

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in HC International, Inc. (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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**HC INTERNATIONAL, INC.**

**慧聰網有限公司\***

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

**(Stock code: 2280)**

## **PROPOSED GRANT OF SHARE OPTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “DEFINITIONS” in this circular.

A letter from the Board is set out on pages 3 to 8 of this circular. A notice convening an extraordinary general meeting of the Company to be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing 100098, the People’s Republic of China on Friday, 8 December 2017 at 4:00 p.m. or any adjournment thereof is set out on pages 9 to 10 of this circular.

Whether or not you are able to attend the meeting, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, being not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company, adopted on 30 November 2003 and as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	HC International, Inc., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the PRC (100098) on Friday, 8 December 2017 at 4:00 p.m. or any adjournment thereof
“EGM Notice”	the notice convening the EGM set out on pages 9 to 10 of this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Mr. Liu and his associates
“Latest Practicable Date”	15 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Liu”	Mr. Liu Jun, an executive director of the Company
“Offer Date”	13 October 2017, being the date of grant

## DEFINITIONS

“Options”	the options conditionally granted to Mr. Liu under the Share Option Scheme to subscribe for a 29,930,000 Shares at an exercise price of HK\$6.476 per Share
“Ordinary Resolution”	the proposed ordinary resolution in relation to the Proposed Grant in the terms set out in the EGM Notice
“Proposed Grant”	the conditional grant of 29,930,000 Options to Mr. Liu to subscribe for 29,930,000 Shares subject to the Independent Shareholders’ approval and the acceptance of Mr. Liu
“Registrar”	the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company on 22 May 2015
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent



**HC INTERNATIONAL, INC.**

**慧聪网有限公司\***

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

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*Executive Directors:*

Guo Jiang (Chairman)

Liu Jun (Chief Executive Officer)

Lee Wee Ong (Chief Financial Officer)

*Non-executive Directors:*

Guo Fansheng

Li Jianguang

Wong Chi Keung

*Independent non-executive Directors:*

Zhang Ke

Zhang Tim Tianwei

Tang Jie

*Registered Office:*

4th Floor

One Capital Place

P.O. Box 847

George Town

Grand Cayman

Cayman Islands

*Head Office and*

*Principal Place of Business:*

Tower B

Jingyi Technical Building

No. 9 Dazhongsi East Road

Haidian District

Beijing 100098

The People's Republic of China

20 November 2017

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED GRANT OF SHARE OPTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 13 October 2017 in relation to the Proposed Grant.

The purpose of this circular is to provide you with (i) further information in respect of the Proposed Grant; (ii) the recommendation of the Board, including all independent non-executive Directors, in relation to the Proposed Grant; and (iii) the notice of the EGM at which the Ordinary Resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Proposed Grant.

\* For identification purposes only

## LETTER FROM THE BOARD

On 13 October 2017, the Board resolved to conditionally grant 29,930,000 Options under the Share Option Scheme to Mr. Liu, an executive Director, entitling him to subscribe for 29,930,000 ordinary Shares in the share capital of the Company, subject to the independent shareholders' approval. Details of such grant are set out below:

Offer Date	:	13 October 2017 (being the date of grant)
Number of the Options	:	29,930,000 Options, each Option shall entitle Mr. Liu to subscribe for one Share
Consideration for the Grant	:	Upon acceptance of the Options, Mr. Liu shall pay HK\$1 to the Company as consideration for the grant of Options
Exercise price of Options granted	:	<p>HK\$6.476 per Share, representing the highest of:</p> <p>(i) the closing price of HK\$6.30 per Share as stated in the Stock Exchange's daily quotation sheets on the Offer Date;</p> <p>(ii) the average closing price of HK\$6.476 per Share as stated in the Stock Exchange's daily quotation sheets for the last five trading days immediately preceding the Offer Date; and</p> <p>(iii) the nominal value of HK\$0.10 per Share.</p>
Validity period of the Options	:	10 years, from the Offer Date up to 12 October 2027, both dates inclusive, subject to the following vesting schedules
Vesting period of Options	:	The Options granted shall be vested and exercisable subject to the following vesting periods and conditions:

