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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)

(GEM Stock Code: 8292)

(Main Board Stock Code: 2280)

**DISCLOSEABLE TRANSACTION
IN RELATION TO ACQUISITION OF SHARES IN
PANPASS INFORMATION TECHNOLOGY CO., LTD.**

INTRODUCTION

On 30 September 2014 (after trading hours), Beijing HC Technology (an indirect wholly-owned subsidiary of the Company) and the remaining Purchasers entered into the Acquisition Agreement with the Vendors, pursuant to which, among other things, Beijing HC Technology agreed to acquire 16,487,000 shares in the Target (representing approximately 56.0020% of the issued share capital of the Target) at an aggregate consideration of RMB108,814,200 (equivalent to approximately HK\$137,105,000).

IMPLICATIONS UNDER THE GEM LISTING RULES

As certain relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Acquisition exceed 5% but are less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the GEM Listing Rules.

* For identification purposes only

INTRODUCTION

On 30 September 2014 (after trading hours), Beijing HC Technology (an indirect wholly-owned subsidiary of the Company) and the remaining Purchasers entered into the Acquisition Agreement with the Vendors, pursuant to which, among other things, Beijing HC Technology agreed to acquire 16,487,000 shares in the Target (representing approximately 56.0020% of the issued share capital of the Target) at an aggregate consideration of RMB108,814,200 (equivalent to approximately HK\$137,105,000).

THE ACQUISITION AGREEMENT

Date:

30 September 2014

Parties:

Vendors:

- (1) 廈門鑫百益投資集團有限公司 (Xiamen Xinbaiyi Investment Group Co., Ltd.) (“Vendor 1”), who owns 21,426,640 shares (representing approximately 72.7807% of the issued share capital) of the Target prior to entering into of the Acquisition Agreement and will own 3,051,640 shares (representing approximately 10.3656% of the issued share capital) of the Target immediately after completion of the Acquisition Agreement
- (2) 福建東騰投資有限公司 (Fujian Dongteng Investment Co., Ltd.) (“Vendor 2”), who owns 3,720,000 shares (representing approximately 12.6359% of the issued share capital) of the Target prior to entering into of the Acquisition Agreement
- (3) 福建省中紡大發貿易有限公司 (Fujian Province Zhongfang Dafa Trading Co., Ltd.) (“Vendor 3”), who owns 160,000 shares (representing approximately 0.5435% of the issued share capital) of the Target prior to entering into of the Acquisition Agreement
- (4) 廈門泰綸絲化工材料有限公司 (Xiamen Tailunsi Chemical Materials Co., Ltd.) (“Vendor 4”), who owns 120,000 shares (representing approximately 0.4076% of the issued share capital) of the Target prior to entering into of the Acquisition Agreement

Purchasers:

- (1) Beijing HC Technology
- (2) 北京錦囊創業投資管理中心(有限合夥) (Beijing Jinnang Chuangye Investment Management Centre (Limited Partnership) (“Purchaser 1”)
- (3) 馬偉 (Ma Wei) (“Purchaser 2”)
- (4) 尤勝偉 (You Sheng Wei) (“Purchaser 3”)

To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Vendors, the Purchasers (other than Beijing HC Technology) and their respective ultimate beneficial owners are Independent Third Parties.

Subject matters:

Subject to the terms and conditions of the Acquisition Agreement:

- (1) Beijing HC Technology agreed to acquire 16,487,000 shares of the Target (representing approximately 56.0020% of the issued share capital of the Target) free from all encumbrances from Vendor 1;
- (2) Purchaser 1 agreed to acquire an aggregate of 4,122,000 shares of the Target (representing approximately 14.0014% of the issued share capital of the Target) free from all encumbrances (among which as to 122,000 shares from Vendor 1, as to 3,720,000 shares from Vendor 2, as to 160,000 shares from Vendor 3 and as to 120,000 shares from Vendor 4);
- (3) Purchaser 2 agreed to acquire 883,000 shares (representing approximately 2.9993% of the issued share capital of the Target) of the Target free from all encumbrances from Vendor 1; and
- (4) Purchaser 3 agreed to acquire 883,000 shares (representing approximately 2.9993% of the issued share capital of the Target) of the Target free from all encumbrances from Vendor 1.

