

**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, 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)**

**GENERAL MANDATES TO ISSUE SHARES  
AND TO REPURCHASE SHARES  
AND  
RE-ELECTION OF DIRECTORS**

The notice convening the annual general meeting of the Company to be held at Tower B, Huaxing Building, 42 North Street, Xizhimen, Haidian District, Beijing, the PRC (100088) on 22nd April, 2005, at 4:00 p.m. (the "AGM") is set out in the annual report of the Company for the year ended 31st December, 2004 (the "Annual Report").

A form of proxy for the AGM is enclosed with the Annual Report. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return the same to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited, at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof if you so wish.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*

## 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](http://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:*

“AGM”	an annual general meeting of the Company for the year ended 31st December, 2004 to be held at Tower B, Huaxing Building, 42 North Street, Xizhimen, Haidian District, Beijing, the PRC on 22nd April, 2005 at 4:00 p.m. or any adjournment thereof
“Annual Report”	the annual report of the Company for the year ended 31st December, 2004
“Articles of Association”	the articles of association of the Company, adopted on 30th November, 2003 and as amended from time to time
“Board”	the board of directors of the Company
“Company”	HC International, Inc., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Directors”	directors of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	29th March, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Registrar”	the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at Room 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong

## DEFINITIONS

“Repurchase Mandate”	the general mandate to be granted to the Directors to exercise the powers of the Company to repurchase Shares during the period as set out in the Repurchase Resolution up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the Repurchase Resolution
“Repurchase Resolution”	the proposed ordinary resolution in the terms set out in resolution no. 4(B) of the notice of the AGM
“Share(s)”	share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## LETTER FROM THE BOARD



# 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:*

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 People's Republic of China

31st March, 2005

*To the Shareholders*

Dear Sir or Madam,

### GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES AND RE-ELECTION OF DIRECTORS

#### INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed general mandates to issue shares and to repurchase shares, and the re-election of certain Directors in accordance with the Articles of Association.

#### GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution will be proposed in the terms set out in resolutions no. 4(A) and 4(C) of the notice of the AGM whereby if passed, the Directors will be given a general and unconditional mandate to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company as at the date of the passing of the relevant resolution (the "Share Issue Mandate").

\* For identification purposes only

## LETTER FROM THE BOARD

In addition, if the Repurchase Resolution is passed, an ordinary resolution in the terms set out in resolution no. 4(B) of the notice of the AGM whereby if passed, the Directors will be given a general and unconditional mandate to allot or issue further Shares up to an amount equal to the aggregate nominal amount of the issued share capital of the Company purchased under the Repurchase Mandate.

### GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, the Repurchase Resolution will be proposed for the Directors to be granted the Repurchase Mandate. The Repurchase Mandate allows the Company to make purchases only during the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held by its Articles of Association or any applicable law; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company (the "Relevant Period").

As at the Latest Practicable Date, the issued share capital of the Company comprised 465,934,345 Shares. Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company will be allowed to repurchase a maximum of 46,593,434 Shares under the Repurchase Mandate.

### ANNUAL GENERAL MEETING

The notice convening the AGM is set out in the Annual Report.

A form of proxy for the AGM is enclosed with the Annual Report. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the Registrar in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM if you so wish.

### EXPLANATORY STATEMENT

An explanatory statement required to be sent to the Shareholders under the GEM Listing Rules is attached herewith to provide the requisite information to you to make an informed decision in relation to the Repurchase Resolution.

### PROCEDURE FOR DEMANDING A POLL

Pursuant to Article 66 of the Articles of Association, a resolution put to the vote of the 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;

## LETTER FROM THE BOARD

- (ii) at least three members present in person or in the case of a member being a corporation by its duly authorised 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 authorised 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 authorised 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.

### RE-ELECTION OF DIRECTORS

In accordance with Article 87 of the Articles of Association, Ms. Wu Ying and Mr. Yang Fei will retire as Directors by rotation and being eligible, offer themselves for re-election at the AGM.