Date when the Options become exercisable	Percentage of Shares comprised in the Option which is vested and exercisable (Note)
First anniversary date of the Offer Date	20%
Second anniversary date of the Offer Date	20%
Third anniversary date of the Offer Date	20%
Fourth anniversary date of the Offer Date	20%
Fifth anniversary date of the Offer Date	20%

*Note:* An aggregate of 50% of all the Options under the Proposed Grant (being 10% of the Options in each vesting period) are exercisable only if certain performance targets of the Group set by the Board are met. For details, please refer to the paragraph headed "Performance target" below.

## LETTER FROM THE BOARD

If Mr. Liu ceases to be an employee of the Group, the Options granted but unvested will lapse automatically while the outstanding exercisable Options will lapse if such Options have not been exercised within three months from the date of his cessation of employment with the Group.

Performance target : In addition to the above vesting schedule, an aggregate of 50% of all the Options under the Proposed Grant (being 10% of the Options in each vesting period) (the “**Special Options**”) are exercisable subject to the achievement of the performance targets of the Group (such as its profit and sales amount) for the financial year prior to each vesting period, which are set by the Board annually, in the following manner:

Percentage of performance targets achieved	Percentage of the Special Options becoming exercisable
100%	100%
70%–99%	Proportionate to the percentage of performance targets actually achieved for the relevant financial year
Less than 70%	Nil

Consideration for the Proposed Grant : HK\$1.00 to be paid by Mr. Liu upon the acceptance of the options granted.

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any Option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

Save as the Proposed Grant, no Option had been granted to Mr. Liu during the past 12 months immediately preceding the Latest Practicable Date.

## LETTER FROM THE BOARD

### LISTING RULES IMPLICATIONS

Mr. Liu is an executive Director who, as at the Latest Practicable Date, held 44,870,000 Shares, representing approximately 4.497% of the issued share capital of the Company. The Proposed Grant has been approved by the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules. Mr. Liu has abstained from voting in the board meeting in respect of the resolution approving the grant of Options. The Proposed Grant has also been reviewed and approved by the Remuneration Committee of the Company.

The total of 29,930,000 Shares to be subscribed under the Options represent approximately 3% of the existing issued share capital of the Company as at the Offer Date and approximately 2.913% of the enlarged issued share capital of the Company, assuming the Options are fully exercised. As the total number of Shares to be issued upon exercise of the Options offered to be granted to Mr. Liu exceeds 1% of the Shares in issue, pursuant to Rule 17.03(4) of the Listing Rules, the Proposed Grant must be approved by the Independent Shareholders in general meeting with the grantee and his associates abstaining from voting. As at the date of this circular, Mr. Liu is entitled to exercise control over the voting right of the Company in respect of the 44,870,000 Shares held by him. Accordingly, Mr. Liu and his associates shall abstain from voting on the Ordinary Resolution to be proposed at the EGM.

### REASONS FOR GRANTING THE OPTIONS

Mr. Liu has been the executive Director since 12 September 2016 and was appointed as the chief executive officer of the Company on 18 October 2017. Mr. Liu has played an important role in supervising the operation of the Group and contributing to the growth of businesses of the Group. The Proposed Grant is closely linked to the achievement of Mr. Liu and his length of service in the Group, where the Options granted is exercisable by reference to the extent that Mr. Liu fulfills the performance target for the respective financial years during the vesting period. As such, the Board believes that the Proposed Grant is beneficial to the Group as it serves as a reward to Mr. Liu for his contribution and efforts made to the Group as well as an incentive for Mr. Liu to promote a long-term growth and development of the Group.

