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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: 8292)**

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
ESTABLISHMENT OF A JOINT VENTURE COMPANY**

The Board is pleased to announce that on 4 December 2013, the Company and Digital China entered into the Joint Venture Agreement, pursuant to which the Joint Venture Parties agreed to, among other things, establish the Joint Venture Company, which will be owned as to 60% by Digital China and as to 40% by the Company (or their respective nominee subsidiaries) for the purpose of the development and operation of the micro-credit internet financing business.

Pursuant to the Joint Venture Agreement, the total registered capital of the Joint Venture Company shall be RMB1,000,000,000, of which RMB600,000,000 will be contributed by Digital China in cash and RMB400,000,000 will be contributed by the Company in cash.

The Board considers that the terms and conditions of the Joint Venture Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

\* *For identification purposes only*

## **GEM LISTING RULES IMPLICATIONS**

As the applicable percentage ratios in respect of the transactions contemplated under the Joint Venture Agreement exceed 25% but are less than 100%, the entering into of the Joint Venture Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

In addition, as Digital China is a substantial shareholder of the Company interested in approximately 20.96% of the issued share capital of the Company as at the date of this announcement, Digital China is a connected person of the Company. The entering into the Joint Venture Agreement and the transactions contemplated thereunder therefore also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to, among other things, the Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

## **GENERAL**

An EGM will be convened by the Company at which resolution will be proposed to consider and, if thought fit, approve, among other things, the Joint Venture Agreement and transactions contemplated thereunder.

A circular containing, among other things, further details of the transactions contemplated under the Joint Venture Agreement, a letter from the independent board committee containing its opinion and recommendation to the Independent Shareholders in respect of the transactions contemplated under the Joint Venture Agreement, a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders containing its opinion in respect of the transactions contemplated under the Joint Venture Agreement, a notice convening the EGM and such other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 24 December 2013.

## **INTRODUCTION**

On 4 December 2013, the Company and Digital China entered into the Joint Venture Agreement, pursuant to which the Joint Venture Parties agreed to, among other things, establish the Joint Venture Company, which will be owned as to 60% by Digital China (or its nominee subsidiary) and as to 40% by the Company (or its nominee subsidiary). The Joint Venture Company will be principally engaged in the micro-credit internet financing business in the PRC.

## **THE JOINT VENTURE AGREEMENT**

Principal terms of the Joint Venture Agreement are set out below:

### **Date**

4 December 2013

## **Parties involved**

1. Digital China
2. the Company

## **Formation of the Joint Venture Company**

Pursuant to the terms of the Joint Venture Agreement, the Joint Venture Parties conditionally agreed to establish the Joint Venture Company in the PRC for an initial term of 50 years. The Joint Venture Company will be owned as to 60% by Digital China (or its nominee subsidiary) and as to 40% by the Company (or its nominee subsidiary).

## **Business scope of the Joint Venture Company**

Pursuant to the Joint Venture Agreement, subject to approval of, and obtaining necessary permissions of relevant authority in accordance with relevant laws, rules and regulations, the Joint Venture Company will be principally engaging in the processing of loans, discounted notes and asset transfer in the PRC.

## **Registered capital of the Joint Venture Company**

Pursuant to the Joint Venture Agreement, the total registered capital of the Joint Venture Company shall be RMB1,000,000,000 (equivalent to approximately HK\$1,270,000,000), of which RMB600,000,000 (equivalent to approximately HK\$762,000,000) will be contributed by Digital China in cash and RMB400,000,000 (equivalent to approximately HK\$508,000,000) will be contributed by the Company in cash, which shall be contributed in the following manners:

- (i) as to RMB375,000,000 (equivalent to approximately HK\$476,250,000) shall be contributed in the process of the incorporation of the Joint Venture Company by the Joint Venture Parties in proportion to their corresponding shareholding percentages in the registered capital of the Joint Venture Company (that is, as to RMB225,000,000 (equivalent to approximately HK\$285,750,000) by Digital China and as to RMB150,000,000 (equivalent to approximately HK\$190,500,000) by the Company, respectively).
- (ii) as to the remaining RMB625,000,000 (equivalent to approximately HK\$793,750,000) shall be contributed within eighteen months upon the issuance of the business license (or such earlier time as may be agreed by the Joint Venture Parties) by the Joint Venture Parties in proportion to their corresponding shareholding percentages in the registered capital of the Joint Venture Company (that is, as to RMB375,000,000 (equivalent to approximately HK\$476,250,000) by Digital China and as to RMB250,000,000 (equivalent to approximately HK\$317,500,000) by the Company, respectively).

