber fails to settle his instalments after 60 days following the due date of the Fourth Instalment, the defaulting Subscriber irrevocably undertakes to transfer his entire equity interest in Guangzhou Huicong at the lowest possible consideration as allowed by the PRC laws to Shenzhen Jing Huicong and Beijing Huicong Interconnection (or other subsidiaries of the Company as designated by Shenzhen Jing Huicong and Beijing Huicong Interconnection).

Each of the Subscribers undertakes that upon completion of the industrial and commercial registration procedures in relation to the Capital Increase (which shall be completed within 30 business days after the First Instalment is settled), they shall pledge their aggregate 40.00% equity interest in Guangzhou Huicong to Shenzhen Jing Huicong and Beijing Huicong Interconnection until the Instalments have been fully settled.

The amount of capital contribution of RMB53,333,333, comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and the remaining RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong, was determined based on arm's length negotiations among the parties to the Capital Increase Agreement with reference to, among other things, the working capital currently available to and the capital requirements for Guangzhou Huicong.

Use of proceeds

The proceeds of the Capital Increase will be used for general working capital purpose of Guangzhou Huicong.

Board of directors

Upon completion of the Capital Increase, the board of directors of Guangzhou Huicong shall comprise five directors, of which three shall be nominated by Shenzhen Jing Huicong and Beijing Huicong Interconnection, and two shall be nominated by the Subscribers. Guangzhou Huicong shall have a chairman to be recommended by Shenzhen Jing Huicong and Beijing Huicong Interconnection, and elected by the board of directors of Guangzhou Huicong.

INFORMATION ON GUANGZHOU HUICONG

Guangzhou Huicong is a limited liability company established in the PRC with registered capital of RMB5,000,000 as at the date of this announcement. Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively hold the entire equity interest in Guangzhou Huicong as at the date of this announcement.

Guangzhou Huicong is the major operator of the Group's household electrical appliances business.

Financial information of Guangzhou Huicong

Set out below is a summary of the financial information of Guangzhou Huicong for the financial years ended 31 December 2014 and 31 December 2015:

	For the year ended 31 December	
	2014	2015
	<i>(RMB)</i>	<i>(RMB)</i>
		<i>(Unaudited)</i>
Revenue	103,618,921 (equivalent to approximately HK\$123,355,858)	86,281,218 (equivalent to approximately HK\$102,715,736)
Profit before taxation	980,376 (equivalent to approximately HK\$1,167,114)	863,119 (equivalent to approximately HK\$1,027,523)
Profit after taxation	747,642 (equivalent to approximately HK\$890,050)	592,766 (equivalent to approximately HK\$705,674)

The unaudited net asset value of Guangzhou Huicong as at 31 December 2015 is RMB42,988,199 (equivalent to approximately HK\$51,176,427).

The Company expects the consideration received in excess of carrying value of the assets disposed to be recognised within equity.

INFORMATION ON 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.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Company expects that the Capital Increase will align the interests of the Subscribers (being the current senior management team of the Group's household electrical appliances business) and the Group, as well as better integrate the Group's resources and enhance synergies, so as to collectively achieve better development goals.

The Directors (including the independent non-executive Directors) consider that the Capital Increase, albeit not in the ordinary and usual course of business of the Company, the terms of the Capital Increase Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

No Director has any material interest in the Capital Increase Agreement or the transactions contemplated thereunder or is required to abstain from voting on the resolutions of the Board approving the Capital Increase Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

Each of Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke is a director of certain indirect non-wholly owned subsidiary(ies) of the Company. In addition, Mr. Liu Jun also holds approximately 62.5% equity interest in 北京樂鵬德泰投資有限公司 (Beijing Le Peng De Tai Investment Company Limited*), which in turn holds 40% equity interest in 慧聰 (天津) 電子商務產業投資有限公司 (Huicong (Tianjin) E-Commerce Investment Company Limited*), an indirect non-wholly owned subsidiary of the Company. Each of Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Capital Increase Agreement constitute a connected transaction of the Company under the Listing Rules.

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DEFINITIONS

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

“Beijing Huicong Interconnection”	北京慧聰互聯信息技術有限公司 (Beijing Huicong Interconnection Information Technology Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Capital Increase”	the proposed increase in registered capital of Guangzhou Huicong from RMB5,000,000 to RMB8,333,333 and increase in capital reserve by RMB50,000,000
“Capital Increase Agreement”	the capital increase agreement dated 15 March 2016 entered into between the Subscribers, Shenzhen Jing Huicong, Beijing Huicong Interconnection and Guangzhou Huicong in respect of the Capital Increase
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangzhou Huicong”	廣州慧聰網絡科技有限公司 (Guangzhou Huicong Network Technology Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Subscriber(s)”	Mr. Liu Jun (劉軍), Mr. Song Bingchen (宋冰晨), Mr. Han Gang (韓剛) and Mr. Xu Ke (許可)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shenzhen Jing Huicong”	深圳市京慧聰網絡科技有限公司 (Shenzhen Jing Huicong Network Technology Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Beijing, the People’s Republic of China, 15 March 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. 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)

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