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**HC GROUP INC.**

**慧聪集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 02280)**

**PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**AND**

**POSSIBLE ADJUSTMENT TO  
THE CONVERSION PRICE OF THE CONVERTIBLE BONDS**

**Placing Agent**



**昊天國際證券有限公司**

**Hao Tian International Securities Limited**

**Hao Tian International Securities Limited**

**THE PLACING**

On 29 April 2020 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, an aggregate of up to 200,000,000 Placing Shares to the Placees who and whose ultimate beneficial owners will be third parties independent of the Company and its connected persons.

The maximum number of 200,000,000 Placing Shares under the Placing represents approximately 17.85% of the existing issued share capital of the Company of 1,120,840,210 Shares as at the date of this announcement and approximately 15.14% of the issued share capital as enlarged by the allotment and issue of the Placing Shares in full (assuming there is no change to the share capital of the Company between the date of the Placing Agreement and the date of completion of the Placing). The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$20,000,000.

The Placing Price of HK\$1.20 represents (i) a discount of approximately 9.09% to the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 7.41% to the average closing price of HK\$1.296 per Share for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

The maximum gross proceeds from the Placing will be approximately HK\$240,000,000. The maximum net proceeds from the Placing will amount to approximately HK\$238,500,000. The net proceeds from the Placing will be used (i) as to 80% for repayment of part of the current debt of the Group and (ii) as to 20% for the Group's research and development and general working capital. The maximum net price raised per Share upon the completion of the Placing will be approximately HK\$1.1925 per Share.

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE PLACING AGREEMENT**

### **Date**

29 April 2020 (after trading hours)

### **Issuer**

The Company

### **Placing Agent**

Hao Tian International Securities Limited

The Placing Agent has conditionally agreed to place a maximum of 200,000,000 Placing Shares on a best effort basis and will receive a placing commission of 0.5% of the aggregate Placing Price of the Placing Shares being placed. The Company shall bear the Placing Agent's out-of-pocket expenses (including but not limited to fees charged by the SFC in respect of CCASS transactions) reasonably and properly incurred by the Placing Agent in relation to the Placing. Having considered the Placing Price and the terms of the Placing, the Directors are of the view that the placing commission of 0.5% is fair and reasonable.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **Placees**

The Placing Agent will place the Placing Shares to the Placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of and not connected with the Company, connected persons of the Company and any of the Directors, chief executive or substantial shareholder(s) of the Company or any of its subsidiaries or their respective associates.

## **Number of Placing Shares**

The 200,000,000 Placing Shares under the Placing represent approximately 17.85% of the existing issued share capital of the Company of 1,120,840,210 Shares as at the date of this announcement and approximately 15.14% of the issued share capital of the Company as enlarged by allotment and issue of the Placing Shares in full (assuming there is no change to the share capital of the Company between the date of the Placing Agreement and the date of completion of the Placing). The aggregate nominal value of the maximum number of the Placing Shares under the Placing will be HK\$20,000,000.

## **Ranking of Placing Shares**

The Placing Shares under the Placing will rank, upon issue, *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the Placing Shares.

## **Placing Price**

The Placing Price of HK\$1.20 per Placing Share represents:

- (i) a discount of approximately 9.09% to the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 7.41% to the average closing price of HK\$1.296 per Share for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

## **Placing Shares**

The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 224,170,442 Shares. As disclosed in the Company's announcements dated 16 November 2018, 4 December 2018 and 31 December 2019, the Group had issued the Convertible Bonds and assuming full conversion of the

Convertible Bonds at the Conversion Price, 22,222,222 Conversion Shares are to be allotted and issued under the General Mandate. Having taken into account of the Conversion Shares and possible adjustment to the Conversion Price due to the Placing, the Directors are of the view that the General Mandate is sufficient for the allotment and issue of all the Placing Shares, and therefore the Placing is not subject to any Shareholders' approval.

### **Application for listing of Placing Shares**

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

### **Conditions of the Placing Agreement**

Completion of the Placing under the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

If the above condition is not satisfied on or before 12 May 2020 (or such later date as the Company and the Placing Agent may agree), all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and terminate and none of the parties shall have any claim against the other in relation to the Placing Agreement.

### **Termination of the Placing**

Under the Placing Agreement, the Placing Agent may terminate the Placing Agreement by giving notice to the Company at any time between the date of the Placing Agreement and at or before 8:00 a.m. on the Completion Date, if:

- (1) there is any material change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any material breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in the previous announcements, circulars, interim and annual reports issued by the Company since the publication of the announcement of the Company relating to the annual results of the Company for the year ended 31 December 2019 has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

Upon termination of the Placing Agreement pursuant to the above paragraphs, all liabilities of the Company and the Placing Agent under the Placing Agreement shall cease and determine and neither the Company nor the Placing Agent shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

### **Completion of the Placing**

Completion of the Placing will take place on the fifth Business Day after the fulfillment of the condition set out in the Placing Agreement or such later date as the Company and the Placing Agent may agree in writing.