The amount of capital contribution was determined after negotiation between the Joint Venture Parties with reference to the initial capital requirement of the Joint Venture Company and the intent of the parties as to the capital contributions. The capital contribution to be made by the Company will be funded by internal resources. Following the establishment of the Joint Venture Company, its financial results will not be consolidated into those of the Group.

According to the funding requirement of the Joint Venture Company, the Joint Venture Company may raise the required working capital by way of further capital contributions made by the Joint Venture Parties in proportion to their respective equity interests in the Joint Venture Company. The Joint Venture Parties will negotiate and determine the actual fund raising methods as and when the circumstances require.

### **Matters requiring unanimous approval from the Joint Venture Parties**

Unanimous approval from Joint Venture Parties shall be obtained for matters in relation to, among other things, change of name, alternation of the registered capital, granting any option over unpaid capital, entering into agreement outside its normal course of business or not in normal terms, splitting and division, dissolution and liquidation of the Joint Venture Company, amendments to the articles of association, approval of annual accounts, annual budget, authorizing any director to engage financial transactions and to approve the procedures of giving authority, acquisition or disposal of interest in any company or business, execution of any bonus or profit-sharing plan, share options scheme, equity incentive plan or employee share plan, entering into any transaction with a value of more than HK\$1,000,000 with any shareholders or related parties, merger, consolidation, acquisition of shares, or all or substantially all assets or businesses of another company, alternating whole or any part of the rights vested in the shares of the Joint Venture Company and the establishment of any partnership or joint venture with any other party.

In addition, certain major matters in relation to, among other things, any increase or reduction in the registered capital, matters regarding merger, division, dissolution, liquidation or alteration of company form and amendments to the articles of association of the Joint Venture Company, shall only be resolved by passing special resolution, which also requires unanimous approval from Joint Venture Parties, at shareholders' general meeting of the Joint Venture Company.

### **Board composition and board resolutions**

The board of directors of the Joint Venture Company will comprise five directors, of which Digital China shall have the rights to nominate three members (including the chairman of the board of directors) and the Company shall have the rights to nominate two members (including the vice chairman of the board of directors). All resolutions of the board of directors of the Joint Venture Company shall be approved by at least a two-third majority of the directors attending the meeting. Digital China shall be entitled to nominate the chief financial officer, and the Company shall be entitled to nominate the chief executive officer (general manager) of the Joint Venture Company.

The Joint Venture Company will have one supervisor, who will be elected by shareholders' general meeting of the Joint Venture Company.

## **Profit sharing**

The Joint Venture Parties will be entitled to share the profits of the Joint Venture Company in the proportion to its respective capital contribution to the Joint Venture Company. Any distribution of profits of the Joint Venture Company shall be approved by special resolutions at the shareholders' general meeting, provided that the Joint Venture Company shall distribute 50% of its distributable profits for the relevant financial years, subject to the condition that the Joint Venture Company has adequate cash for such distribution without additional borrowing, unless unanimously approved by the Joint Venture Parties.

## **Transfer and pledge of equity interests**

The Joint Venture Parties may transfer all or part of its equity interests in the Joint Venture Company upon obtaining prior written consent from the other party.

The Joint Venture Parties may not, among other things, pledge or impose any encumbrances on its equity interests, or enter into any agreement in relation to the rights attached or enjoyed by such equity interests (including voting rights).

## **Conditions precedent of the Joint Venture Agreement**

The Joint Venture Agreement is conditional upon, among other things, the Company and Digital China, each as a company whose shares are listing on the Stock Exchange, having completed all approval procedures (including without limitation, approval from their respective shareholders, where required).

## **INFORMATION OF THE GROUP**

The Group is one of the leading B2B e-commerce operators in the PRC. The Group aims to provide business information through different means 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 provides business information through three main types of communication channels: (i) industry portals, (ii) search engine services, and (iii) trade catalogues and yellow page directories.

## **INFORMATION OF DIGITAL CHINA**

Digital China is a limited liability company incorporated under the laws of Bermuda and its shares are currently listed on the Main Board of the Stock Exchange (stock code: 00861). Digital China and its subsidiaries ("DC Group") engage in the sale and distribution of information technology ("IT") and systems products. DC Group also operates a one-stop supply chain consultancy and offer execution services to IT and other high-value density products manufacturers and major accounts. DC Group is also engaged in the provision of systems integration, applications software development, professional IT services and financial self-service equipment.

