

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HC INTERNATIONAL, INC.

慧聰國際資訊有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8292)

**DISCLOSEABLE TRANSACTIONS
AND
CONNECTED TRANSACTIONS
RELATING TO A PROPOSED DISPOSAL BY HKHC OF A SUBSIDIARY
AND A PROPOSED INVESTMENT BY THE INVESTORS
IN SUCH SUBSIDIARY**

Financial Adviser to the Company



FIRST SHANGHAI CAPITAL LIMITED

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



**PLATINUM
Securities**

A letter from the board of directors of the Company is set out on pages 7 to 23 of this circular. A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on pages 24 to 25 of this circular. A letter from Platinum Securities containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 41 of this circular.

The notice convening the extraordinary general meeting of the Company to be held at Tower B, Huaxing Building, 42 North Street, Xizhimen, Haidian District, Beijing, the PRC (100088) at 2:00 p.m. on 14 October 2005 (the “EGM”) is set out on pages 53 to 54 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.

* For identification purposes only.

26 September 2005

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“associates”	has the meanings 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, the shares of which are listed on GEM
“CSI”	China Search Inc., a company incorporated in the Cayman Islands with limited liability and owned as to 72% by HKHC, 7.5% by IDGLP and 20.5% by GC immediately prior to the HKHC Share Transfers
“CSI Group”	CSI and its subsidiary, namely Zhongsou
“CSI Investment”	the injection of capital into Zhongsou and the purchase of an equity interest in Zhongsou from WGQ by CSI
“CSI Shares”	ordinary shares of US\$0.00025 each in the issued share capital of CSI
“Directors”	the directors of the Company
“Efland”	Efland Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is held by Mr. Yin Xiaobing on trust for IDGLP
“Fidelity”	Fidelity Greater China Ventures Fund LP, a limited partnership established under the laws of Bermuda, and its affiliates, which are Independent Third Parties
“First Closing”	completion of the Share Transfer and tranche one of the Share Issuance and Series A Share Issuance
“First Closing Date”	on or before 31 October 2005 or such other date as CSI, HKHC, GC and the Investors may mutually agree upon
“Founders”	Mr. Chen Pei, the chief executive officer and a director of Zhongsou, and Mr. Chen Bo, the chief operation officer of Zhongsou

DEFINITIONS

“GC”	Global Cyberlinks Holdings Inc. (宇聯投資控股有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Ye Liang. It is an investment holding company and has no operation save for the holding of an equity interest in CSI as at the Latest Practicable Date
“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
“HKHC”	Hong Kong Huicong International Group Limited (香港慧聰國際集團有限公司), a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned subsidiary of the Company
“HKHC Share Transfer Agreement”	the conditional share transfer agreement entered into between HKHC and IDGLP on 19 August 2005
“HKHC Share Transfers”	transfers of CSI Shares between HKHC and IDGLP pursuant to the HKHC Share Transfer Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong GAAP”	the general accepted accounting principles in Hong Kong
“ICP Company”	Beijing Zhongsou Online Information Technology Co., Ltd. (北京中搜在綫信息技術有限公司), a limited liability company established under the laws of the PRC, beneficially owned by the Founders and set up solely for the purpose of the Share Purchase Agreement
“IDG”	International Data Group, Inc., a corporation incorporated under the Laws of the Commonwealth of Massachusetts of the United States of America
“IDGLLC”	IDG Technology Venture Investments, LLC, a limited liability company established under the Laws of the State of Delaware of the United States of America
“IDGLP”	IDG Technology Venture Investments, LP, a limited partnership established under the Laws of the State of Delaware of the United States of America, comprising two partners being IDGVC as limited partner and IDGLLC as sole general partner

DEFINITIONS

“IDGLP and GC Transactions”	<ul style="list-style-type: none">(i) the proposed issue of up to 5,142,857 Series A Shares by CSI to IDGLP, being part of the Series A Share Issuance, pursuant to the Share Purchase Agreement;(ii) the proposed disposal of 2,500,000 CSI Shares to IDGLP and 15,000,000 CSI Shares to GC by HKHC, being part of the Share Transfer, pursuant to the Share Purchase Agreement;(iii) the proposed issuance of 625,000 CSI Shares to IDGLP and 3,750,000 CSI Shares to GC by CSI, being part of the Share Issuance, pursuant to the Share Purchase Agreement; and(iv) the HKHC Share Transfers
“IDGVC”	IDG Technology Venture Investment, Inc., a corporation incorporated under the Laws of the Commonwealth of Massachusetts of the United States of America, which is a wholly owned subsidiary of IDG
“Independent Board Committee”	a board committee, comprising the independent non-executive Directors who are not interested in the IDGLP and GC Transactions, established to advise the Independent Shareholders in respect of the terms of the IDGLP and GC Transactions
“Independent Shareholders”	the Shareholders other than IDGVC and its associates
“Independent Third Parties”	parties who are independent from and not connected with any of the Directors, chief executive, substantial shareholders (as defined under the GEM Listing Rules) or management shareholders (as defined under the GEM Listing Rules) of the Company or any of their respective associates
“Investors”	Fidelity, Legend and IDGLP collectively
“Latest Practicable Date”	22 September 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Legend”	LC Fund II, a company incorporated in the British Virgin Islands with limited liability, which is an Independent Third Party
“Net PIG”	Net Personal Information Gateway, a desktop search software developed by Zhongsou
“New Shares”	7,500,000 CSI Shares to be issued pursuant to the Share Issuance

DEFINITIONS

“Performance Targets”	(i) Zhongsou generating at least US\$10.0 million (approximately HK\$78.0 million) in audited revenue; and (ii) Net PIG having at least 350,000 average daily peak concurrent users to be verified by a professional party to be agreed upon by the parties to the Share Purchase Agreement for the twelve complete months after the First Closing Date as stipulated in the Share Purchase Agreement
“Platinum Securities”	Platinum Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the IDGLP and GC Transactions
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	30,000,000 CSI Shares owned by HKHC as at the Latest Practicable Date
“Second Closing”	completion of tranche two of the Share Issuance and, subject to the investors exercising their rights to subscribe, tranche two of the Series A Share Issuance
“Second Closing Date”	as soon as practicable following the first anniversary of the First Closing Date or such other date as CSI, HKHC, GC and the Investors may mutually agree upon
“Series A Shares”	convertible preferred shares of CSI each convertible into CSI Shares at any time, none of which are issued and outstanding as at the Latest Practicable Date. Each Series A Share would carry one vote for each CSI Share issuable upon its conversion. Initially, each Series A Share is convertible into one CSI Share
“Series A Share Issuance”	the proposed issuance of the Series A Shares by CSI to the Investors pursuant to the Share Purchase Agreement
“Share Issuance”	the proposed issuance of the New Shares by CSI to the Investors pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the conditional share purchase agreement entered into, among others, CSI, Zhongsou, HKHC, GC and the Investors on 19 August 2005

DEFINITIONS

“Share Transfer”	the proposed disposal of the Sale Shares by HKHC to the Investors and GC pursuant to the Share Purchase Agreement
“Shareholder Loan”	the loan to be extended to CSI by HKHC pursuant to the Share Purchase Agreement
“Shareholders”	the shareholders of the Company
“Shares”	the ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tranche One Transactions”	the HKHC Share Transfer, the Share Transfer, tranche one of the Share Issuance, Series A Share Issuance and CSI Investment
“Tranche Two Transactions”	tranche two of the Share Issuance, Series A Share Issuance and CSI Investment
“Transactions”	the Share Transfer, the Share Issuance, the Series A Share Issuance and the HKHC Share Transfer
“Undertaking”	the undertaking made by IDGLP to HKHC on 8 February 2004, pursuant to which IDGLP undertook to dispose of all of its equity interests in Zhongsou if Zhongsou engages in any fund raising exercise
“US\$”	United States dollars, the lawful currency of the United States of America
“WGQ”	Beijing Wanguoqiao Network Culture Broadcasting Co., Ltd. (北京萬國橋網絡文化傳播有限公司), a limited liability company established in the PRC, which is owned as to 80% by China Internet Information Center (中國互聯網新聞中心) and as to 20% by Beijing’s Window Culture Development Company (北京之窗文化發展公司), which is wholly owned by The Service Center of China Foreign Language Publication Business Bureau (中國外文出版發行事業局服務中心), both of them are organizations managed by the State Council Information Office of the PRC (中國國務院新聞辦公室)

DEFINITIONS

“Zhongsou” Beijing Zhongsou Zaixian Software Co., Ltd. (北京中搜在綫軟件有限公司), a sino-foreign equity joint venture established in the PRC on 28 May 2003, owned as to 80% by CSI and 20% by WGQ immediately prior to the First Closing Date

“%” per cent.

Unless otherwise specified in this circular and for the purpose of illustration only, US\$ and RMB are translated to HK\$ at the rates of US\$1.00 = HK\$7.80 and HK\$1.00 = RMB1.04, respectively. No representation is made that any amounts in US\$ or RMB have been or could be converted at the above rate or at any other rates or at all.



HC INTERNATIONAL, INC.

慧聰國際資訊有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8292)

Executive Directors:

Guo Fansheng (*Chief Executive Officer*)

Wu Ying

Lai Sau Kam, Connie

Non-executive Directors:

Hugo Shong (*Non-executive Chairman*)

Yang Fei

Independent Non-executive Directors:

Zhang Ke

Xiang Bing

Guo Wei

Registered Office:

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George Town

Grand Cayman

Cayman Islands

British West Indies

Head Office and Principal

Place of Business:

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42 North Street

Xizhimen Haidian District

Beijing

The People's Republic of China

26 September 2005

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS
AND
CONNECTED TRANSACTIONS
RELATING TO A PROPOSED DISPOSAL BY HKHC OF A SUBSIDIARY
AND A PROPOSED INVESTMENT BY THE INVESTORS
IN SUCH SUBSIDIARY**

INTRODUCTION

On 19 August 2005, HKHC, CSI, GC, and the Investors, among others, entered into the Share Purchase Agreement, under which the following key transactions are contemplated:

- (i) Share Transfer: HKHC agreed to sell and each of the Investors and GC agreed, severally and not jointly, to acquire the Sale Shares at a total consideration of US\$3.6 million (approximately HK\$28.1 million) in cash;

* For identification purposes only.

LETTER FROM THE BOARD

- (ii) Share Issuance: CSI agreed to issue and each of the Investors and GC agreed, severally and not jointly, to subscribe the New Shares in two tranches, at a total consideration of US\$0.9 million (approximately HK\$7.0 million) in cash; and
- (iii) Series A Share Issuance: CSI agreed to issue and each of the Investors agreed, severally and not jointly, to subscribe the Series A Shares at a total consideration of US\$6.5 million (approximately HK\$50.7 million) on the First Closing Date; and subject to fulfilment of the Performance Targets by the CSI Group, the Investors have the right to subscribe additional Series A Shares at a total consideration of US\$2.5 million (approximately HK\$19.5 million) on the Second Closing Date.

On the same date, HKHC and IDGLP entered into the HKHC Share Transfer Agreement, pursuant to which, HKHC will transfer, on a net basis, 4,000,000 CSI Shares (representing 5.0% equity interest in CSI) to IDGLP for a net consideration of US\$1.14 million (approximately HK\$8.89 million) in cash on the First Closing Date. Completion of the HKHC Share Transfers are conditional upon completion of the Share Transfer, and tranche one of the Share Issuance and the Series A Share Issuance.