### **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Group endeavours to become the leading industrial internet groups in the PRC. By focusing on and integrating advantageous resources, the Group has upgraded its organizational structure, with its business composed of three segments, namely the business groups of technology-driven new retail, smart industries, and platform and corporate services.

The Directors are of the view that the Placing will expand the Company's shareholders and capital base, and optimize the capital structure, which is conducive for lowering its indebtedness and reducing its financial burden.

The Directors consider that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The maximum gross proceeds from the Placing will be approximately HK\$240,000,000. The maximum net proceeds from the Placing will amount to approximately HK\$238,500,000 which is intended to be used (i) as to 80% for repayment of part of the current debt of the Group and (ii) as to 20% for the Group's research and development and general working capital.

The maximum net price raised per Share upon the completion of the Placing will be approximately HK\$1.1925 per Share.

### **FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any fundraising activities in the past twelve months immediately preceding the date of this announcement.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<i>Substantial Shareholder</i>				
Digital China Holdings Limited and its associates ( <i>Note 1</i> )	253,671,964	22.63	253,671,964	19.21
<i>Directors and their associate(s)</i>				
Liu Jun	50,220,000	4.48	50,220,000	3.80
Zhang Yonghong	100,000	0.01	100,000	0.01
Liu Xiaodong ( <i>Note 2</i> )	62,273,794	5.56	64,273,794	4.71
Guo Fansheng ( <i>Note 3</i> )	57,749,015	5.15	57,749,015	4.37
Li Jianguang ( <i>Note 4</i> )	32,000,384	2.86	32,000,384	2.42
<i>Others</i>				
Placees	–	–	200,000,000	15.14
Public shareholders	664,825,053	59.31	664,825,053	50.33
<b>Total:</b>	<b>1,120,840,210</b>	<b>100%</b>	<b>1,320,840,210</b>	<b>100%</b>

*Notes:*

1. Holding through Talent Gain Developments Limited and Unique Golden Limited. Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited.
2. Such interests in the Company is held by Wisdom Limited (a company wholly and beneficially owned by Mr. Liu Xiaodong).
3. Such interest in the Company comprises: (a) 35,000,000 Shares held by Mr. Guo Fansheng; and (b) 22,749,015 Shares held by a trustee of a trust of which Mr. Guo Fansheng is a beneficiary.
4. Such interest in the Company is held by Venture Profits Holdings Limited, the entire share capital of which is held by Malvern PTC Limited, a trustee of a trust of which Mr. Li Jianguang is a founder of a discretionary.

## **POSSIBLE ADJUSTMENT TO THE CONVERSION PRICE OF THE CONVERTIBLE BONDS**

Reference is made to the announcements of the Company dated 16 November 2018, 4 December 2018 and 31 December 2019, in relation to, among other things the issue of the Convertible Bonds.

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price will be adjusted as a result of the Placing. The above adjustment to the Conversion Price shall become effective on the date of issue of the new Placing Shares. The above adjustment will be computed in accordance with the terms and conditions of the Convertible Bonds. Apart from the above adjustment, all the other terms and conditions of the Convertible Bonds will remain unchanged. The Company will make further announcement(s) on such adjustment(s) as and when appropriate.

**As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

The following terms have the following meanings in this announcement unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 24 May 2019
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	HC Group Inc., a company with limited liability incorporated in the Cayman Islands and whose shares are listed on the Stock Exchange
“Completion Date”	the date of completion of transactions contemplated under the Placing Agreement
“connected person(s)”	the meaning ascribed thereto under the Listing Rules



“Conversion Price”	HK\$4.50, being the adjusted price for conversion of the Convertible Bonds pursuant to a supplemental deed dated 31 December 2019 entered into by the Company with the holder of the Convertible Bonds
“Conversion Shares”	the new Shares to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the 2.85% plus HIBOR guaranteed and secured convertible bonds due 2020 issued by the Company to the bondholder as disclosed in the Company’s announcements dated 16 November 2018, 4 December 2018 and 31 December 2019
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries, from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any investor who is either an individual, professional or an institutional investor procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of up to 200,000,000 Shares on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Hao Tian International Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 29 April 2020 in relation to the Placing



“Placing Price”	HK\$1.20 per Placing Share
“Placing Share(s)”	a maximum of 200,000,000 new Shares to be allotted and issued pursuant to the Placing Agreement
“PRC”	The People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

By Order of the Board  
**HC GROUP INC.**  
**Liu Jun**  
*Chairman*

Hong Kong, 29 April 2020

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

Mr. Liu Jun (*Executive Director and Chairman*)  
Mr. Zhang Yonghong (*Executive Director and Chief Executive Officer*)  
Mr. Liu Xiaodong (*Executive Director and President*)  
Mr. Guo Fansheng (*Non-executive Director*)  
Mr. Li Jianguang (*Non-executive Director*)  
Mr. Sun Yang (*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*)