In view of the above, the Proposed Grant is considered to be in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY UPON EXERCISING THE OPTIONS

For illustrative purposes only, the following table illustrates the changes in the shareholding structure of the Company as at the Latest Practicable Date and immediately upon full exercise of the Options granted to Mr. Liu (assuming that there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to the full exercise of the Options):

	As at the Latest Practicable Date		Immediately upon full exercise of the Options	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<b>Directors and their associates</b>				
Guo Jiang and his spouse				
Geng Yi	128,858,771	12.92%	128,858,771	12.54%
Guo Fansheng (Note 1)	57,749,015	5.79%	57,749,015	5.62%
Liu Jun	44,870,000	4.50%	74,800,000	7.28%
Li Jianguang (Note 2)	32,000,384	3.21%	32,000,384	3.11%
Lee Wee Ong	18,350,672	1.84%	18,350,672	1.79%
<b>Substantial Shareholders</b>				
Digital China Holdings Limited and its associates (Note 3)	166,029,107	16.64%	166,029,107	16.16%
Liu Xiaodong (Note 4)	62,273,794	6.24%	62,273,794	6.06%
<b>Other public Shareholders</b>	<u>487,549,110</u>	<u>48.87%</u>	<u>487,549,110</u>	<u>47.44%</u>
<b>Total</b>	<u>997,680,853</u>	<u>100%</u>	<u>1,027,610,853</u>	<u>100%</u>

Notes:

- such interest in the Company comprises: (a) 35,000,000 Share 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.
- Holding through Callister Trading Limited, a company wholly owned by Mr. Li Jianguang.
- 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.
- The references to 62,273,794 shares of the Company relate to the same block of shares of the Company held by Wisdom Limited, the entire share capital of which is owned by Mr. Liu Xiaodong. Accordingly, Mr. Liu Xiaodong is deemed, or taken to have, interested in the said 62,273,794 shares of the Company pursuant to the SFO.

## LETTER FROM THE BOARD

### EGM

An EGM will be held for the Independent Shareholders to consider, and if thought fit, approve the Proposed Grant under the Share Option Scheme.

A notice convening the EGM is set out on pages 9 to 10 of this circular. The voting in relation to the Proposed Grant at the EGM will be conducted by poll. You will find the enclosed proxy form for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules on the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

### RECOMMENDATION

Having considered the reasons for and the terms of the Proposed Grant, the Directors (including the independent non-executive Directors) are of the view that the Proposed Grant is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the Ordinary Resolution to be proposed at the EGM.

Yours faithfully,  
By order of the Board  
**Guo Jiang**  
*Chairman*

## NOTICE OF THE EGM



**HC INTERNATIONAL, INC.**

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**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting of the members of HC International, Inc. (the “**Company**”) will be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the People’s Republic of China (100098) on Friday, 8 December 2017, at 4:00 p.m. for the following purposes:

### **ORDINARY RESOLUTION**

“**THAT** the grant of options to Mr. Liu Jun under the share option scheme adopted by the Company on 22 May 2015 (the “**Share Option Scheme**”) to subscribe for an aggregate of 29,930,000 ordinary shares of HK\$0.10 each of the Company at the exercise price of HK\$6.476 per share and on the terms and conditions as set out in the circular to the shareholders of the Company dated 20 November 2017 (the “**Circular**”) be and is hereby approved and that any one director or the company secretary of the Company is hereby authorized to do all such acts and/or execute all such documents as may be necessary or expedient in order to give full effect to such grant and exercise of the option.”

By Order of the board of the Directors  
**HC INTERNATIONAL, INC.**

**Guo Jiang**  
*Chairman*

Beijing, PRC, 20 November 2017

#### *Notes:*

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

\* *For identification purposes only*

## NOTICE OF THE EGM

3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.
5. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
7. The transfer books and Register of Members of the Company will be closed from 6 December 2017 to 8 December 2017, both days inclusive. During such period, no share transfers will be effected. In order to qualify for attending the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 5 December 2017.
8. A form of proxy for use at the Meeting is enclosed.