The purpose of this circular is to provide you with further details of the Transactions, the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the IDGLP and GC Transactions and the advice from Platinum Securities to the Independent Board Committee and the Independent Shareholders, and to seek your approval of the proposed resolutions set out in the notice convening the EGM.

THE SHARE PURCHASE AGREEMENT

Date: 19 August 2005

Parties: CSI
Zhongsou
HKHC
Investors
Founders
GC
ICP Company
Ms. Ye Liang, the sole shareholder of GC as at the Latest Practicable Date

LETTER FROM THE BOARD

1. Share Transfer

CSI Shares to be transferred and consideration

HKHC agreed to sell and each of the Investors and GC agreed, severally and not jointly, to acquire 30,000,000 CSI Shares at US\$0.12 (approximately HK\$0.936) per CSI Share for a total consideration of US\$3.6 million (approximately HK\$28.1 million) as follows:

	Number of CSI Shares	Approximate percentage of existing share capital of CSI as at the Latest Practicable Date	Consideration	
			(US\$)	(HK\$ equivalent)
Fidelity	8,333,333	10.42%	1,000,000	7,800,000
Legend	4,166,667	5.21%	500,000	3,900,000
IDGLP	2,500,000	3.12%	300,000	2,340,000
GC	15,000,000	18.75%	1,800,000	14,040,000
	<u>30,000,000</u>	<u>37.50%</u>	<u>3,600,000</u>	<u>28,080,000</u>

Payment terms

The consideration is payable in cash by each of the Investors and GC to HKHC in two installments. The first installment of US\$2 million (approximately HK\$15.6 million) is payable in proportion to the respective equity interest in CSI to be acquired by each of the Investors and GC on the First Closing Date while the remainder is payable on the date that is the earlier of (i) the Second Closing Date and (ii) the first anniversary of the First Closing Date.

LETTER FROM THE BOARD

Deposit

The Investors and GC are required to make a deposit in the amount of US\$2 million (approximately HK\$15.6 million) with HKHC for the Sale Shares within one working day of the execution and delivery of the Share Purchase Agreement. The amounts payable for the first installment by the Investors and GC, respectively, for the Sale Shares will be set off against such deposits. The deposits shall be refunded by HKHC upon the termination of the Share Purchase Agreement. As at the Latest Practicable Date, the Investors and GC have paid the deposit as follows:

	Deposit	
	(US\$)	(HK\$ equivalent)
Fidelity	555,555	4,333,329
Legend	277,778	2,166,668
IDGLP	166,667	1,300,003
GC	1,000,000	7,800,000
	<u>2,000,000</u>	<u>15,600,000</u>

2. Share Issuance

New CSI Shares to be issued and consideration

CSI agreed to issue and each of the Investors and GC agreed, severally and not jointly, to subscribe 7,500,000 CSI Shares at US\$0.12 (approximately HK\$0.936) per CSI Share for a total consideration of US\$0.9 million (approximately HK\$7.0 million) in two tranches, each occurring on the First Closing Date and the Second Closing Date, respectively, as follows:

	TRANCHE ONE				Consideration	
	Approximate percentage of					
	Number of	share capital of CSI			(US\$)	(HK\$
		Existing	As enlarged by	As enlarged by		
CSI Shares	Existing	As enlarged by	As enlarged by	and Series	and Series	and Series
		Existing	As enlarged by	As enlarged by	A Shares	A Shares
			As enlarged by	As enlarged by		A Shares
			As enlarged by	As enlarged by		A Shares
Fidelity	1,157,407	1.45%	1.38%	1.09%	138,889	1,083,334
Legend	578,704	0.72%	0.69%	0.54%	69,444	541,663
IDGLP	347,222	0.43%	0.41%	0.32%	41,667	325,003
GC	2,083,333	2.61%	2.47%	1.96%	250,000	1,950,000
	<u>4,166,666</u>	<u>5.21%</u>	<u>4.95%</u>	<u>3.91%</u>	<u>500,000</u>	<u>3,900,000</u>

LETTER FROM THE BOARD

TRANCHE TWO

Approximate percentage of
share capital of CSI

	Number of CSI Shares	As at First Closing Date	As enlarged by		Consideration	
			As enlarged by issue of the New Shares	As enlarged by issue of the New Shares and Series A Shares	(US\$)	(HK\$ equivalent)
Fidelity	925,926	0.87%	0.84%	0.78%	111,111	866,666
Legend	462,963	0.43%	0.42%	0.39%	55,556	433,337
IDGLP	277,778	0.26%	0.25%	0.24%	33,333	259,997
GC	1,666,667	1.57%	1.52%	1.41%	200,000	1,560,000
	<u>3,333,334</u>	<u>3.13%</u>	<u>3.03%</u>	<u>2.82%</u>	<u>400,000</u>	<u>3,120,000</u>

Payment terms

The considerations for tranche one and tranche two are payable on the First Closing Date and the Second Closing Date, respectively.

3. Series A Share Issuance

Series A Shares to be issued and consideration

CSI agreed to issue a maximum of 30,857,142 Series A Shares to the Investors at US\$0.291667 (approximately HK\$2.275) per Series A Share for a maximum consideration of US\$9.0 million (approximately HK\$70.2 million) in two tranches, each occurring on the First Closing Date and the Second Closing Date, respectively, as follows:

TRANCHE ONE

Approximate percentage of
share capital of CSI

	Number of Series A Shares	Existing	As enlarged by		Consideration	
			As enlarged by issue of the Series A Shares	As enlarged by issue of the New Shares and Series A Shares	(US\$)	(HK\$ equivalent)
Fidelity	12,380,952	15.48%	12.10%	11.62%	3,611,111	28,166,666
Legend	6,190,476	7.74%	6.05%	5.82%	1,805,556	14,083,337
IDGLP	3,714,286	4.64%	3.63%	3.49%	1,083,333	8,449,997
	<u>22,285,714</u>	<u>27.86%</u>	<u>21.78%</u>	<u>20.93%</u>	<u>6,500,000</u>	<u>50,700,000</u>

LETTER FROM THE BOARD

		TRANCHE TWO			Consideration	
		Approximate percentage of share capital of CSI				
		As				
		enlarged by				
		issue of the				
		New Shares				
		and Series				
		A Shares				
Number of Series A Shares	As at First Closing Date	As enlarged by issue of the Series A Shares	As enlarged by issue of the New Shares and Series A Shares	As enlarged by issue of the New Shares and Series A Shares	(US\$)	(HK\$ equivalent)
Fidelity	4,761,905	4.47%	4.14%	4.02%	1,388,889	10,833,334
Legend	2,380,952	2.24%	2.07%	2.01%	694,444	5,416,663
IDGLP	1,428,571	1.34%	1.24%	1.21%	416,667	3,250,003
	<u>8,571,428</u>	<u>8.05%</u>	<u>7.45%</u>	<u>7.24%</u>	<u>2,500,000</u>	<u>19,500,000</u>

Subject to the fulfillment of the Performance Targets by CSI Group, the Investors have the right to subscribe the Series A Shares in tranche two.

Payment terms

The considerations for tranche one and tranche two are payable on the First Closing Date and the Second Closing Date, respectively.

Adjustments

Pursuant to the Share Purchase Agreement, the parties to the Share Purchase Agreement agreed to set the current valuation of the CSI Group at US\$35.0 million (approximately HK\$273.0 million), which is subject to adjustments based on the Performance Targets. The valuation was determined after arm's length negotiations between the Company, the Investors and GC after taking into account (i) Zhongsou's unaudited revenue for the year ended 31 December 2004 of approximately RMB24.2 million (approximately HK\$23.3 million), (ii) the future growth potential in revenues of the CSI Group as well as (iii) the future growth potential of the public search engine industry in the PRC.

Each of the Investors must indicate its intention to participate in tranche two of the Series A Share Issuance in writing to CSI on or before the Second Closing Date. Should CSI Group not be able to meet the Performance Targets, the Investors may choose not to participate in tranche two of the Series A Share Issuance. Unless the Investors exercise their rights to participate in tranche two of the Series A Share Issuance on or before the Second Closing Date, the Investors shall be deemed to have waived such rights. The consideration of US\$6.5 million (approximately HK\$50.7 million) to be paid for tranche one of the Series A Share Issuance would not be subject to any adjustments.

If the Performance Targets are not met, valuation of the CSI Group would be adjusted downward to equate to the average of (i) 3.5 times the revenue generated by CSI Group and (ii) the product of US\$100 and the average daily peak concurrent users for Net PIG for the twelve months after the

LETTER FROM THE BOARD

First Closing Date, to a minimum of US\$25 million (approximately HK\$195 million). Should either CSI Group's revenue fall below US\$5 million (approximately HK\$39 million) or Net PIG's average daily peak concurrent users fall below 175,000, CSI Group's valuation would be adjusted to US\$25 million (approximately HK\$195 million).

Adjustments to valuation would be effected through the adjustment of the conversion price of the Series A Shares in accordance with the articles of association of CSI to be revised pursuant to certain terms in the Share Purchase Agreement. Initially at the issue of the Series A Shares, the conversion price is set to equal the price of the CSI Shares. Should CSI Group not meet the Performance Targets, the conversion price would be decreased to equate to the valuation as calculated using the above formula.

4. Basis of considerations

The respective considerations for the Sale Shares, New Shares and Series A Shares were determined after arm's length negotiations between the Company, the Investors and GC.

The considerations for the Sale Shares and New Shares of US\$0.12 (approximately HK\$0.936) each would be used for the purchase of existing effective equity interests in Zhongsou. As such, they were determined after taking into account Zhongsou's unaudited revenue for the year ended 31 December 2004 of approximately RMB24.2 million (approximately HK\$23.3 million). The price of each Sale Share and New Share is the same as that of each CSI Share transferred from HKHC to IDGLP under the HKHC Share Transfers. The consideration for the Series A Shares of US\$0.291667 (approximately HK\$2.275) each would be used for the future development of the CSI Group. As such, it was determined after taking into account (i) Zhongsou's unaudited revenue for the year ended 31 December 2004, (ii) the future growth potential in revenue of the CSI Group, and (iii) the future growth potential of the public search engine industry in the PRC.

According to independent research performed by Shanghai iResearch Co., Ltd., an independent research firm in the PRC specializing in internet data, statistics and analysis, annual revenues generated by the PRC public search engine industry has grown from approximately RMB120 million in 2001 to RMB1,250 million in 2004, and is expected to reach RMB5,620 million by 2007, representing a compound annual growth rate ("CAGR") of approximately 90%. The number of search requests in the PRC has also increased from approximately 24 million per day in December 2002 to approximately 188 million per day in December 2004, and is expected to reach 800 million per day by December 2007, representing a CAGR of approximately 102%.

With the funds raised from the Series A Share Issuance, CSI Group will allocate additional resources to develop its products and services, as well as increase marketing and promotional activities to raise product awareness.

Based on the factors accounted for during the negotiation process, the Directors, including the independent non-executive Directors, consider that (i) the total maximum consideration for the Sale Shares, New Shares and Series A Shares of US\$13.5 million (approximately HK\$105.3 million) and (ii) the terms of the Share Transfer, Share Issuance and the Series A Share Issuance are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

5. CSI Investment

After receiving the funds for the Share Issuance and Series A Share Issuance, CSI would inject capital into Zhongsou, as well as purchase a portion of WGQ's equity interest in Zhongsou. The CSI Investment is divided into two tranches, each taking place after the First Closing Date and the Second Closing Date. As a result, WGQ's equity interest in Zhongsou would be reduced from 20% to approximately 8.79% and further to 7.53%, and CSI's equity interest in Zhongsou would be increased from 80% to approximately 91.21% and further to 92.47%, upon the completion of each tranche of the CSI Investment. This transaction is contemplated under the Share Purchase Agreement and is subject to conditions stated below. CSI and WGQ will sign a separate agreement to determine the consideration for the transfer of Zhongsou's equity interest. Appropriate disclosure will be made in compliance with the GEM Listing Rules if and when required.

