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HC INTERNATIONAL, INC.

慧聪集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
CAPITAL INJECTION
INTO
SHANGHAI MIANLIAN E-BUSINESS CO, LTD.**

CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that on 8 April 2018, Shanghai Huijing, a wholly-owned subsidiary of the Company entered into the Capital Increase Agreement with the Existing Shareholders and the Target Company, pursuant to which Shanghai Huijing has conditionally agreed to make capital contribution in the amount of RMB50,000,000 by way of cash to the Target Company and become a shareholder of the Target Company holding approximately 43.84% of its equity interests. Upon Completion, the Group will hold an aggregate of approximately 51% of equity interests in the Target Company and therefore, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

Completion is conditional upon the satisfaction of the Conditions Precedent as more particularly set out in the section headed “Conditions Precedent” below.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Capital Contribution calculated in accordance with Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the transactions contemplated under the Capital Increase Agreement constitute a discloseable transaction of the Company under the Listing Rules and are subject to the reporting and announcement requirements.

* For identification purposes only

INTRODUCTION

On 6 May 2016, Beijing HC Technology, a wholly-owned subsidiary of the Company, had contributed RMB5,000,000 to the Target Company, representing 15% equity interests in the Target Company as at the 6 May 2016. As at the date of this announcement, Beijing HC Technology held approximately 12.75% of the equity interest in the Target Company.

The Board is pleased to announce that on 8 April 2018, Shanghai Huijing, a wholly-owned subsidiary of the Company entered into the Capital Increase Agreement with the Existing Shareholders and the Target Company, pursuant to which Shanghai Huijing has conditionally agreed to make capital contribution in the amount of RMB50,000,000 by way of cash to the Target Company and become a shareholder of the Target Company holding approximately 43.84% of its equity interests.

The principal terms and conditions of the Capital Increase Agreement are as follows:

CAPITAL INCREASE AGREEMENT

Date: 8 April 2018

Parties: (i) Shanghai Huijing, a wholly-owned subsidiary of the Company, as the investor;

(ii) the Existing Shareholders; and

(iii) the Target Company

To the best of the Directors' knowledge, information and belief, save and except for Beijing HC Technology which is a wholly-owned subsidiary of the Company, each of the Existing Shareholders and its ultimate beneficial owners are Independent Third Parties.

Subject matter of the Capital Increase Agreement

As at the date of this announcement, the Target Company has a registered capital of RMB1,384,117, and is owned as to 63.75%, 15%, 12.75% and 8.50% by Beijing Wenlong, Geron, Beijing HC Technology and Mr. Gong respectively as at the date of this announcement. Pursuant to the Capital Increase Agreement, Shanghai Huijing has conditionally agreed to make capital contribution in the amount of RMB50,000,000 in cash to the Target Company, of which RMB1,080,479 will be contributed to the registered capital (representing approximately 43.84% of the registered capital of the Target Company immediately upon completion of the Capital Contribution) and the balance of RMB48,919,521 will be contributed to the capital reserve of the Target Company. The Existing Shareholders have agreed to waive their respective pre-emptive right in respect of the Capital Contribution.

Upon Completion, the Group will hold an aggregate of approximately 51% of equity interests and obtain the control over the Target Company and therefore, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated in the consolidated financial statements of the Group.

Capital Contribution

Pursuant to the Capital Increase Agreement, all the Capital Contribution of RMB50,000,000 shall be used for general working capital of the Target Company and any other purpose as agreed by Shanghai Huijing in accordance with the budget of the Target Company approved by the board of directors of the Target Company (including the directors nominated by Shanghai Huijing). Shanghai Huijing shall pay the Capital Contribution in cash to the Target Company within 20 working days upon receipt of the payment notice issued by the Target Company after the Condition Precedents have been satisfied.

The Capital Contribution will be financed by internal resources of the Group.

The Capital Contribution under the Capital Increase Agreement was agreed among the parties after arm's length negotiations taking into consideration, among others, (i) the Performance Targets, (ii) the future growth and development of the Target Company, (iii) the industry related IT systems, patents and other intellectual properties owned by the Target Company and (iv) the prospect of B2B e-commerce business in cotton industry, and (v) with reference to the performance of other companies in the PRC which engage in B2B e-commerce businesses.