Pursuant to the Acquisition Agreement, in the event that during the period commencing from the date of the Acquisition Agreement up to completion of the transactions contemplated thereunder, (1) the Target implements any cash dividend, no adjustment will be made to the number of shares of the Target proposed to be transfer, (2) the Target implements any bonus issue, allotment of shares from conversion of capital reserve or such other ex-entitlement events, the number of shares of the Target proposed to be transfer shall be adjusted in accordance with relevant rules of the National Equities Exchange and Quotations (全國中小企業股份轉讓系統).

Consideration:

Pursuant to the Acquisition Agreement, the consideration for each share of the Target shall be RMB6.6 (equivalent to approximately HK\$8.32). The aggregate consideration payable by Beijing HC Technology to Vendor 1 is RMB108,814,200 (equivalent to approximately HK\$137,105,000). The consideration for each share of the Target was determined after arm's length negotiation between the Vendors and the Purchasers with reference to the recent quoted prices of the Target and the prospects of the Target. The Group intends to finance the acquisition through internal resources.

Part of the consideration payable by Purchaser 1 for the acquisition of the Target's shares will be financed by the loans in an aggregate amount of RMB18,136,800 (equivalent to HK\$22,852,000) lent from the Group to 周曉明 (Zhou Xiaoming) and 洪雲峰 (Hong Yunfeng), both being the partners of Purchaser 1, on 26 September 2014. Part of the consideration payable by Purchaser 2 and Purchaser 3 for the acquisition of the Target's shares will be financed by a loan in the sum of RMB3,885,200 (equivalent to HK\$4,895,352) lent

from the Group to each of Purchaser 2 and Purchaser 3 on 26 September 2014. Each of the loans bears an interest at 5% per annum and is for a term of 3 years or until termination of the loan agreement by the Group in the event that, among others, completion of the Acquisition Agreement does not take place. Purchaser 1, Purchaser 2 and Purchaser 3 will pledge all their respective shares in the Target to the Group as security for the relevant loans. The provision of the loans is exempted from reporting, announcement and shareholders' approval requirement under Chapter 19 of the GEM Listing Rules as each of the applicable percentage ratios is less than 5%.

The consideration thereunder shall be paid in full within 5 business days after the date of the Acquisition Agreement.

Completion:

Pursuant to the Acquisition Agreement, parties shall complete the registration of change of shareholders at China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限公司) within 5 business days from the date of the Acquisition Agreement, and shall complete such registration and filings in respect of the change at relevant Bureau of Industry and Commerce within 20 business days from the date of the Acquisition Agreement.

Restrictions on subsequent transfers of shares of the Target:

All shares of the Target agreed to be transferred under the Acquisition Agreement (together with all such additional shares resulting from bonus issue, allotment of shares from conversion of capital reserve or such other ex-entitlement events) may not be transferred within 12 months from the date of the completion of the transactions contemplated under the Acquisition Agreement. The Purchasers may pledge such shares or other financing in accordance with applicable laws and regulations during such 12-month period.

Operations of the Target upon completion:

Pursuant to the Acquisition Agreement, upon completion of the Acquisition Agreement:

- (1) *Shareholders' resolutions*: All resolutions of shareholders of the Target shall be passed by majority at general meeting of the Target, except that approval from not less than two-thirds vote shall be obtained for the following matters:
 - (a) amendments to the articles of association, increase or reduction of registered capital;
 - (b) merger, division, dissolution or change of forms of corporate entity;
 - (c) issue and listing of shares of the Target within PRC or outside PRC (including Hong Kong, Macau Special Administrative Region and Taiwan);
 - (d) such other matters as requiring approval from not less than two-third shareholdings in accordance with applicable laws, regulations, regulative documents and articles of association.