6. Shareholder Loan

HKHC would extend an interest-free loan of up to US\$3 million (approximately HK\$23.4 million) to CSI within 90 days after HKHC has received the deposit from the Investors and GC for the Sale Shares. The proceeds from the loan would be used to supplement CSI's working capital requirements. CSI would repay the loan in its entirety on the First Closing Date. This transaction is contemplated under the Share Purchase Agreement and is subject to conditions stated below. The other existing shareholders of CSI, namely IDGLP and GC, would not provide any such loans to CSI.

7. Conditions

The First Closing is conditional upon, among others, the following conditions:

1. the Company shall have obtained the necessary approvals to authorize, confirm and ratify the execution of the Share Purchase Agreement and the transactions contemplated under the agreement, as required by the Company's organizational documents and the GEM Listing Rules;
2. Investors shall have received from the Cayman Islands and PRC counsels to the CSI Group opinions in form and substance satisfactory to the Investors;
3. CSI shall have delivered to the Investors the shareholders agreement as referred to in the Share Purchase Agreement, duly executed by CSI and all other parties thereto;
4. each of the Investors and GC shall have executed and delivered, the loan agreement as referred to in the Share Purchase Agreement (the "GC Loan Agreement") whereby the Investors would extend to GC a loan for a principal amount of US\$2.25 million (approximately HK\$17.55 million) for GC's purchase of the Sale Shares;
5. each of the Investors and GC shall have executed and delivered, the share pledge agreement as referred to in the Share Purchase Agreement (the "Share Pledge Agreement") whereby GC would pledge all of the CSI Shares to be acquired by and allotted to it as security pursuant to the GC Loan Agreement;

LETTER FROM THE BOARD

6. GC shall have delivered to the Investors the CSI Shares to be pledged pursuant to the Share Pledge Agreement; and
7. HKHC shall have extended the Shareholder Loan to CSI.

The Second Closing is conditional upon, among others, the Performance Targets having been audited, verified and delivered to the Investors to their satisfaction and CSI Group's valuation having been adjusted through the adjustment of the conversion price of the Series A Shares in accordance with the articles of association of CSI to be revised pursuant to certain terms in the Share Purchase Agreement.

Each of the Investors is entitled to waive conditions 2, 3, 5 and 6 for the First Closing and the condition for the Second Closing as disclosed above. However, a waiver by an Investor of any of such conditions would not constitute a waiver by other Investors.

Reasons for and benefits of the Share Transfer, the Share Issuance and the Series A Share Issuance

The Board considers the Share Transfer to be a part of the re-engineering of the Group's businesses, which will allow the Group to focus on being a leading business information services provider in the PRC through its expansion into other communication channels such as printed media, industry portal and other complimentary online products. The Group intends to divert its resources from public search engines to industry specific search engines, as the public search engine product line has underperformed when compared to other operations in the search engine and website construction segment since its inception and it requires considerable resources to develop.

The Board believes that the Investors will provide optimal resources, global expertise and exposure in the web search industry to facilitate the growth of the CSI Group, which will also be beneficial to the Group. Furthermore, the Share Issuance and the Series A Share Issuance would provide Zhongsou with the capital necessary to develop its products and services. The Board also believes that the consideration of the Share Transfer will enable the Group to strengthen its cash position. The Group will apply the net proceeds from the Share Transfer on the remaining business lines while at the same time standing to benefit from the potential success in the business of the CSI Group as a minority shareholder.

The Board believes that the terms of the Share Purchase Agreement, which were negotiated on an arm's length basis, are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

THE HKHC SHARE TRANSFER AGREEMENT

Date: 19 August 2005

Parties: HKHC
IDGLP

CSI Shares to be transferred and consideration:

- (i) IDGLP agreed to transfer to HKHC 6,000,000 CSI Shares (representing 7.5% equity interest in the existing share capital of CSI) at a consideration of RMB495,000 (approximately HK\$476,000); and
- (ii) HKHC agreed to transfer to IDGLP 10,000,000 CSI Shares (representing 12.5% equity interest in the existing share capital of CSI) at US\$0.12 (approximately HK\$0.936) per CSI Share for a consideration of US\$1.2 million (approximately HK\$9.4 million)

HKHC will transfer to IDGLP, on a net basis, 4,000,000 CSI Shares (representing 5.0% equity interest in CSI) at a net consideration of US\$1.14 million (approximately HK\$8.89 million). The consideration will be settled in two installments with the first installment of US\$800,000 (approximately HK\$6.24 million) to be paid within three days of the First Closing Date. The remainder will be paid on the first anniversary of the First Closing Date.

The consideration of the HKHC Share Transfers was determined after arm's length negotiations between the Company and IDGLP. The consideration for the transfer of 7.5% equity interest in the existing share capital of CSI from IDGLP to HKHC was provided in the Undertaking and represents a premium of 10% over the par value of the share capital of Zhongsou. The consideration for the transfer of 12.5% equity interest in the existing share capital of CSI from HKHC to IDGLP was determined after taking into account Zhongsou's unaudited revenue for the year ended 31 December 2004 of approximately RMB24.2 million (approximately HK\$23.3 million), which is the same as that for the Sale Shares and New Shares.

The Directors, including the independent non-executive Directors, consider that the terms of the HKHC Share Transfers are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Condition: The HKHC Share Transfers are conditional upon the completion of the Share Transfer and tranche one of the Share Issuance and the Series A Share Issuance.

Completion: Completion shall take place within three working days following the First Closing Date.

LETTER FROM THE BOARD

Reasons for the HKHC Share Transfers

Pursuant to the Undertaking, IDGLP undertook to dispose of its 8% effective equity interest in Zhongsou (equivalent to 10.0% equity interest in CSI) to GC and HKHC in the event that Zhongsou conducts a fund raising exercise. GC and HKHC would each receive 2% and 6% effective equity interest in Zhongsou, respectively. As the Share Purchase Agreement includes an injection of capital by the Investors into CSI, the sole operating subsidiary of which is Zhongsou (80% owned by CSI as at the Latest Practicable Date), IDGLP would dispose of 6.0% equity interest in Zhongsou (equivalent to 7.5% equity interest in CSI) to HKHC pursuant to the Undertaking. However, as the Company wishes to leverage IDGLP's expertise to develop Zhongsou's operations as well as taking a passive role in the management of Zhongsou, HKHC has agreed to transfer an effective 10.0% equity interest in Zhongsou (equivalent to 12.5% equity interest in CSI) to IDGLP.

SHAREHOLDING STRUCTURE

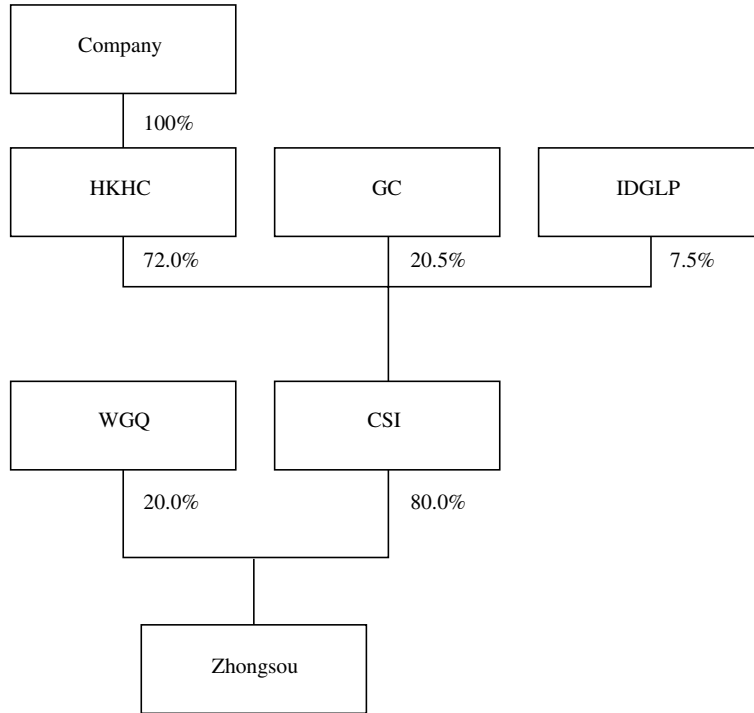
A summary table of the shareholding structure of CSI at different stages of the Transactions (assuming all Series A Shares converted into CSI Shares) is as follows:

	As at the Latest Practicable Date		Upon completion of the Tranche One Transactions		Upon completion of the Tranche Two Transactions			
	CSI Shares	%	CSI Shares	%	Assuming Series A Shares fully subscribed and valuation of CSI Group at US\$35 million (approximately HK\$273 million)		Assuming Series A Shares fully subscribed and valuation of CSI Group at US\$25 million (approximately HK\$195 million)	
	CSI Shares	%	CSI Shares	%	CSI Shares	%	CSI Shares	%
HKHC	57,600,000	72.00	23,600,000	22.17	23,600,000	19.94	23,600,000	18.06
Fidelity	–	–	21,871,692	20.55	27,559,523	23.29	34,416,666	26.33
Legend	–	–	10,935,847	10.27	13,779,762	11.64	17,208,333	13.17
IDGLP	6,000,000	7.50	16,561,508	15.56	18,267,857	15.43	20,325,000	15.55
GC	16,400,000	20.50	33,483,333	31.45	35,150,000	29.70	35,150,000	26.89
	<u>80,000,000</u>	<u>100.00</u>	<u>106,452,380</u>	<u>100.00</u>	<u>118,357,142</u>	<u>100.00</u>	<u>130,699,999</u>	<u>100.00</u>

LETTER FROM THE BOARD

The simplified group charts of the Company as at the Latest Practicable Date, upon completion of the Tranche One Transactions and the Tranche Two Transactions (assuming all series A Shares converted into CSI Shares) are as follows:

As at the Latest Practicable Date



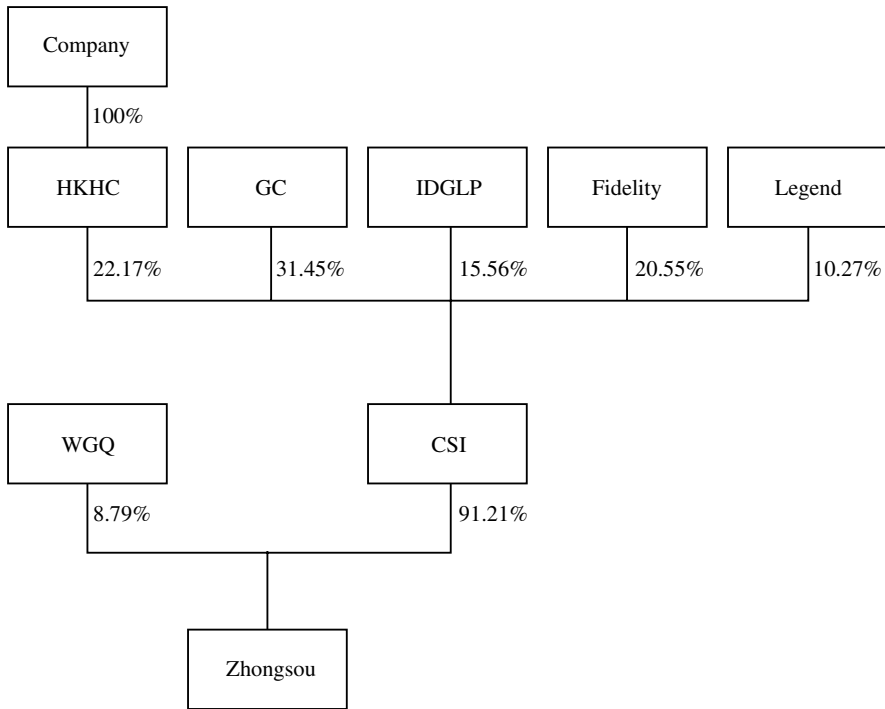
Note: Each of HKHC, GC and IDGLP has an approximate 57.60%, 16.40% and 6.00% effective equity interest in Zhongsou, respectively.