The biographical details and interests in Shares of the above-mentioned Directors to be re-elected at the AGM and their relationships with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company are provided in Appendix II.

### RECOMMENDATION

#### Share Issue Mandate and Repurchase Mandate

The Directors are of the opinion that the proposed granting of the Share Issue Mandate and Repurchase Mandate are in the best interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Yours faithfully,  
By order of the Board  
**Guo Fansheng**  
*Chief Executive Officer and Executive Director*



This appendix serves as an explanatory statement as required to be sent to the Shareholders pursuant to Rule 13.08 of the GEM Listing Rules to provide the requisite information to you to make an informed decision in relation to the Repurchase Resolution proposed under the notice convening the AGM.

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 465,934,345 Shares. Subject to the passing of the Repurchase Resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company will be allowed to repurchase a maximum of 46,593,434 Shares, representing 10% of the issued share capital of the Company during the Relevant Period.

## **REASONS FOR REPURCHASES**

The Directors believe that the grant of the Repurchase Mandate is in the best interests of the Company and the Shareholders. Any repurchase thereunder may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share. The Repurchase Mandate will only be exercised when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

## **DIRECTORS AND CONNECTED PERSONS**

As at the Latest Practicable Date, to the best of the knowledge of the Directors having made all reasonable enquires, none of the Directors and their respective associates have a present intention, in the event that the Repurchase Mandate is approved and exercised, to sell securities to the Company. No connected persons have notified the Company that they have a present intention to sell securities to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved and exercised.

## **FUNDING OF REPURCHASES**

In repurchasing Shares, the Company will only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the laws of the Cayman Islands and the GEM Listing Rules. The Company will not purchase the Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

There might be a material adverse impact on the working capital or gearing position of the Company as compared with the financial position of the Company as at 31st December, 2004 (being the date of its latest published audited consolidated accounts) in the event that the repurchase of Shares were to be carried out in full at any time during the Relevant Period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**SHARE PRICES**

The highest and lowest prices at which the Shares have been traded on GEM during each of the previous twelve months were as follows:

<b>Month</b>	<b>Highest HK\$</b>	<b>Lowest HK\$</b>
<b>2004</b>		
April	2.50	1.90
May	2.20	1.67
June	1.80	1.75
July	1.80	1.71
August	1.75	1.55
September	1.65	1.45
October	1.95	1.63
November	1.96	1.63
December	1.90	1.73
<b>2005</b>		
January	1.75	1.58
February	1.64	1.52
1st March, 2005 up to the Latest Practicable Date	2.00	1.60

**UNDERTAKING**

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries under the Repurchase Mandate in the event that it is approved by the Shareholders at the AGM.

No other connected persons (as defined in the GEM Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so under the Repurchase Mandate in the event that it is approved by the Shareholders at the AGM.

**THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, the following persons were interested in 5% or more of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full, the interest of such persons will be increased to approximately the percentage set out in the last column as follows:

Name of Shareholder	Number of Shares held	Approximate percentage of shareholding (%)	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full (Note 1) (%)
Guo Fansheng	64,088,863	14.09	15.28
IDG Technology Venture Investment, Inc. (Note 2)	73,331,954	16.12	17.49
International Data Group, Inc.	73,331,954	16.12	17.49
Callister Trading Limited (Note 3)	40,000,384	8.79	9.54
Li Jianguang	40,000,384	8.79	9.54

*Notes:*

1. Assuming no repurchase of any of the shares held by stated shareholders.
2. IDG Technology Venture Investment, Inc. is beneficially owned by International Data Group, Inc.
3. Callister Trading Limited is beneficially owned by Li Jianguang.

The Directors will not repurchase the Shares on GEM if the repurchase would result in the number of the listed securities which are in the hands of the public falling below 25%, being the relevant minimum prescribed percentage for the Company as required by the Stock Exchange.

The Directors are not aware of any consequences which may arise under the Takeover Code as a result of any repurchases made under the Repurchase Mandate.