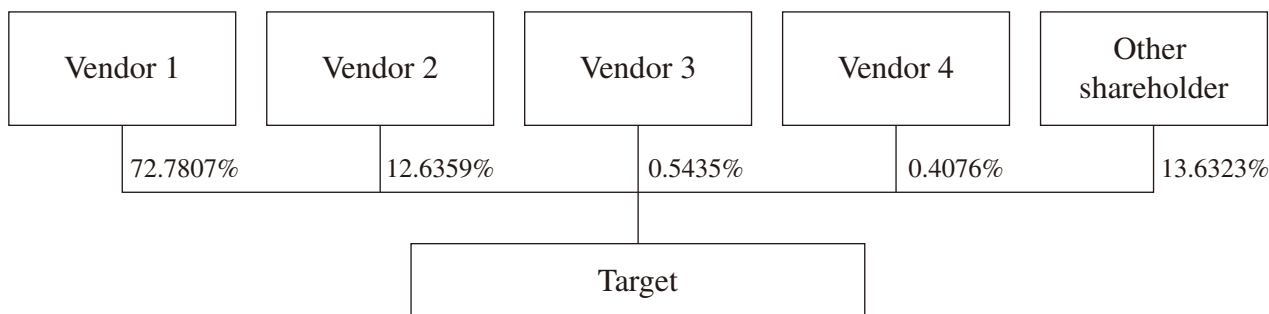
- (2) *Composition of board of directors:* The board of directors of the Target shall comprise 7 directors (among which (a) Beijing HC Technology shall be entitled to nominate 4 directors, (b) Vendor 1 shall be entitled to nominate 1 director, (c) the Management Team shall be entitled to jointly nominate 1 director, and (d) 1 independent director shall be appointed according to the law requirements). Beijing HC Technology and other Purchasers shall vote for the nomination of director nominated by Vendor 1. The chairman of the board of directors shall be elected from directors nominated by Beijing HC Technology. Vendor 1 shall vote for such nomination. The general manager who will be nominated by the board of directors shall also act as the legal representative of the Target.
- (3) *Decision of the board of directors:* All resolutions of the board of directors of the Target shall be passed by majority, except that approval from not less than two-third of directors shall be required for matters relating to external investment, acquisition and disposal of assets, pledge of assets, provision of external guarantee and financial entrustment, proposed issue, public offerings and listing of shares of the Target within PRC or outside PRC (including Hong Kong, Macau Special Administrative Region and Taiwan).
- (4) *Financial management:* Annual budget of the Target shall be approved by the board of directors of the Target and by the shareholders at general meeting before its implementation. Practice rules for financial budgets management shall be approved by the board of directors of the Target within 1 month from the date of completion of the transactions contemplated under the Acquisition Agreement.
- (5) *The service term of the Management Team:* As all members of the Management Team are deemed as indispensable to the development of the Target, the Vendors agree to use their best endeavours to procure all members of the Management Team to re-execute a labor contract with the Target within 2 business days after signing of the Acquisition Agreement and before completion. Purchaser 1, Purchaser 2 and Purchaser 3 agree that all members of the Management Team shall work for the Target for 3 years from completion, except for incapacity reason including but not limited to death, disappearance, loss of all or part of one's civil competence, violation of PRC criminal laws, labor contract, the rules and manuals of the Target or its subsidiary, or employee's confidentiality, loyalty, integrity or diligence duties or when the employment relationship is terminated by the Target or its subsidiary as a result of the incapacity as reasonably determined by Beijing HC Technology.