LETTER FROM THE BOARD

Tranche One Transactions

After the completion of the HKHC Share Transfers, the Share Transfer, and tranche one of the Share Issuance and Series A Share Issuance on the First Closing Date, the CSI Group will cease to be subsidiaries of the Company and will no longer be consolidated in the accounts of the Group.

The simplified group chart of the Company immediately following the completion of the Tranche One Transactions is as follows:

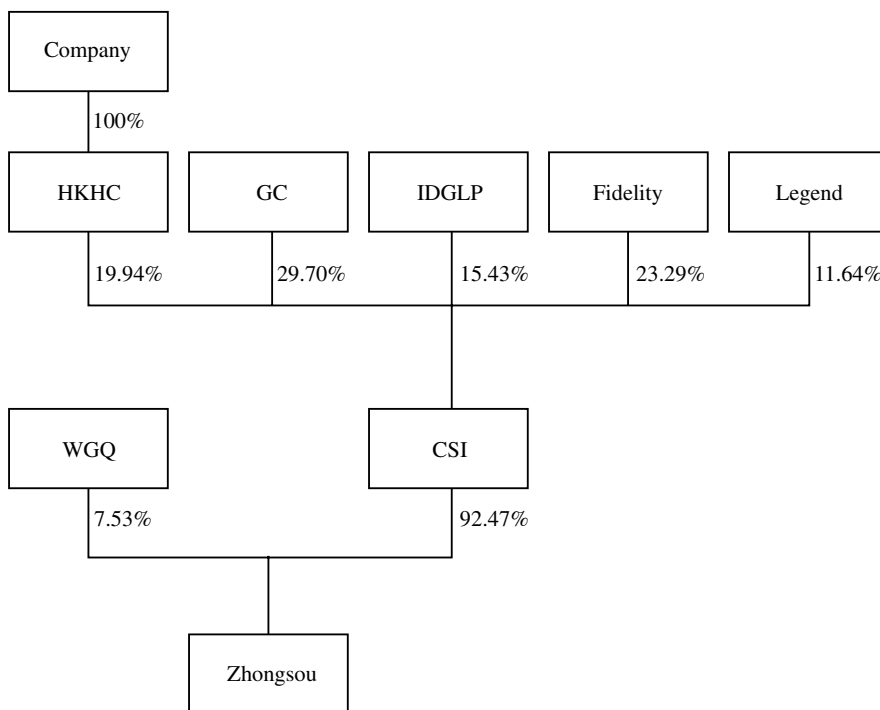


Note: Each of HKHC, GC, IDGLP, Fidelity and Legend will own an approximate 20.22%, 28.69%, 14.19%, 18.74% and 9.37% effective equity interest in Zhongsou, respectively.

LETTER FROM THE BOARD

Tranche Two Transactions

The simplified group chart of the Company immediately following the completion of the Tranche Two Transactions (assuming Series A Shares fully subscribed and valuation of CSI Group at US\$35 million (approximately HK\$273 million)) is as follows:



Note: Each of HKHC, GC, IDGLP, Fidelity and Legend will own an approximate 18.44%, 27.46%, 14.27%, 21.53% and 10.77% effective equity interest in Zhongsou, respectively.

INFORMATION ABOUT THE GROUP

The Group is one of the leading business information services providers in the PRC. The Group aims to provide a platform to facilitate the matching of buyers and sellers in commercial transactions and to assist business decision making by providing different communication channels to disseminate and/or receive business information.

Currently, the Group provides business information through four main types of communication channels: (i) industry portals, trade catalogues and yellow page directories, (ii) search engine and web site construction services, (iii) television and print periodicals and (iv) market research and analysis.

Upon the completion of the disposal of the CSI Group, which provides public search engine services, the Group will remain focused on carrying out its other existing principal businesses. The assets to be disposed form part of the Group's search engine services and web site construction business.

LETTER FROM THE BOARD

INFORMATION ABOUT CSI GROUP

CSI was formed solely to acquire and hold equity interest in Zhongsou, and has not engaged in any business save for holding an equity interest in Zhongsou. CSI had no business or asset and did not own any equity interest in Zhongsou as at 31 December 2004. As such, the only financial information available for CSI Group for the year ended 31 December 2004 is that for Zhongsou.

Zhongsou, the sole operating subsidiary of CSI, is a Chinese web search service provider based in the PRC. In addition, Zhongsou provides a downloadable desktop search application, Net PIG, which can be personalized to perform searches according to an individual user's preferences. Zhongsou currently derives revenues from charging advertising clients for placement in search results.

Based on the unaudited financial statements prepared in accordance with Hong Kong GAAP, Zhongsou recorded net losses before and after tax of approximately RMB1.45 million (approximately HK\$1.39 million) for the year ended 31 December 2003 and net profit before and after tax of approximately RMB1.17 million (approximately HK\$1.13 million) for the year ended 31 December 2004. Zhongsou had net liabilities of approximately RMB0.5 million (approximately HK\$0.48 million) and net assets of RMB7.2 million (approximately HK\$6.9 million) as at 31 December 2003 and 2004, respectively.

INFORMATION ABOUT THE INVESTORS

Fidelity

Fidelity is a limited partnership organized under the laws of Bermuda. It focuses on early-stage investment in information technology and telecommunication industries in Asia, especially in the Greater China region, which for the purposes of this circular includes the PRC, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan.

Legend

Legend is an independent venture capital subsidiary of Legend Holdings Ltd. focused on driving high-growth IT investments in China and China-related companies at the start-up and expansion stages.

To the best of the knowledge, information and belief of the Board, and having made all reasonable enquiries, Fidelity, Legend and their ultimate beneficial owners are Independent Third Parties.

IDG

IDG is one of the world's leading information technology, media, research and event companies. IDG's products and services portfolio spans six key areas including print publishing, online publishing, events and conferences, market research, education and training, and global marketing solutions.

LETTER FROM THE BOARD

IDGLP has two partners being IDGVC, which owns approximately 15.74% equity interest in the Company, and IDGLLC. Furthermore, IDGVC appointed two non-executive Directors to the Board. Therefore, IDGLP, which indirectly owns an approximate 3.57% equity interest in the Company through Efland, its wholly owned subsidiary as at the Latest Practicable Date, is deemed to be a management shareholder of the Company and is, therefore a connected person.

FINANCIAL EFFECTS OF THE TRANSACTIONS

Upon completion of the HKHC Share Transfers and the Share Transfer, the Group is expected to record a gain amounting to approximately RMB26.3 million (approximately HK\$25.3 million) taking into account the unaudited net asset value of the CSI Group, which amounted to approximately RMB7.2 million (approximately HK\$6.9 million) as at 31 December 2004 and a write-off of approximately RMB9.7 million (approximately HK\$9.3 million) of amounts due to HKHC from Zhongsou. Such gain is subject to adjustment and review by PricewaterhouseCoopers, the auditors of the Company. As at 4 April 2005, Zhongsou had on its books an unaudited amount due to HKHC of approximately RMB24.7 million (approximately HK\$23.8 million). Pursuant to the Share Purchase Agreement, the Investors have agreed to take up a balance of up to RMB15 million (approximately HK\$14.4 million) of the total amount due to HKHC. As a result, HKHC will write off approximately RMB9.7 million (approximately HK\$9.4 million) of the amount due from Zhongsou from its books because HKHC, being CSI Group's majority shareholder as at the Latest Practicable Date, has agreed to bear a portion of Zhongsou's historical costs and outlays. Total assets and total liabilities of the Group are both expected to decrease upon completion of the Transactions, resulting in a net increase in net assets.

USE OF PROCEEDS FROM THE HKHC SHARE TRANSFERS AND THE SHARE TRANSFER

The net proceeds in the amount of approximately HK\$33.5 million, being the cash consideration for the HKHC Share Transfers in the amount of US\$1.14 million (approximately HK\$8.9 million) and for the Share Transfer of US\$3.6 million (approximately HK\$28.1 million), net of transaction expenses in the amount of approximately HK\$3.5 million, are intended to be utilized as to approximately 30% on expanding the Group's existing fast-growing industry portal business by exploring overseas markets and pursuing mergers and acquisitions when opportunities arise, and enhancing its complimentary on-line products and services by increasing the Group's budget for products research and developments. Approximately 70% of the net proceeds will be used as general working capital of the Group. To the extent that the net proceeds received by HKHC are not immediately applied for the above purposes, it is the present intention of the Board that the net proceeds will be deposited in an interest bearing account with a licensed bank in Hong Kong.

EGM

IDGLP has two partners being IDGVC, which owns approximately 15.74% equity interest in the Company as at the Latest Practicable Date, and IDGLLC. Furthermore, IDGVC appointed two non-executive Directors to the Board. Therefore, IDGLP, which indirectly owns an approximate 3.57% equity interest in the Company through Efland, its wholly owned subsidiary as at the Latest Practicable Date, is deemed to be a management shareholder of the Company and is, therefore a connected person.

GC, which owns 20.5% equity interest in CSI as at the Latest Practicable Date, is also a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, HKHC has a 72.0% equity interest in CSI. Upon the completion of the above transactions, HKHC's equity interest in CSI would be reduced to approximately 19.94%. As such, the Share Issuance and the Series A Share Issuance would result in dilution of interest and is treated as a deemed disposal by the Company under Rule 19.29 of the GEM Listing Rules.

As the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Transactions exceed 5% but are below 25%, the Transactions constitute a discloseable transaction for the Company under the GEM Listing Rules. Given that IDGLP and GC are connected persons to the Company, the IDGLP and GC Transactions (being part of the Transactions) constitute a connected transaction for the Company pursuant to Rule 20.13 of the GEM Listing Rules. Accordingly, the IDGLP and GC Transactions are subject to approval of the Independent Shareholders by poll at the EGM. In accordance with the GEM Listing Rules, IDGVC, which holds approximately 15.74% of the Shares, and its associates will abstain from voting on the resolution to approve the IDGLP and GC Transactions and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

Set out on pages 53 to 54 is a notice convening the EGM to be held at Tower B, Huaxing Building, 42 North Street, Xizhimen, Haidian District, Beijing, the PRC (100088) at 2:00 p.m. on 14 October 2005 for the purpose of considering and, if thought fit, passing the resolution in respect of the IDGLP and GC Transactions.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting if you so wish.

RECOMMENDATION

After taking into account factors including the considerations, reasons for and benefits of, and the financial effects of the Transactions, the Board is of the opinion that the terms of the Transactions are fair and reasonable and the Transactions is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the IDGLP and GC Transactions.

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee and the letter from Platinum Securities contained in this circular and the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Guo Fansheng

Chief Executive Officer and Executive Director



HC INTERNATIONAL, INC.