#### SHARE REPURCHASE MADE BY THE COMPANY

No purchase of Shares has been made by the Company during the previous six months up to the Latest Practicable Date.

## APPENDIX II      DETAILS OF DIRECTORS FOR RE-ELECTION

### **Wu Ying, an executive director**

Age 37

#### *Qualification and Experience*

Ms. Wu is an executive director and the chief operating officer of the Company. Ms. Wu joined the Group in 1993 and became its vice president in 1997. She is responsible for the overall management of the daily operations of the Group. Ms. Wu graduated from Shaanxi Institute of Industry and Commerce with a bachelor degree in economic information management in 1988 and obtained a master of business administration degree from Guanghua School of Management of Peking University in 1999. Ms. Wu has not held any directorship in other listed public companies in the past three years.

#### *Length of Service*

Ms. Wu was appointed as an executive director for a term of three years commencing from 30 November 2003, which may be terminated by either the Company or Ms. Wu by giving three months' written notice or otherwise in accordance with the terms of the director's service contract entered into between Ms. Wu and the Company. Pursuant to Article 87 of the Articles of Association, Ms. Wu will retire at the AGM, at which she will, being eligible, offer herself for re-election and thereafter, be subject to retirement by rotation and re-election at annual general meetings of the Company.

#### *Relationship with other Directors, senior management, substantial or controlling shareholders*

Ms. Wu does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

#### *Interests in Shares*

Ms. Wu holds 1,538,602 Shares, 677,282 options to subscribe for Shares under the Pre-IPO Share Option Scheme and 1,500,000 options to subscribe for Shares under the Share Option Scheme as at the Latest Practicable Date. 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 to the prospectus of the Company dated 8th December, 2003. Save as disclosed above, Ms. Wu does not have any other interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

#### *Amount of Emoluments*

Under the service contract entered into between the Company and Ms. Wu, she is entitled to basic annual salaries of RMB500,000, which was determined with reference to her roles and responsibility and the prevailing market conditions, and discretionary bonus, which is determined with reference to her performance during the relevant period of time. Save for the said salary and discretionary bonus, Ms. Wu is not entitled to any other emolument for holding her office as an executive director of the Company.

Save as disclosed above, Ms. Wu and the Company are not aware of any other matter that needs to be brought to the attention of holders of securities of the Company pursuant to the GEM Listing Rules.

## APPENDIX II      DETAILS OF DIRECTORS FOR RE-ELECTION

### **Yang Fei, a non-executive director**

Age 46

#### *Qualification and Experience*

Mr. Yang is a non-executive director of the Company 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. Yang has not held any directorship in other listed public companies in the past three years.

#### *Length of Service*

Mr. Yang was appointed as a non-executive director for an initial term of one year commencing from 5 December, 2000, and will continue thereafter unless and until terminated by either the Company or Mr. Yang by giving one month written notice and such appointment is subject at all times to the Articles of Association. Pursuant to Article 87 of the Articles of Association, Mr. Yang will retire at the AGM, at which he will, being eligible, offer himself for re-election and thereafter, be subject to retirement by rotation and re-election at annual general meetings of the Company. No service contract has been entered into between Mr. Yang and the Company.

#### *Relationship with other Directors, senior management, substantial or controlling shareholders*

Mr. Yang is a vice president of IDGVC, which holds 16.12% of the issued share capital of the Company as at the Latest Practicable Date. Apart from this, Mr. Yang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholder of the Company.

#### *Interests in Shares*

Mr. Yang holds 1,269,853 Shares as at the Latest Practicable Date. Save as disclosed above, Mr. Yang does not have any other interest in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

#### *Amount of Emoluments*

Mr. Yang does not receive any emolument in his capacity as the non-executive director of the Company.

Save as disclosed above, Mr. Yang and the Company are not aware of any other matter that needs to be brought to the attention of holders of securities of the Company pursuant to the GEM Listing Rules.