In the event that the employment of any member of the Management Team is terminated by the Target within 3 years from completion, such member thereof is entitled to transfer his direct or indirect shareholding in the Target at his own discretion in which Beijing HC Technology shall have the pre-emptive right to acquire such shareholding on the same terms and conditions, or opts to require the acquisition of his shareholdings by Beijing HC Technology at a price of RMB6.6 per share. In the event of any resignation by such member after 3 years from completion and such member opts to transfer his shareholding in the Target at his own discretion, Beijing HC Technology shall have the pre-emptive right to acquire such shareholding on the same terms and conditions.

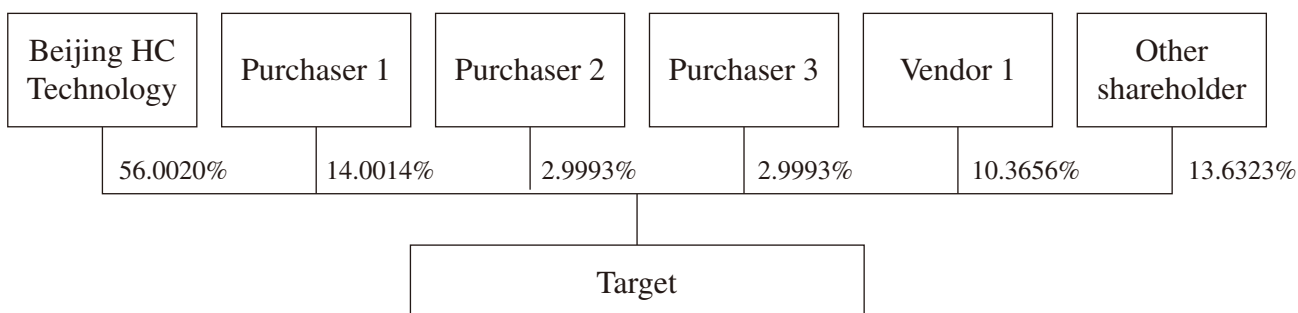
INFORMATION OF THE TARGET

The Target is a company established in the PRC with limited liability. As at the date of this announcement, shares of the Target are quoted on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 430073).

The Target has a registered capital of RMB29,440,000, divided into 29,440,000 shares of RMB1 each. Set out below is the shareholding structure of the Target as at the date of this announcement and prior to the entering into of the Acquisition Agreement:



Set out below is the shareholding structure of the Target upon completion of the transactions contemplated under the Acquisition Agreement:



The current principal business of the Target is the provision of products meticulous digital identity management services and consumer goods tracing and anti-counterfeiting services to enterprises; consolidating the use of information technology to provide highly specialized products and services such as digital identity logistics tracking and tracing management, digital identity consuming management, commodity safe anti-counterfeiting services and enterprise informatisation management according to the needs of customers.

Set out below are the audited financial information for the financial years ended 31 December 2012 and 2013 and the unaudited financial information for the six months ended 30 June 2014 of the Target.

	As at 31 December		As at 30 June
	2012	2013	2014
Total assets	98,723,100.33	130,370,537.09	76,974,686.29
Net assets	58,590,160.45	66,772,603.25	58,192,580.99
	For the year		For the period
	ended 31 December		ended 30 June
	2012	2013	2014
Net profit (/loss) (before taxation and extraordinary items)	11,759,856.84	9,221,551.79	(3,447,073.04)
Net profit (/loss) (after taxation and extraordinary items)	12,459,764.89	8,415,850.81	(3,137,456.81)

Note: From April 2012 to April 2014, the Target held 60% of the equity interest in 北京德記膠粘標籤印刷有限公司 (Beijing De Ji Stickies and Labels Printing Co., Ltd.) and the financial results of such company were consolidated into the financial statements of the Target during such period.

INFORMATION OF THE VENDORS AND THE PURCHASERS

廈門鑫百益投資集團有限公司 (Xiamen Xinbaiyi Investment Group Co., Ltd.) was a company established in the PRC with limited liability whose business scope is investment in trading, apparel, technology, production industry, investment management and enterprise management consultancy.