慧聰國際資訊有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8292)

Independent Non-executive Directors:

Zhang Ke

Xiang Bing

Guo Wei

26 September 2005

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the circular dated 26 September 2005 (the “Circular”) of HC International, Inc. (the “Company”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Under the GEM Listing Rules, the IDGLP and GC Transactions are required to be approved by the Independent Shareholders at the EGM. We being the independent non-executive Directors have been appointed to form the Independent Board Committee to advise you as to whether the terms of the IDGLP and GC Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Platinum Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of IDGLP and GC Transactions.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 23 of the Circular and the letter from Platinum Securities as set out on pages 26 to 41 of the Circular which contains, inter alia, its advice and recommendations to us and the Independent Shareholders regarding the terms of the IDGLP and GC Transactions and the principal factors and reasons taken into consideration for its advice and recommendations.

* For identification purposes only.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendations of Platinum Securities, we consider that the terms of the IDGLP and GC Transactions are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the IDGLP and GC Transactions.

Yours faithfully,
For and on behalf of the
Independent Board Committee
Zhang Ke
Independent Non-Executive Director

LETTER FROM PLATINUM



PLATINUM Securities Company Limited

22/F Standard Chartered Bank Building
4 Des Voeux Road, Central
Hong Kong

Telephone (852) 2841 7000
Facsimile (852) 2522 2700

26 September 2005

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the IDGLP and GC Transactions, details of which are contained in the letter from the Board as set out in the circular dated 26 September 2005 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the IDGLP and GC Transactions are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In formulating our opinion, we have relied on the information and facts supplied by the Company. We have reviewed, among other things: (i) the Share Purchase Agreement; (ii) the HKHC Share Transfer Agreement, (iii) the interim report of the Company for the six months ended 30 June 2005 and the annual reports of the Company for the two years ended 31 December 2004; and (iv) the unaudited management accounts of Zhongsou for the two years ended 31 December 2004. We have also discussed with management of the Group of its plans and prospects of the provision of public search engine services.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material aspects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular.

We have no reason to suspect that such information is inaccurate or that any material facts have been omitted or withheld from the information supplied or opinions expressed in the Circular. In line with normal practice, we have not, however, conducted a verification process of the business and affairs of the Group. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the IDGLP and GC Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in relation to the IDGLP and GC Transactions and giving our independent financial advice to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors:

A. Reasons for and benefits of the IDGLP and GC Transactions:

1. Background of the IDGLP and GC Transactions

On 19 August 2005, the Board announced that HKHC, CSI, GC and the Investors, among others, entered into the Share Purchase Agreement. The details of the IDGLP and GC Transactions which form part of the Transactions are as follows:

- (i) The proposed issue of up to 5,142,857 Series A Shares by CSI to IDGLP, being part of the Series A Share Issuance, pursuant to the Share Purchase Agreement;
- (ii) The proposed disposal of 2,500,000 CSI Shares to IDGLP and 15,000,000 CSI Shares to GC by HKHC, being part of the Share Transfer, pursuant to the Share Purchase Agreement; and
- (iii) The proposed issuance of 625,000 CSI Shares to IDGLP and 3,750,000 CSI Shares to GC by CSI, being part of the Share Issuance, pursuant to the Share Purchase Agreement.

On the same date, HKHC and IDGLP also entered into the HKHC Share Transfer Agreement.

As at the date of the Announcement, one of the shareholders of IDGLP, IDGVC, owns approximately 15.74% equity interest in the Company and appointed two non-executive Directors to the Board. Therefore, IDGLP, which indirectly owns approximately 3.57% equity interest in the Company through Efland, its direct wholly owned subsidiary, is deemed to be a management shareholder of the Company and is, therefore a connected person of the Company.

In addition, GC, which is currently holding a 20.5% equity interest in CSI, is also deemed as a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules.

Therefore, the IDGLP and GC Transactions constitute connected transactions for the Company pursuant to Rule 20.13 of the GEM Listing Rules.

2. Business of the Company

The Company was incorporated in the Cayman Islands with limited liability, the Shares of which have been listing on GEM since 17 December 2003. The Company is engaged in the business to provide a platform to facilitate the matching of buyers and sellers in commercial transactions and to assist business decision making by providing different communication channels to disseminate and/or receive business information.

For the year ended 31 December 2004, revenue of the Group contributed by the provision of public web search engine services amounted to approximately RMB24.3 million (approximately HK\$23.4 million). Table 1 below sets out the percentage of revenue contributed by the search engine business for the three years ended 31 December 2004:

Table 1: Revenue contributed by the provision of search engine services of the Group from 2002 to 2004

	For the year ended 31 December		
	2002	2003	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total revenue of the Group	278,029	322,511	462,563
Revenue generated from the provision of public web search engine services	– ⁽¹⁾	– ⁽¹⁾	24,334
% of contribution to total revenue	–	–	5.26%
Revenue generated from the provision of industry specific search engine services	7,503	15,305	58,039
% of contribution to total revenue	2.70%	4.75%	12.55%

Note:

(1) Zhongsou commenced its operation on 4 July 2003.

Source: 2003 and 2004 unaudited management accounts of Zhongsou, Company's 2003 and 2004 annual reports and accounts and the Company's prospectus dated 8 December 2003.

As illustrated in Table 1 above, we note that the provision of public web search engine services of the Group only commenced operations in 2003 and began to generate revenue which accounted for approximately 5.26% of the Group's total revenue for the year ended 31 December 2004. Moreover, the revenue contribution from the public web search engine business to the Group's total revenue was smaller than the revenue contribution from the industry specific search engine business by approximately 7.29% in 2004.

LETTER FROM PLATINUM

3. *Business of CSI Group*

CSI is an investment holding company incorporated in the Cayman Islands with limited liability which has no operations save for holding of equity interest in Zhongsou. As such, the only financial information available for the CSI Group for the year ended 31 December 2004 is that for Zhongsou.

Zhongsou is a sino-foreign equity joint venture established in the PRC on 28 May 2003, which is owned as to 80% by CSI. It commenced its operation of provision of Chinese public web search engine service in the PRC since 4 July 2003. In addition, Zhongsou also provides a downloadable desktop search application – “Net Personal Information Gateway” (“Net PIG”). Its revenue is generated from charging clients for placing advertisements in search results.

Based on the unaudited management account of Zhongsou, it recorded a net loss after tax of approximately RMB1.45 million (approximately HK\$1.39 million) and a net profit after tax of approximately RMB1.17 million (approximately HK\$1.13 million) for the two years ended 31 December 2003 and 2004 respectively. Table 2 below illustrates the percentage of gross profit contributed by CSI Group to the Group through the provision of search engine services for the three years ended 31 December 2004:

Table 2: Gross profit contributed by the provision of search engine services of the Group from 2002 to 2004

	For the year ended 31 December		
	2002	2003	2004
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total gross profit of the Group	93,431	117,596	185,740
Gross profit generated from the provision of public web search engine services	– ⁽¹⁾	– ⁽¹⁾	23,089 ⁽¹⁾
% of contribution to total gross profit of the Group	–	–	12.43%
Gross profit generated from the provision of industry specific search engine services	5,244	12,273	39,036
% of contribution to total gross profit of the Group	5.61%	10.44%	21.02%

Notes:

(1) Zhongsou commenced its operation on 4 July 2003.

Source: 2003 and 2004 unaudited management accounts of Zhongsou, Company's 2003 and 2004 annual reports and accounts and the Company's prospectus dated 8 December 2003.

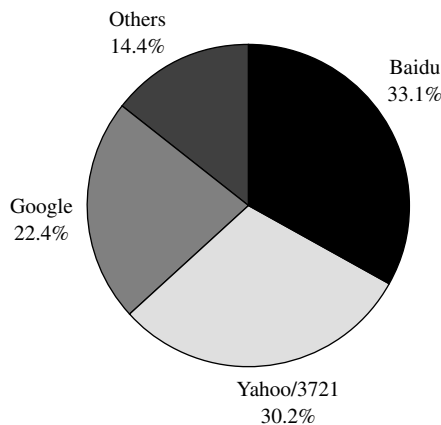
As shown in Table 2 above, the gross profit contributed by CSI Group accounted for approximately 12.43% of the Group’s gross profit for the year ended 31 December 2004. In light of this, we note that the gross profit contribution from the provision of public web search engine business to the Group’s total gross profit in 2004 was smaller than the gross profit contribution from the industry specific search engine business by approximately 8.59%.

4. Overview of public web search engine industry in the PRC

As stated in the letter from the Board, according to a research performed by Shanghai iResearch Co., Ltd. (“iResearch”), an independent research firm in the PRC specializing in Internet data, statistics and analysis, annual revenue generated by the PRC public web search engine industry has grown from approximately RMB120 million in 2001 to approximately RMB1,250 million in 2004, and is expected to reach approximately RMB5,620 million by 2007, representing a compound annual growth rate (“CAGR”) of approximately 90% from 2001 to 2007. Number of search requests in the PRC has also increased from approximately 24 million per day in December 2002 to approximately 188 million per day in December 2004, and is expected to reach approximately 800 million per day by December 2007, representing a CAGR of approximately 102%.

According to iResearch, the PRC public web search engine market was dominated by a few major market players. Chart 1 and Chart 2 below set out the distribution of public web search requests and revenue among the few major service providers in the PRC in 2004 respectively.

Chart 1: Distribution of search requests in the PRC public web search engine market in 2004

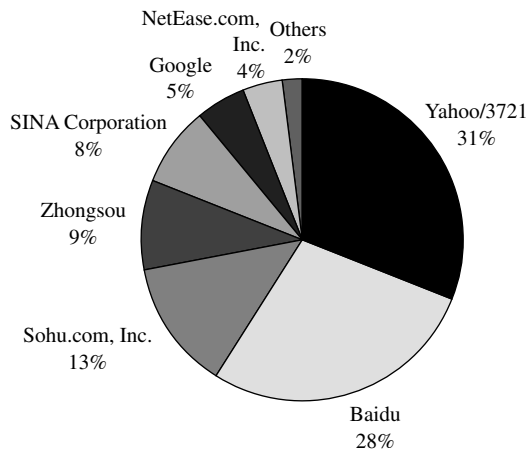


Source: iResearch

LETTER FROM PLATINUM

As shown in Chart 1 above, the percentage of number of search requests among Baidu.com, Inc. (“Baidu”), Yahoo! Inc. and 3721 Network Software Company Limited (“Yahoo/3721”), and Google Inc. (“Google”) were approximately 33.1%, 30.2% and 22.4% respectively which accounted for approximately 85.7% of the total number of search requests in the PRC public web search engine market in 2004. Zhongsou is comparatively small in the percentage of number of search requests in the PRC public web search engine market categorized under “Others”.

Chart 2: Distribution of revenue in the PRC public web search engine market in 2004



Source: *iResearch*

Chart 2 above illustrates the distribution of revenue generated by each of the public web search engine service provider in 2004. We note that Yahoo/3721, Baidu and Sohu dominated the revenue generated in this industry and accounted for approximately 31%, approximately 28% and approximately 13% respectively and approximately 72% in aggregate of the total revenue of the PRC public web search engine market whereas Zhongsou amounted to approximately 9% of the total revenue in 2004.

Given the competitive environment in the PRC public web search engine industry, it is likely that the market will continue to be dominated by a few major market players in the coming years. However, given the significant growth in the PRC public web search engine industry estimated by iResearch, the Company considers that there is growth potential for the CSI Group. In addition, as stated in the letter from the Board, the Board believes that the Investors will provide additional resources, global expertise and exposure in the web search engine industry to facilitate the growth of the CSI Group.