Conditions Precedent

The Completion is conditional upon the following conditions being satisfied or waived in accordance with the Capital Increase Agreement:

- (a) the Founders having undertaken that they legally own the equity interests in the Target Company and have fully paid up all the registered capital to the Target Company;
- (b) the Target Company having obtained all necessary internal approval from the Existing Shareholders for execution and performance of the Capital Increase Agreement, including but not limited to the approvals from all the holding entities of the Existing Shareholders (save and except for the procedures for industry and commercial registration in connection with the Capital Contribution);
- (c) the Target Company having obtained approvals of the Capital Contribution and execution of the Capital Increase Agreement at its shareholders' meeting and the shareholders' resolutions approving the amendments of its articles of association after the Capital Contribution;
- (d) from the date of execution of the Capital Increase Agreement to Completion, (i) the Target Company being a legally subsisting entity; (ii) there being no occurrence of material breach of, or non-compliance with, any laws and regulations; (iii) the Target Company not having disposed of or pledged its major assets; and (iv) the Target Company not having incurred any significant debt (save and except for the disposal or debt made in the ordinary course of business).

If any of the Conditions Precedent is not satisfied by the Founders or the Target Company, Shanghai Huijing may rescind the Capital Increase Agreement and claim the Founders for the breach of the Capital Increase Agreement. Shanghai Huijing may also claim the Founders to compensate its economic loss incurred thereof to the extent that the default penalty is insufficient to cover the loss.

The Target Company and the Founders undertakes that the Target Company shall complete the capital verification and the industrial and commercial registration in the PRC in respect of the Capital Contribution within 30 working days upon receipt of the Capital Contribution.

Assets of the Target Company

The Target Company and the Founders undertakes that all the domains, trademarks, patents and other intellectual properties necessary for the operation of the Target Company, and all the assets relating to research and development, production and sales shall be transferred to the Target Company within three months from the execution of the Capital Increase Agreement.

Composition of the board of directors and supervisory committee

The board of directors of the Target Company will comprise nine directors, five of whom shall be nominated by Shanghai Huijing, three of whom shall be nominated by the Founders and one of whom shall be nominated by Geron. The chairman of the board of directors shall be nominated by the Founders and the deputy-chairman shall be nominated by Shanghai Huijing. At least five directors, of whom at least two shall be from Shanghai Huijing, form a quorum of a board meeting.

The supervisory committee of the Target Company will comprise three supervisors, one of whom shall be nominated by Shanghai Huijing and two of whom shall be nominated by the Existing Shareholders.

Performance Targets

The Founders undertake that for a period of 12 calendar months from the first day of the month following the payment of the Capital Contribution by Shanghai Huijing (the “**Undertaking Period**”), (i) the revenue of the Target Company (the “**Revenue**”) shall not be less than RMB3 billion, and (ii) its profit after tax (“**Profit after tax**”) shall not be less than RMB8,000,000.

The Founders shall appoint an auditing firm as designated or agreed by the Company to prepare the audited financial statements of the Target Company in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”) within 90 days from the end of the Undertaking Period.

In the event that the Performance Targets cannot be achieved, Shanghai Huijing is entitled to, at its discretion, request the Founders to compensate Shanghai Huijing in the following manner (the “**Investor’s Options**”):

- (i) If the Revenue is less than RMB2 billion or the Profit after tax is less than zero, the Target Company and the Founders shall jointly and severally repurchase the 43.84% equity interests held by Shanghai Huijing in the Target Company at the price of RMB50,000,000 within 30 days upon receipt of the notice from Shanghai Huijing;
- (ii) If the Revenue is greater than RMB2 billion but is less than RMB2.5 billion, and the Profit after tax is greater than zero, the Founders shall transfer an aggregate of 9% of equity interests in the Target Company to Shanghai Huijing at nil consideration;

- (iii) If the Revenue is RMB2.5 billion or more but less than RMB3 billion, and a Profit after tax of greater than zero but less than RMB4,000,000 is recorded, the Founders shall transfer an aggregate of 6% of the equity interests in the Target Company to Shanghai Huijing at nil consideration; and
- (iv) If the Revenue is RMB2.5 billion or more but is less than RMB3 billion, and a Profit after tax of greater than RMB4,000,000 is recorded, the Founders shall transfer an aggregate of 4% of the equity interests in the Target Company to Shanghai Huijing at nil consideration.