福建東騰投資有限公司 (Fujian Dongteng Investment Co., Ltd.) was a company established in the PRC with limited liability whose business scope is long term equity interest investment.

福建省中紡大發貿易有限公司 (Fujian Province Zhongfang Dafa Trading Co., Ltd.) was a company established in the PRC with limited liability whose business scope is import and export business for various commodities and technologies by itself or as agent, carry out counter trade and re-export.

廈門泰綸絲化工材料有限公司 (Xiamen Tailunsi Chemical Materials Co., Ltd.) was a company established in the PRC with limited liability whose business scope is wholesale and retail of approved work materials (excluding hazardous and under-control chemical products), textile products, machineries and equipment and related spare parts; import and export business for various commodities and technologies.

北京錦囊創業投資管理中心(有限合夥) (Beijing Jinnang Chuangye Investment Management Centre (Limited Partnership) was a limited partnership formed in the PRC whose business scope is investment management; corporate management; investment; economy trading consultancy.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Vendors, the Purchasers (other than Beijing HC Technology) and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION OF THE GROUP AND BEIJING HC TECHNOLOGY

The Company's shares have been listed on GEM since 17 December 2003. The Group is one of the leading business-to-business (B2B) e-commerce operators in the PRC. 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 Technology is an indirect wholly-owned subsidiary of the Company which was established in the PRC with limited liability and currently holds part of the Group's properties (self-use by the Group).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target has the advantageous position in the technology and management aspects of consumer goods anti-counterfeiting products and services. After completion of the present acquisition, the development synergy between the existing business of the Group and that of the Target could be capitalised.

The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As certain relevant applicable percentage ratios (as defined under the GEM Listing Rules) for the Acquisition exceed 5% but are less than 25%, the Acquisition Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition by Beijing HC Technology of 16,487,000 shares (representing approximately 56.0020% of the issued share capital of the Target) of the Target in accordance with the terms of the Acquisition Agreement
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“Acquisition Agreement”	the share transfer agreement dated 30 September 2014 entered into between the Vendors and the Purchasers in relation to, among other things, the Acquisition
“associate(s)”	has the meanings ascribed to it under the GEM Listing Rules
“Beijing HC Technology”	北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 GEM
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on 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 Third Party(ies)”	third parties independent of and not connected with the Company or its connected persons (as defined under the GEM Listing Rules)
“Management Team”	a team comprising 周曉明 (Zhou Xiaoming) and 洪雲峰 (Hong Yunfeng) both being the partners of Purchaser 1, and 馬偉 as Purchaser 2 and 尤勝偉 as Purchaser 3
“PRC” or “China”	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

“Purchaser(s)”	Beijing HC Technology, 北京錦囊創業投資管理中心(有限合夥) (Beijing Jinnang Chuangye Investment Management Centre (Limited Partnership), 馬偉 (Ma Wei) and 尤勝偉 (You Sheng Wei); each of 北京錦囊創業投資管理中心(有限合夥) (Beijing Jinnang Chuangye Investment Management Centre (Limited Partnership), 馬偉 (Ma Wei) and 尤勝偉 (You Sheng Wei) is an Independent Third Party
“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) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	北京兆信信息技術股份有限公司 (PanPass Information Technology Co., Ltd.), a company established in the PRC with limited liability
“Vendors”	廈門鑫百益投資集團有限公司 (Xiamen Xinbaiyi Investment Group Co., Ltd.), 福建東騰投資有限公司 (Fujian Dongteng Investment Co., Ltd.), 福建省中紡大發貿易有限公司 (Fujian Province Zhongfang Dafa Trading Co., Ltd.) and 廈門泰綸絲化工材料有限公司 (Xiamen Tailunsi Chemical Materials Co., Ltd.), each of which is an Independent Third Party

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\$1.26 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, 30 September 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*)

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 GEM 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>.