In light of the above, we concur with the view of the Board and consider that with the additional financial resources, market knowledge and expertise that will be brought from the Investors and given the estimated sizable growth of the PRC web public search engine industry, we are of the view that the CSI Group is likely to become more competitive in the market. Therefore, we consider that the Transactions are in the interest of the Company and the Shareholders as a whole.

5. *Long-term strategy of the Group*

According to the letter from the Board, the Group will focus on its expansion into other communication channels such as printed media, industry portal and other complimentary online products. As illustrated in Tables 1 and 2 above, the Group's industry specific search engine business had greater contributions to the Group, in terms of revenue and gross profit, in comparison to the public web search engine business. Therefore, the Group also intends to divert its resources from public web search engine business to industry specific search engine business.

Furthermore, the Board also believes that the Investors will provide optimal resources, global expertise and exposure in the public web search engine industry to facilitate the growth of the CSI Group which will be beneficial to the Group.

Referring to Table 2 in earlier section, we note that the Company's gross profits were approximately RMB93.4 million, approximately RMB117.6 million and approximately RMB185.7 million respectively for the three years ended 31 December 2004, which represent annual gross profit growth rates of approximately 25.9% and approximately 57.9% in 2003 and 2004 respectively. Given the substantial growth in the earnings of the Company and that the Group's industry specific search engine business outperformed the Group's public web search engine business, in terms of revenue and gross profit, we are of the view that the diversion of resources from public web search engine business to industry specific search engine business will impose a positive impact on the development of CSI Group.

As a result, we are of the opinion that the IDGLP and GC Transactions, are in line with the Company's long-term strategy of diverting its resources to develop its industry specific search engine and expanding into other communication channels in the PRC.

In light of the above, in particular:

- (i) the relative small weighting of the revenue generated from the provision of public web search engine services;
- (ii) the Group's public web search engine business had smaller contribution to the Group, in terms of revenue and gross profit, in comparison to the public web search engine business;
- (iii) the PRC public web search engine market being dominated by the major market players;
- (iv) the long-term strategy of the Group to divert its resources in industry specific search engine business; and
- (v) the positive impact that could be brought by the Investors,

we are of the view that the IDGLP and GC Transactions were entered into in the usual and ordinary course of business of the Company.

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B. Basis of the consideration of the IDGLP and GC Transactions

The total consideration for the IDGLP and GC Transactions is approximately HK\$41.1 million. Table 3 below illustrates the breakdown of the consideration.

Table 3: Breakdown of the total consideration for the IDGLP and GC Transactions

Transaction	Consideration of IDGLP Transaction HK\$ million	Consideration of GC Transaction HK\$ million	Total Consideration HK\$ million
Share Transfer	2.34	14.04	16.38
Share Issuance	0.59	3.51	4.10
Series A Share Issuance	11.70 ⁽¹⁾	n/a	11.70
HKHC Share Transfers	8.89	n/a	8.89
Total	23.52	17.55	41.07

Note:

(1) On the basis that IDGLP will fully subscribe for the Series A Shares in tranche two.

The IDGLP and GC Transactions are subject to the relevant terms and conditions of the Share Purchase Agreement and the HKHC Share Transfer Agreement. As stated in the letter from the Board, the considerations were determined after arm's length negotiations between the relevant parties of the IDGLP and GC Transactions.

In assessing the fairness and reasonableness of the consideration for the IDGLP and GC Transactions, we have considered the following:

1. Trading multiples of the Comparables

As Zhongsou is principally engaged in public search engine operation, we have screened through the entire list of publicly listed companies in operation in Hong Kong and the United States during the period from 1 July 2003 to the Latest Practicable Date. Based on the selection criteria below, we have identified a total of four publicly listed companies in Hong Kong and the United States, which are principally engaged in the public search engine industry in the PRC (the "Comparables"), and are comparable to Zhongsou's operation:

- (i) render Chinese language Internet search engine services;
- (ii) target at the PRC and Chinese worldwide-communities; and
- (iii) maintain a listing status on the Hong Kong Stock Exchange/ New York Stock Exchange/ NASDAQ Stock Market as at the Latest Practicable Date.

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Although the Comparables are in similar lines of business to Zhongsou, nevertheless, they may be different in operating conditions and development strategies from those of Zhongsou.

In our comparison, we have adopted price to earnings ratio (“PER”), price to revenue ratio (“PSR”) and price to net asset value ratio (“P/NAV”) as the evaluation parameters. Given that Zhongsou is engaged in the public search engine industry which is not capital intensive, we consider that the P/NAV might not be an accurate evaluation parameter for our analysis. However, for illustrative purpose, we have included the P/NAV multiples in our review.

The summary of the evaluation parameters of the Comparables as at the date of the announcement is set out in Table 4 below.

Table 4: Trading multiples of the Comparables

The Comparables	Place of listing	Price <i>HK\$</i>	PER ⁽⁴⁾	PSR ⁽⁵⁾	P/NAV ⁽⁶⁾
Baidu	United States	620.49	238.4	24.4	n/a ⁽¹⁾
SINA Corporation	United States	228.93	23.6	7.8	6.1
Sohu.com, Inc.	United States	148.51	19.4	6.7	6.4
Tom Online, Inc.	Hong Kong	1.37	21.8	6.0	3.1
Average			75.8	11.2	5.2
Maximum			238.4	24.4	6.4
Minimum			19.4	6.0	3.1

The IDGLP and GC Transactions

	PER ⁽⁷⁾	PSR ⁽⁸⁾	P/NAV ⁽⁹⁾
Share Transfer ⁽²⁾	136.3	5.2	22.0
Share Issuance ⁽²⁾	136.3	5.2	22.0
Series A Share Issuance – tranche two fully subscribed ⁽²⁾	236.6	9.1	38.3
Series A Share Issuance – tranche two not subscribed	269.8	10.4	43.6
HKHC Share Transfers ⁽²⁾	323.6	12.4	52.3
Weighted average of the IDGLP and GC Transactions^{(2), (3)}	205.4	7.9	33.2

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Notes:

- (1) The company was in a net-liability position.
- (2) Ratios computed on the basis that CSI has 130,699,999 issued ordinary shares on the assumptions that Series A Shares will be fully subscribed and converted into ordinary CSI Shares. The valuation of CSI Group is US\$25 million.
- (3) Ratios are weighted based on the considerations of the IDGLP and GC Transactions.
- (4) PER: closing price of share as at the announcement date to the latest published net profit of the Comparables.
- (5) PSR: closing price of share as at the announcement date to the latest published revenue of the Comparables.
- (6) P/NAV: closing price of share as at the announcement date to the latest published net asset value of the Comparables.
- (7) PER: consideration of the transaction to the attributable net profit in relation to the transaction.
- (8) PSR: consideration of the transaction to the attributable revenue in relation to the transaction.
- (9) P/NAV: consideration of the transaction to the attributable net asset value in relation to the transaction.

Source: Bloomberg, respective latest published annual report and accounts of the Comparables and the unaudited management accounts of Zhongsou for the year ended 31 December 2004.

(a) *PER:*

As shown in Table 4 above, the PER of the Comparables range from approximately 19.4 times to approximately 238.4 times with an average of 75.8 times. Based on the unaudited management accounts of Zhongsou for the year ended 31 December 2004, it registered a net profit of approximately RMB1.2 million (approximately HK\$1.1 million). Therefore, the consideration of the IDGLP and GC Transactions represents a PER range from approximately 136.3 times to approximately 323.6 times, which are higher than the average PER of the Comparables by up to approximately 326.9%.

In view of the above, we concur with the view of the Directors that the IDGLP and GC Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole on a PER basis.

(b) *PSR:*

As shown in Table 4 above, the PSR of the Comparables range from approximately 6.0 times to approximately 24.4 times with an average of 11.2 times. As Zhongsou recorded total revenue of approximately RMB24.3 million (approximately HK\$23.4 million) for the year ended 31 December 2004, the PSRs of (i) the Share Transfer; (ii) the Share Issuance; and (iii) the Series A Share Issuance, are lower than the average PSR of the Comparables. Meanwhile, the PSR of HKHC Share Transfers of approximately 12.4 times is approximately 10.7% higher than the average PSR of the Comparables, and the weighted average PSR of the IDGLP and GC Transactions exceeds three out of four PSRs of the Comparables. Moreover, the PSRs for the Series A Share Issuance and the HKHC Share Transfers, which accounted for the majority portion of the consideration of the IDGLP and GC Transactions, exceed the PSRs for three out of four of the Comparables including SINA Corporation, Sohu.com, Inc. and Tom Online, Inc.

In light of this, when considering the IDGLP and GC Transactions as a whole, we are of the opinion that the consideration of the IDGLP and GC Transactions are acceptable and generally in line with the PSRs of the Comparables. Therefore, we consider that the IDGLP and GC Transactions are reasonable and in the interest of the Company and the Shareholders as a whole on a PSR basis.

(c) *P/NAV:*

As illustrated in Table 4 above, the P/NAV of the Comparables range from approximately 3.1 times to approximately 6.4 times. Based on the unaudited management accounts of Zhongshou for the year ended 31 December 2004, the total amount of net assets was approximately RMB7.2 million (approximately HK\$6.9 million). Therefore, the consideration of the IDGLP and GC Transactions represents P/NAV range from approximately 22.0 times to approximately 52.3 times, which are higher than the average P/NAV of the Comparables by up to approximately 905.8%.

As stated in the section headed “Trading multiples of the Comparables”, we consider that P/NAV might not be a meaningful evaluation parameter in our analysis, and therefore, the above P/NAV analysis is for illustrative purpose only.

2. *The Recent Transactions*

Based on our review of the recent corporate transactions in the PRC search engine industry (the “Recent Transactions”), we have noted the following Recent Transactions which were completed during the period from January 2004 to the Latest Practicable Date. The key evaluation parameters of which are summarized in Table 5 below. The Recent Transactions were selected based on the following selection criteria:

- (i) the underlying asset(s) are principally engaged in public search engine industry;
- (ii) the underlying asset(s) renders Chinese language Internet search engine services;
- (iii) the underlying asset(s) target at the PRC and overseas Chinese communities;
- (iv) the nature of the transaction is either an acquisition/disposal of a privately-owned company or initial public offerings (“IPO”) of a private company; and
- (v) the details of the transaction are publicly available.

As public search engine industry is a very specific industry, corporate transaction of companies in this industry is limited. In order to perform a more informative and comprehensive analysis, we have also included transactions regarding public offering of companies in the public search engine industry for comparison purpose. We would like to highlight the fact that the structure of consideration for an acquisition/disposal of a privately owned company might be different from a public offering of a private company.

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In light of the above, the comparison of the IDGLP and GC Transactions with the Recent Transactions is for reference and illustrative purposes only. We have screened through the entire list of corporate transactions of the companies engaged in the public search engine industry in Hong Kong and the United States during the period from 1 January 2004 to the Latest Practicable Date. Based on the above selection criteria, we have identified a total of four Recent Transactions in our analysis.

The Recent Transactions provide an indicative market range and average for the key evaluation parameters for the purpose of comparing the terms of the Transactions.