No premium or additional consideration is payable by Shanghai Huijing for the Investor's Options.

The Founders shall complete the transfer according to the obligations set out above within 30 days upon receipt of the notice served by Shanghai Huijing. If the Founders fails to comply with the above obligations, the Founders shall pay a default penalty at the rate of 0.05% of the Capital Contribution per day.

The Founders undertakes that for the two years after the end of the Undertaking Period (“**Subsequent Undertaking Years**”), the Target Company will achieve an increase of 50% or more in its Revenue, and 30% or more in its Profit after tax for the first Subsequent Undertaking Year as compared to the Performance Targets, and a further increase of 50% or more in its Revenue and 30% or more in its Profit after tax for the second Subsequent Undertaking Year.

Additional investment

Pursuant to the Capital Increase Agreement, Shanghai Huijing shall make additional contribution to the Target Company if the Performance Targets are achieved in the following manner:

- (i) If the Revenue is greater than RMB4 billion but less than RMB5 billion, and the Profit after tax is not less than RMB8,000,000, an additional contribution of RMB5,000,000 shall be made.
- (ii) If Revenue is RMB5 billion or more, and the Profit after tax is not less than RMB8,000,000, an additional contribution of RMB10,000,000 shall be made.

The aforesaid additional contribution will not form part of the registered capital of the Target Company and therefore will not result in any change to the shareholding of Shanghai Huijing.

Other Terms

It is further agreed under the Capital Increase Agreement that if the Target Company seeks financing from new investors or any of the Remaining Shareholders subscribes further interest in the Target Company, Geron has the right to transfer its equity interest held in the Target Company to the new investor(s) or the Remaining Shareholders (as the case may be) (“**Geron's Option**”). Upon Geron's request, the Remaining Shareholders shall unconditionally acquire

the equity interests at a proportion as agreed between the Remaining Shareholders or, if no agreement could be made, in proportion to their percentage holding in the Target Company at the time of transfer. The consideration of the aforesaid transfer shall be determined based on the market value as agreed between the parties, but in any event, the value shall not be less than the valuation made in respect of the Capital Contribution or any subsequent investment prior to the exercise of the Geron's Option.

Assuming that Geron exercises the Geron's Option immediately after the Capital Contribution and there is no change to the shareholding of the Target Company and based on the value of the Target Company after the Capital Contribution in the amount of approximately RMB137,000,000 assessed by the Company and the maximum amount of Capital Contribution of RMB60,000,000 as adjusted according to the mechanism described under the paragraph of "Additional investment" in this announcement, it is estimated that the consideration payable by our Group for acquisition of approximately 4.69% equity interests in the Target Company is approximately RMB6,420,000.

The Company will further comply with the Listing Rules if and when shareholders' approval is required under the Listing Rules in respect of the Geron's Option.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited company established in the PRC and is principally engaged in provision of B2B e-commerce service for spot cotton trading.

The capital structure of the Target Company as at the date of this announcement and upon Completion are set out below:

Shareholders	As at the date of this announcement		Upon Completion	
	Registered capital (RMB)	Approximate percentage of equity interests	Registered capital (RMB)	Approximate percentage of equity interests
Shanghai Huijing	–	–	1,080,479	43.840%
Beijing HC Technology	176,500	12.75%	176,500	7.161%
Beijing Wenlong	882,350	63.75%	882,350	35.801%
Geron	207,617	15%	207,617	8.424%
Mr. Gong	117,650	8.50%	117,650	4.774%
Total	1,384,117	100%	2,464,596	100%

Set out below is a summary of the unaudited financial information of the Target Company for the years ended 31 December 2016 and 31 December 2017 respectively, prepared under generally accepted accounting principles of the PRC:

	For the year ended	
	31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	639,153	153,420
Gross profit margin	1.18%	0.44%
Gross profit	7,517	675
(Loss) before tax	(3,116)	(3,053)
(Loss) after tax	(3,116)	(3,053)
Net assets	7,103	10,219

REASONS FOR AND THE BENEFITS OF THE CAPITAL CONTRIBUTION

Currently, the Group has three business segments, namely: (i) Information Service Segment, (ii) Transaction Services Segment and (iii) Data Services Segment. The transaction services segment, mainly include the business-to-business (B2B) trading platform, financing services and O2O business exhibition centre.