Digital China is also a substantial shareholder of the Company who, through its indirect wholly-owned subsidiary, holds 137,758,107 Shares (representing approximately 20.96% of the issued share capital of the Company) as at the date of this announcement.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE COMPANY AND THE ENTERING INTO OF THE JOINT VENTURE AGREEMENT**

The Group believes that engaging in the internet financing business would be benefited from the PRC government policy as the development of the internet financing business is one of the businesses encouraged by the PRC government. The development and establishment of the Joint Venture Company will provide solutions to small and medium enterprises (the “SME”) for their funding needs. By investing and developing the internet financing business, not only the Group can enjoy dividend income derived from the internet financing business of the Joint Venture Company, but would also bring positive effect to the principle businesses of the Group.

In light of the above, the Directors (excluding the independent non-executive Directors who will provide their view after taking into account the advice from the independent financial adviser to be engaged) consider that the terms of the Joint Venture Agreement were arrived at after arm’s length negotiations between the Joint Venture Parties, entered into on normal commercial terms, and are fair and reasonable, and that the entering into of the Joint Venture Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

As the applicable percentage ratios in respect of the transactions contemplated under the Joint Venture Agreement exceed 25% but are less than 100%, the entering into of the Joint Venture Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to, among other things, the Shareholders’ approval requirement.

In addition, as Digital China is a substantial shareholder of the Company interested in approximately 20.96% of the issued share capital of the Company as at the date of this announcement, Digital China is a connected person of the Company. The entering into the Joint Venture Agreement and the transactions contemplated thereunder therefore also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to, among other things, the Independent Shareholders’ approval requirement under Chapter 20 of the GEM Listing Rules.

Mr. Guo Wei (a non-executive Director, who is also the chairman, an executive director and a shareholder of Digital China who holds (directly or indirectly and beneficially or deemed) approximately 6.48% of the issued share capital of Digital China as at the date of this announcement), is regarded as having material interest in the Joint Venture Agreement and the transactions contemplated thereunder, and are required to, and had, abstain from voting at the Board meeting upon which the Joint Venture Agreement and the transactions contemplated thereunder were considered. Save as above, none of the Directors has any material interest in the Joint Venture Agreement and the transactions contemplated thereunder.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An independent committee of the Board comprising Mr. Zhang Ke, Mr. Xiang Bing and Mr. Zhang Tim Tianwei, being all independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Joint Venture Agreement. None of the members of the independent board committee has any material interest in the transaction contemplated under the Joint Venture Agreement.

An independent financial adviser will also be appointed to advise the independent board committee and the Independent Shareholders in respect of the terms of the Joint Venture Agreement transactions contemplated thereunder.

## **GENERAL**

An EGM will be convened by the Company at which resolution will be proposed to consider and, if thought fit, approve, among other things, the Joint Venture Agreement and the transactions contemplated thereunder. Digital China, through its indirect wholly-owned subsidiary, Talent Gain Developments Limited holds 137,758,107 Shares as at the date of this announcement, and they are required and shall abstain from voting on the resolution to approve the Joint Venture Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, further details of the transactions contemplated under the Joint Venture Agreement, a letter from the independent board committee of the Company containing its opinion and recommendation to the Independent Shareholders in respect of the transactions contemplated under the Joint Venture Agreement, a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders containing its opinion in respect of the transactions contemplated under the Joint Venture Agreement, a notice convening the EGM and such other information as required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 24 December 2013.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules;
“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 GEM;
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules;

“Digital China”	Digital China Holdings Limited, a limited liability company incorporated under the laws of Bermuda and is a listed company in Hong Kong (stock code: 00861). As at the date of this announcement, Digital China is a substantial shareholder of the Company;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be convened and held for considering and, if thought fit, approving the Joint Venture Agreement and the transactions contemplated thereunder;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholder(s)”	Shareholder(s) other than Digital China and its associates (including Talent Gain Developments Limited);
“Joint Venture Agreement”	the agreement entered into between the Company and Digital China dated 4 December 2013 in relation to, among other things, the establishment of the Joint Venture Company;
“Joint Venture Company”	Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) (tentatively only, subject to approval by the relevant administration for industry and commerce), a joint venture company proposed to be established in the PRC with limited liability pursuant to the Joint Venture Agreement, which will be owned as to 60% by Digital China (or its nominee subsidiary) and as to 40% by the Company (or its nominee subsidiary);
“Joint Venture Parties”	Digital China (or its nominee subsidiary) and the Company (or its nominee subsidiary);
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;



“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) with a par value of HK\$0.1 each of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules; and
“%”	per cent.

*In this announcement, unless otherwise specified, amounts denominated in RMB have been converted into Hong Kong dollars at RMB1.00 to HK\$1.27 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 People’s Republic of China, 4 December 2013

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*)

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the pages of “Latest Company Announcements” on the Growth Enterprise Market website at <http://www.hkgem.com> for at least 7 days from the date of its posting and the Company’s website at <http://www.hcgroup.com>.*