Table 5: The Recent Transactions

Date of transaction	Place of listing	Asset(s) concern	Nature of transaction	PER⁽⁶⁾	PSR⁽⁷⁾	P/NAV⁽⁸⁾
January 2004	n/a ⁽⁵⁾	3721 Network Software Company Limited (“3721 NSC”)	Acquisition of 100% share capital of 3721 NSC by Yahoo! Inc.	11.2	3.2	3.6
March 2004	Hong Kong	Tom Online, Inc.	IPO	38.3	9.7	52.0
June 2004	United States	Baidu	Acquisition of 2.6% of Baidu by Google	n/a ⁽¹⁾	5.0	n/a ⁽²⁾
August 2005	United States	Baidu	IPO	75.2	8.1	n/a ⁽²⁾
Average				41.6	6.5	27.8
Maximum				75.2	9.7	52.0
Minimum				11.2	3.2	3.6

The IDGLP and GC Transactions⁽³⁾

	PER⁽⁹⁾	PSR⁽¹⁰⁾	P/NAV⁽¹¹⁾
Share Transfer	136.3	5.2	22.0
Share Issuance	136.3	5.2	22.0
Series A Share Issuance	236.6	9.1	38.3
HKHC Share Transfers	323.6	12.4	52.3
Weighted average of the IDGLP and GC Transactions⁽⁴⁾	205.4	7.9	33.2

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Notes:

- (1) The company was in a loss-making position.
- (2) The company was in a net-liability position.
- (3) Ratios computed on the basis that CSI has 130,699,999 issued ordinary shares based on the assumptions that Series A Shares will be fully subscribed and converted into ordinary CSI Shares. The valuation of CSI Group is US\$25 million.
- (4) Ratios are weighted based on the considerations of the IDGLP and GC Transactions.
- (5) 3721 NSC is not a listed company.
- (6) PER: consideration of the transaction to the latest published net profit attributable to shareholders of the underlying asset.
- (7) PSR: consideration of the transaction to the latest published revenue of the underlying asset.
- (8) P/NAV: consideration of the transaction to the latest published net asset value of the underlying asset.
- (9) PER: consideration of the transaction to the attributable net profit in relation to the transaction.
- (10) PSR: consideration of the transaction to the attributable revenue in relation to the transaction.
- (11) P/NAV: consideration of the transaction to the attributable net asset value in relation to the Transaction.

Source: China Daily, respective companies' prospectuses, published quarterly report, and annual reports and accounts of Zhongsou for the year ended 31 December 2004.

(a) *PER:*

As shown in Table 5 above, the PER of the Recent Transactions range from approximately 11.2 times to approximately 75.2 times with an average of 41.6 times. Based on the unaudited management accounts of Zhongsou for the year ended 31 December 2004, it registered a net profit of approximately RMB1.2 million (approximately HK\$1.1 million). Therefore, the consideration of the IDGLP and GC Transactions represents a PER range from approximately 136.3 times to approximately 323.6 times, which are higher than the average PER of the Recent Transactions by up to approximately 677.9%.

In view of the above, we concur with the view of the Directors that the IDGLP and GC Transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole on a PER basis.

(b) *PSR:*

As illustrated in Table 5 above, the PSR of the Recent Transactions range from approximately 3.2 times to approximately 9.7 times with an average of 6.5 times. As Zhongsou recorded a total revenue of approximately RMB24.3 million (approximately HK\$23.4 million) for the year ended 31 December 2004, the considerations of the Share Transfer and the Share Issuance both represent a PSR of approximately 5.2 times. Although the PSRs for the Share Transfer and the Share Issuance are lower than the average PSR of the Recent Transactions, they are within the PSR range of the Recent Transactions.

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The PSR of (i) the Series A Share Issuance; (ii) the HKHC Share Transfers; and (iii) the weighted average of the IDGLP and GC Transactions, range from approximately 7.9 times to approximately 12.4 times, which are higher than the average PSR of the Recent Transactions by up to approximately 90.8%. Moreover, the PSRs for the Series A Share Issuance and the HKHC Share Transfers, which accounted for the majority portion of the consideration of the IDGLP and GC Transactions, exceed three out of four of the PSRs of the Recent Transactions. In fact, the PSR of the HKHC Share Transfers exceed all of the four Recent Transactions.

In light of the above, when considering the IDGLP and GC Transactions as a whole, we are of the opinion that the IDGLP and GC Transactions are fair and reasonable, and in the interest of the Company and the Shareholders as a whole on a PSR basis.

(c) *P/NAV:*

As shown in Table 5 above, the average P/NAV as represented by the Recent Transactions is approximately 27.8 times. The consideration of the Share Transfer and Share Issuance represent P/NAV of approximately 22.0 times. Although the P/NAVs of the Share Transfer and Share Issuance are below the average P/NAV, they are within the P/NAV range of the Recent Transactions. We would like to highlight that the P/NAVs of: (i) the Series A Share Issuance; (ii) the HKHC Share Transfer; and (iii) the weighted average of the IDGLP and GC Transactions, which range from approximately 33.2 times to approximately 52.3 times, are higher than the average P/NAV of the Recent Transactions by up to approximately 88.1%. Moreover, as the two P/NAVs of the Recent Transactions represent a wide P/NAV range of approximately 3.6 times to approximately 52.0 times, we are of the opinion that these P/NAVs might not be useful for evaluation purpose.

As stated in the section headed “Trading multiples of the Comparables”, we consider that P/NAV might not be a meaningful evaluation parameter for our analysis. Therefore, the above P/NAV analysis is for illustrative purpose only.

In light of the above, based on the above-mentioned selection criteria, we are of the opinion that the IDGLP and GC Transactions, based on a comparison with the Comparables and Recent Transactions on a PER and PSR basis, are fair and reasonable, in the interest of the Company and the Shareholders as a whole and on normal commercial terms.

C. Other material terms of the IDGLP and GC Transactions

As the applicable percentage ratios under Rule 19.07 of the GEM Listing Rules in respect of the Transactions exceed 5% but are below 25%, the Transactions constitute a discloseable transaction for the Company under the GEM Listing Rules. Given that IDGLP and GC are connected persons to the Company, the IDGLP and GC Transactions (being part of the Transactions) constitute a connected transaction for the Company pursuant to Rule 20.13 of the GEM Listing. Accordingly, the IDGLP and GC Transactions are subject to approval of the Independent Shareholders by poll at the EGM. In accordance with the GEM Listing Rules, IDGVC, which holds approximately 15.74% of the Shares, and its associates will abstain from voting on the resolution to approve the IDGLP and GC Transactions and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

D. Financial impact of the Transactions**1. *Effects on assets and liabilities***

Upon the completion of the IDGLP and GC Transactions, the Group is expected to record a gain of approximately RMB26.3 million (approximately HK\$25.3 million) taking into account the unaudited net asset value of the CSI Group, which amounted to approximately RMB7.2 million (approximately HK\$6.9 million) as at 31 December 2004, and HKHC's write-off of approximately RMB9.7 million (approximately HK\$9.3 million) due from Zhongsou.

Based on the 2005 interim report of the Company, the Group's unaudited net asset value was approximately RMB347.1 million (approximately HK\$333.7 million) as at 30 June 2005, as such the IDGLP and GC Transactions will enhance the Group's asset value. Meanwhile, as the net proceeds of the IDGLP and GC Transactions are intended to be utilized on: (i) expanding the Group's existing fast-growing industry portal business by exploring overseas markets; (ii) pursuing mergers and acquisitions when opportunities arise; (iii) enhancing its complimentary on-line products research and developments; and (iv) used as general working capital of the Group, therefore, the IDGLP and GC Transactions will have no effect on the liabilities of the Group.

In light of this enhancement on the NAV and the NAV per Share as a result of the IDGLP and GC Transactions, we are of the opinion that the IDGLP and GC Transactions based on its effect on NAV of the Group are in the interests of the Company and the Shareholders as a whole.

2. *Effect on earnings*

As mentioned above, upon the completion of the IDGLP and GC Transactions, the Group is expected to recognize a gain of approximately RMB26.3 million (approximately HK\$25.3 million). The consolidated net profit after tax of the Group for the year ended 31 December 2004 was approximately RMB47.3 million. Upon completion of the IDGLP and GC Transactions, the earnings of the Group for the year ended 31 December 2005 will be enhanced as the Group will recognize a gain of approximately RMB26.3 million (approximately HK\$25.3 million).

Given the improvement in the earnings of the Group as a result of the IDGLP and GC Transactions, we are of the opinion that the IDGLP and GC Transactions, based on its effect on earnings of the Group, are in the interests of Company and the Shareholders as a whole.

3. *Effect on working capital*

As stated in the letter from the Board, the Group will receive net proceeds in the amount of approximately HK\$33.6 million from the IDGLP and GC Transactions. Based on the unaudited cash and bank balances, and unaudited working capital of the Group as at 30 June 2005 of approximately RMB82.9 million (approximately HK\$79.8 million) and approximately RMB209.7 million (approximately HK\$201.7 million) respectively, the Group's cash position and working capital level will be enhanced following the IDGLP and GC Transactions.

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In view of the above, we are of the opinion that the IDGLP and GC Transactions will improve the Group's working capital level and therefore are in the interests of the Company and the Shareholders as a whole.

In light of the above, in particular:

- (i) the positive impact of the IDGLP and GC Transactions on the asset value of the Group;
- (ii) the IDGLP and GC Transactions have no impact on the liabilities of the Group;
- (iii) the enhancement of the IDGLP and GC Transactions on the earnings of the Group for the year ended 31 December 2005; and
- (iv) the enhancement of IDGLP and GC Transactions on the working capital of the Group;

we are of the opinion that the IDGLP and GC Transactions are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors referred to above, we are of the view that the IDGLP and GC Transactions are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favor of the IDGLP and GC Transactions at the EGM. We also recommend the Independent Shareholders to vote in favor of the IDGLP and GC Transactions at the EGM.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Alvin Lai
Director

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Ross Cheung
Director – Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular, 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 enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(a) Directors' Long Positions in the Shares

Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding
Guo Fansheng	64,088,863	-	-	-	64,088,863	13.75%
Yang Fei	1,269,853	-	-	-	1,269,853	0.27%
Hugo Shong	1,269,853	-	-	-	1,269,853	0.27%
Wu Ying	1,538,602	-	-	-	1,538,602	0.33%
Lai Sau Kam, Connie	507,885	-	-	-	507,885	0.11%

(b) Directors' Short Positions in the Shares

None of the Directors had short positions in the Shares.

(c) Directors' Long Positions in the rights to acquire Shares

Name of grantee	Date of grant	Exercise price per Share <i>HK\$</i>	Number of share options				As at Latest Practicable Date
			As at 1 January 2005	Granted during the period	Exercised during the period	Cancelled during the period	
WU Ying	2 December 2003	0.44	1,015,872	-	(338,590)	-	677,282
WU Ying	18 February 2004	2.40	1,500,000	-	-	-	1,500,000
LAI Sau Kam, Connie	2 December 2003	0.44	1,523,808	-	(507,885)	-	1,015,923
LAI Sau Kam, Connie	18 February 2004	2.40	1,500,000	-	-	-	1,500,000

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the interest of substantial shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholder	Number of ordinary shares	Nature of Interests/Holding capacity	Percentage of shareholding
IDG Technology Venture Investment, Inc. (note 1)	73,331,954	Beneficial owner	15.74%
International Data Group, Inc. (note 1)	73,331,954	Interest in controlled corporation	15.74%
Callister Trading Limited (note 2)	40,000,384	Beneficial owner	8.58%
Li Jianguang (note 2)	40,000,384	Interest in controlled corporation	8.58%
McCarthy Kent C.	30,508,000	Beneficial owner	6.55%
Jayhawk China (Cayman), Ltd.	30,508,000	Interest in controlled corporation	6.55%

Notes:

1. IDG Technology Venture Investment, Inc. ("IDGVC") is beneficially owned by International Data Group, Inc.
2. Callister Trading Limited is beneficially owned by Mr. Li Jianguang.