The Group is endeavouring to establish a leading position in the industrial internet industry. In 2017, approximately 67% of the revenue of the Group is generated from Transaction Service Segment. The Group currently covers over 50 industries and aims to continue increasing its industry coverage to further drive its user base.

The Target Company is one of the earliest enterprises to provide B2B e-commerce services in the cotton industry with a management team who has expertise in such industry, in particular, Mr. Gong, who is the Founder and the general manager, possesses 25 years of experience in the cotton industry and had been a director of China National Cotton Information Center (中儲棉花資訊中心), an assistant to the general manager and the head of the safety management department of China National Cotton Reserves Corporation (中國儲備棉管理總公司). It provides an integrated B2B e-commerce services for spot cotton trading through its online platform (Union Cotton) (<https://www.unioncotton.com>), including self-operating online stores, supply-chain financing service and warehouse receipt pledge.

By acquiring a controlling stake in the Target Company, the Group can leverage the experience of the management team in cotton industry and the industry related IT systems, patents and other intellectual properties owned by the Target Company, and expand its transaction platform to cover the cotton industry.

The Directors (including the independent non-executive Director) consider that the Capital Increase Agreement and the transactions contemplated thereunder were entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiation, and that the terms of the Capital Increase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As no Director has a material interest in the Capital Increase Agreement, none of the Directors has abstained from voting on the relevant board resolution approving the Capital Increase Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions under the Capital Increase Agreement calculated in accordance with Rule 14.07 of the Listing Rules are more than 5% but less than 25%, the transactions under the Capital Increase Agreement constitute a discloseable transaction of the Company under the Listing Rules and are subject to the reporting and announcement requirements.

DEFINITIONS

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

“Beijing HC Technology”	北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd*), a wholly-owned subsidiary of the Company
“Beijing Wenlong”	北京文龍科技發展中心 (有限合夥) (Beijing Wenlong Technological Development Centre (Limited Partnership)*), a limited partnership established in the PRC, which, as at the date of this announcement, was held by Mr. Gong as to approximately 54.15%
“Board”	the board of Directors
“Capital Contribution”	the contribution of RMB50,000,000 by Shanghai Huijing to the Target Company pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the conditional capital increase agreement dated 8 April 2018 entered into between the Company, the Vendors and the Vendor Guarantors in respect of the Acquisition
“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
“Completion”	completion of the Capital Increase Agreement
“Conditions Precedent”	the conditions precedent of the Capital Increase Agreement as set out under the paragraph headed “Conditions Precedent” in this announcement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	directors of the Company
“Existing Shareholders”	Beijing HC Technology, Geron and the Founders
“Founders”	Mr. Gong and Beijing Wenlong
“Geron”	金輪藍海股份有限公司 (Geron Co., Ltd.), a company incorporated in the PRC and listed on the Shenzhen Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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
“Mr. Gong”	龔文龍 (Gong Wenlong)
“Performance Targets”	the performance targets undertaken by the Founders pursuant to the terms of the Capital Increase Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Remaining Shareholder(s)”	Beijing Wenlong, Geron, Beijing HC Technology, Mr. Gong and Shanghai Huijing
“Shanghai Huijing”	上海慧旌電子商務有限公司 (Shanghai Huijing E-commerce Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“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
“Target Company”	上海棉聯電子商務有限公司 (Shanghai Mianlian E-Commerce Co., Ltd.*), a company established in the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *for identification purposes only*

By Order of the Board
HC INTERNATIONAL, INC.
Liu Jun
Chairman and Chief Executive Officer

Beijing, PRC, 8 April 2018

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

Mr. Liu Jun (*Executive Director, Chairman 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*)