4. SHARE OPTION SCHEMES

Pursuant to written resolutions of the shareholders of the Company dated 30 November 2003, two share option schemes, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), were adopted by the Company. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were summarised in the paragraph headed "Share options" under the section headed "Statutory and general information" in Appendix V of the prospectus of the Company dated 8 December 2003.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 36,049,735 Shares granted pursuant to the Pre-IPO Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per Share HK\$	Number of share options				As at Latest Practicable Date (Note 1)
			As at 1 January 2005	Granted during the period	Exercised during the period	Cancelled during the period	
<i>Directors</i>							
WU Ying	2 December 2003	0.44	1,015,872	–	(338,590)	–	677,282
LAI Sau Kam, Connie	2 December 2003	0.44	1,523,808	–	(507,885)	–	1,015,923
<i>Senior management</i>							
LEE Wee Ong, Alex	2 December 2003	0.44	2,666,664	–	(888,799)	–	1,777,865
CHEN Bo	2 December 2003	0.44	1,269,840	–	(423,238)	–	846,602
CHEN Pei	2 December 2003	0.44	3,174,600	–	–	–	3,174,600
GUO Jiang	2 December 2003	0.44	1,015,872	–	(338,590)	–	677,282
YAO Lin	2 December 2003	0.44	317,460	–	(105,809)	–	211,651
WU Xian	2 December 2003	0.44	698,412	–	(232,781)	–	465,631
WANG Chong	2 December 2003	0.44	6,298,406	–	(2,099,256)	–	4,199,150
WANG Yonghui	2 December 2003	0.44	5,917,454	–	(1,972,288)	–	3,945,166

Name of grantee	Date of grant	Exercise price per Share HK\$	Number of share options				As at Latest Practicable Date (Note 1)
			As at 1 January 2005	Granted during the period	Exercised during the period	Cancelled during the period	
<i>Ex-employees</i>							
FAN Qimiao	2 December 2003	0.44	7,111,104	-	-	-	7,111,104
GU Yuanchao	2 December 2003	0.44	3,777,774	-	-	-	3,777,774
<i>Consultant</i>							
Earl Ching-Hwa YEN	2 December 2003	0.44	1,206,348	-	(402,076)	-	804,272
<i>Other employees</i>							
In aggregate (Note 2)	2 December 2003	0.44	10,990,466	-	(3,625,033)	-	7,365,433
Total			<u>46,984,080</u>	<u>-</u>	<u>(10,934,345)</u>	<u>-</u>	<u>36,049,735</u>

Notes:

- Each option has a 10-year exercise period, which may be exercised after the expiry of 12 months from the date on which trading in the Shares first commenced on GEM (the "Listing Date"), being 17 December 2003. Commencing from the first, second and third anniversaries of the Listing Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised).
- There are 43 employees who have been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 10,990,466 Shares.

(b) Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 20,750,000 Shares granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per Share HK\$	Number of share options				As at Latest Practicable Date (Note 1)
			As at 1 January 2005	Granted during the period	Exercised during the period	Cancelled during the period	
<i>Directors</i>							
WU Ying	18 February 2004	2.40	1,500,000	-	-	-	1,500,000
LAI Sau Kam, Connie	18 February 2004	2.40	1,500,000	-	-	-	1,500,000
<i>Senior management</i>							
LEE Wee Ong, Alex	18 February 2004	2.40	1,500,000	-	-	-	1,500,000
CHEN Bo	18 February 2004	2.40	200,000	-	-	(200,000)	-
CHEN Pei	18 February 2004	2.40	200,000	-	-	(200,000)	-
GUO Jiang	18 February 2004	2.40	1,000,000	-	-	-	1,000,000
WU Xian	18 February 2004	2.40	240,000	-	-	(240,000)	-
WANG Chong	18 February 2004	2.40	3,400,000	-	-	-	3,400,000
<i>Other employees</i>							
In aggregate (Note 2)	18 February 2004	2.40	16,460,000	-	-	(4,610,000)	11,850,000
Total			<u>26,000,000</u>	<u>-</u>	<u>-</u>	<u>(5,250,000)</u>	<u>20,750,000</u>

Notes:

1. Each option has a 10-year exercise period, which may be exercised after the expiry of 12 months from the date of the granting of options (the "Offer Date"), being 18 February 2004. Commencing from the first, second and third anniversaries of the Offer Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised).
2. 329 employees have been granted options under the Share Option Scheme to acquire an aggregate of 16,460,000 Shares.

5. DIRECTORS INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group.

6. SPONSOR'S INTERESTS

Pursuant to the sponsorship agreement dated 8 December 2003 entered into between the Company and First Shanghai Capital Limited (the "Sponsor"), the Sponsor is entitled to receive an annual fee for acting as the Company's retained sponsor up to 31 December 2005.

As at the Latest Practicable Date, China Alpha Fund (a mutual fund managed by First Shanghai Fund Management Ltd.) and China Assets (Holdings) Limited, both being associates of the Sponsor, held 2,500,000 Shares and 534,000 Shares, respectively. First Shanghai Investment Limited, the holdings company of the Sponsor, held 6,000,000 Shares.

Save as disclosed above, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) has had any interests in the securities of the Company, including options or rights to subscribe for such securities.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance in the context of the Group as a whole and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. DIRECTORS' INTERESTS IN CONTRACTS

- (a) (i) Each of the executive directors, Mr. Guo Fansheng, Ms. Wu Ying and Ms. Lai Sau Kam, Connie, has entered into a director's service contract with the Company, whereby each of them has accepted the appointment as executive director of the Company for a term of three years from 30 November 2003 which may be terminated by either party giving three months' prior written notice or otherwise in accordance with the terms of the service contract; and

- (ii) each of the independent non-executive directors, Mr. Guo Wei, Mr. Xiang Bing and Mr. Zhang Ke, has entered into a director's service contract with the Company, whereby Mr. Guo Wei and Mr. Xiang Bing have accepted the appointment as independent non-executive director of the Company for a term of one year from 1 January 2004 while Mr. Zhang Ke has accepted the appointment for a term of one year from 28 March 2004, and the service contracts shall be renewed automatically at the end of the term. Either party may terminate the service contracts at any time by giving one month's prior written notice or in accordance with the term of the service contract.
- (b) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (c) As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

9. FINANCIAL POSITION

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest audited financial statements of the Company were made up.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinions in this circular:

Name	Qualification
Platinum Securities	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

As at the Latest Practicable Date, Platinum Securities did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

As at the Latest Practicable Date, Platinum Securities did not have any direct or indirect interest in any assets which have been since 31 December 2004, the date to which the latest published audited account of the Group were made up, acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.

Platinum Securities has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 26 September 2005 and the references to its name included herein in the form and context in which they respectively appear.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of Messr. Herbert Smith, at 23/F, Gloucester Tower, 11 Pedder Street, Central, Hong Kong on weekdays other than public holidays up to and including 12 October 2005.

- (a) the service contracts referred to in the section headed “Directors’ Interests in Contracts” in this Appendix;
- (b) the Undertaking;
- (c) the Share Purchase Agreement; and
- (d) the HKHC Share Transfer Agreement.

12. OTHER INFORMATION

- (a) The registered office of the Company is situated at 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The principal place of business of the Company is situated at Tower B, Huaxing Building, 42 North Street, Xizhimen, Haidian District, Beijing, the PRC (100088).
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The company secretary and qualified accountant of the Company is Ms. Lai Sau Kam, Connie, who is an associate member of The Association of Chartered Certified Accountants.
- (e) The compliance officer of the Company is Mr. Guo Fansheng, an executive director and the chief executive office of the Company.
- (f) The Company established an audit committee on 24 July 2003 (the “Audit Committee”) and has formulated its written terms of reference based on the guidelines set out in “A Guide for

the Formation of an Audit Committee” published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises a non-executive director, Mr. Yang Fei and two independent non-executive directors, Mr. Zhang Ke and Mr. Xiang Bing. Mr. Zhang Ke is the chairman of the Audit Committee. Further details of the members of the Audit Committee are set out below:

Mr. Yang Fei, aged 46, is a non-executive director, a vice president of in IDGVC, and a director of Guangdong Pacific Technology Co., Ltd. Mr. Yang worked as the Head of Listing Department of the Guangdong Securities Regulatory Commission, before joining IDGVC in 1997. He graduated from Guangzhou Zhongshan University where he obtained his bachelor of science degree in natural geography in 1982 and his master degree in environmental geography in 1989. Mr. Yang is one of the main researchers in the State’s key research project - China Regional Development Strategic Research and is experienced in regional economic development research. He has been working in the regulation of the securities business for many years and is familiar with the evolution and operation of the domestic securities market. He has extensive experience in capital operations, mergers and acquisitions, and financing through listings.

Mr. Zhang Ke, aged 51, is an independent non-executive director. Mr. Zhang is a certified public accountant in the PRC and is currently the chairman and managing partner of ShineWing Certified Public Accountants. He graduated from Renmin University of China in 1982 with a bachelor degree in economics majoring in industry economics. He has over 20 years of experience in the fields of economics, accounting and finance. Mr. Zhang is currently a director of the Chinese Institute of Certified Public Accountants, a committee member of the Certified Public Accountants Examination Committee of the Ministry of Finance, a part-time professor of the department of accounting of Renmin University of China and a part-time professor of the management school of the China Science Academy.

Mr. Xiang Bing, aged 42, is an independent non-executive director. Dr. Xiang is currently the founding dean and professor of the Cheung Kong Graduate School of Business and a professor of the Guanghua School of Management of Peking University. He graduated from the University of Alberta with a master of business administration degree and subsequently obtained a doctorate degree. Dr. Xiang previously taught in the Hong Kong University of Science and Technology.

- (g) Pursuant to Article 66 of the Articles of Association, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:
- (i) the chairman of such meeting;
 - (ii) at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting;

- (iii) a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting;
or
 - (iv) a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.
- (h) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.



HC INTERNATIONAL, INC.

慧聰國際資訊有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8292)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of the members of HC International, Inc. (the “Company”) will be held at Tower B, Huaxing Building, 42 North Street, Xizhimen, Haidian District, Beijing, the PRC (100088) on 14 October 2005 at 2:00 p.m. the (“EGM”) for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the IDGLP and GC Transactions as contemplated under the Share Purchase Agreement and the HKHC Share Transfer Agreement (all capitalised terms are defined in this circular) be and are hereby approved and the Directors be and are hereby authorised to do all acts and things considered by them to be necessary, desirable or expedient to effect and implement the IDGLP and GC Transactions.”

By Order of the board of the Directors

HC INTERNATIONAL, INC.

Guo Fansheng

Chief Executive Officer and Executive Director

Beijing, PRC, 26 September 2005

* For identification purposes only.

NOTICE OF EGM

Registered office:

4th Floor, One Capital Place
P.O. Box 847 George Town
Grand Cayman, Cayman Islands
British West Indies

Head office and principal place of business:

Tower B, Huaxing Building
42 North Street, Xizhimen
Haidian District
Beijing, the PRC

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjournment thereof should he so wishes.
3. In accordance with Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, IDGVC and its associates are required to abstain from voting the above resolution.
4. As the above resolution is subject to the approval of the independent shareholders of the Company, it will be determined by way of a poll.
5. The share register of the Company will be closed from 12 October 2005 to 14 October 2005 (both dates inclusive). Shareholders on the share register as at 12 October 2005 will be entitled to attend and vote at the meeting.