

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**HC INTERNATIONAL, INC.**

**慧聪网有限公司\***

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

**(Stock Code: 8292)**

**ANNOUNCEMENT  
DISCLOSEABLE TRANSACTION  
FORMATION OF JOINT VENTURE COMPANIES**

**PROPOSED CONTINUING CONNECTED TRANSACTIONS**

**CO-OPERATION AND FRAMEWORK AGREEMENT**

The Board is pleased to announce that between the morning and afternoon trading sessions of the Stock Exchange on 17 October 2008, HC HK and HC PRC, both subsidiaries of the Company, entered into the Co-operation and Framework Agreement with D&B International, D&B PRC and HDDB pursuant to which the Joint Venture Parties conditionally agreed to, *inter alia*, establish the Joint Venture Companies.

D&B International, which is the parent company of D&B PRC, operates a worldwide business information business, collecting and providing commercial information and services (including credit information, sales and marketing services and supply management services) through a worldwide network of subsidiaries and partners. HDDB is the member of the aforesaid worldwide network for the PRC.

The Group's core competencies within its business of providing MR Services are its media monitoring services, strong data sources and data processing infrastructure, strong fulfillment expertise and internet presence in the PRC.

Having considered the respective areas of strength, the Joint Venture Parties decided to join forces in the PRC and establish the Joint Venture Companies.

\* For identification purposes only

## **PROPOSED CONTINUING CONNECTED TRANSACTIONS**

After their establishment, Sales JV Co will be owned by HC PRC, D&B PRC and HDBC as to 40%, 31.75% and 28.25% respectively and Fulfillment JV Co will be owned by HC PRC, D&B PRC and HDBC as to 70%, 15.88% and 14.12% respectively. Commencing from the completion of the Co-operation and Framework Agreement, there will be various ongoing transactions between HC PRC and Fulfillment JV Co (which will be a subsidiary of the Company) on the one side and Sales JV Co and HDBC (both will be connected persons of the Group) on the other side under the DPA, FSA1, FSA2, HC Sales TMLA and HDBC TMLA.

The establishment of the Joint Venture Companies under the Co-operation and Framework Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. The abovementioned proposed continuing connected transactions under the DPA, FSA1 and FSA2 do not fall under the exemption in Rules 20.33 and 20.34 of the GEM Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.54 of the GEM Listing Rules. Therefore, the Company will seek for the approval of the independent shareholders of the Company of such proposed continuing connected transactions under the DPA, FSA1 and FSA2 abovementioned. A circular containing further information in respect of the Co-operation and Framework Agreement, other information as required by the GEM Listing Rules, the advice from the independent board committee and the advice from the independent financial adviser to the independent board committee and independent shareholders in relation to the relevant proposed continuing connected transactions, together with the notice convening the extraordinary general meeting (for approving the relevant proposed continuing connected transactions) will be dispatched to the Shareholders as soon as practicable. Independent shareholders will vote at the extraordinary general meeting on the relevant proposed continuing connected transactions by way of a poll.

The Board is pleased to announce that between the morning and afternoon trading sessions of the Stock Exchange on 17 October 2008, HC HK and HC PRC, both subsidiaries of the Company, entered into the Co-operation and Framework Agreement with D&B International, D&B PRC and HDBC pursuant to which the Joint Venture Parties conditionally agreed to, *inter alia*, establish the Joint Venture Companies.

## **THE CO-OPERATION AND FRAMEWORK AGREEMENT**

### **Date and parties**

*Date:* 17 October 2008

*Parties:* (a) HC HK;  
(b) HC PRC;  
(c) D&B International;  
(d) D&B PRC; and  
(e) HDBC.

HC HK is a limited liability company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company.

HC PRC is a limited liability company incorporated in the PRC. It is a subsidiary of the Company and owned as to 82% by HC HK and 18% by Beijing HC Construction Information Consulting Co., Limited (which in turn is owned as to 80% by Mr. Guo Fansheng, a director of the Company).

D&B International, a legal entity organized and existing under the laws of the State of Delaware of the United States of America, operates a worldwide business information business, collecting and providing commercial information and services (including credit information, sales and marketing services and supply management services) through a worldwide network of subsidiaries and partners.

D&B PRC, a limited liability company incorporated in the PRC, is principally an investment holding company, whose subsidiary is engaged in (i) providing credit information and credit management services, sales and marketing services and supply management services to customers in the PRC; (ii) the import into the PRC and export from the PRC of credit information and credit management services, sales and marketing services and supply management services; (iii) providing MR Services relating to markets and businesses in the PRC; and (iv) providing authentication and verification service to customers in the PRC.

HDBC, a limited liability company incorporated in the PRC and a joint venture of D&B PRC and Huaxia, is principally engaged in (i) providing credit information and credit management services, sales and marketing services and supply management services to customers in the PRC; (ii) the import into the PRC and export from the PRC of credit information and credit management services, sales and marketing services and supply management services; (iii) providing MR Services relating to markets and businesses in the PRC; and (iv) providing authentication and verification service to customers in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, D&B International, D&B PRC, HDBC and Huaxia and their respective ultimate beneficial owners are Independent Third Parties.

### **The purpose and scope of the Co-operation and Framework Agreement**

The Co-operation and Framework Agreement sets out in detail the terms of the Joint Venture Parties' cooperation through the Joint Venture Companies and provide for the contractual framework under which the Joint Venture Companies shall be incorporated and under which the Joint Venture Parties shall enter into certain commercial agreements and trade mark licences in order to enable the Joint Venture Companies to operate their businesses as intended.

Under the Co-operation and Framework Agreement, Sales JV Co and Fulfilment JV Co will be established. The main purposes of Sales JV Co and Fulfilment JV Co are the sale and marketing and the fulfilment of MR Services respectively.

### **CONDITIONS OF THE CO-OPERATION AND FRAMEWORK AGREEMENT**

The completion of the Co-operation and Framework Agreement shall be conditional upon:

- (1) the Joint Venture Companies are established in a form and manner reasonably satisfactory to HC PRC, D&B PRC and HDBC, as evidenced by business licences granted by the relevant PRC authorities, with D&B PRC making initial cash contributions of RMB488,000 into Sales JV Co and RMB1,866,000 into Fulfilment JV Co; and

- (2) all relevant governmental and other third party approvals and consents (including in any event approval by an extraordinary meeting of shareholders of the Company of any aspects of the transactions contemplated in the Co-operation and Framework Agreement and, *inter alia*, the Commercial Agreements which qualify as “connected transactions” under the GEM Listing Rules, such a meeting to take place prior to Completion) shall have been obtained and all notification or registration obligations have been complied with as may be required to enable Completion to take place in accordance with its terms and the documents entered into upon Completion and/or believed to be required by the Joint Venture Parties in order for the transactions contemplated by the Co-operation and Framework Agreement to be valid and lawful and in order for the operations and/or existence of the Joint Venture Companies and the fulfilment and carrying on by the Joint Venture Companies of the MR Business to be lawful.

If the above conditions precedent have not been satisfied or waived by 31 December 2008, then the Co-operation and Framework Agreement shall terminate but without prejudice to any antecedent liability for breach (except where such date is extended in writing by the Joint Venture Parties). In the event of such termination HC PRC, D&B PRC and HDBC shall liquidate the Joint Venture Companies and the capital contributions paid to the Joint Venture Companies by D&B PRC pursuant to condition (1) above shall be fully repaid by the Joint Venture Companies to D&B PRC, and HC PRC, D&B PRC and HDBC shall bear all costs in connection with incorporating and liquidating the Joint Venture Companies in proportion to their respective shareholdings.

### **Consideration**

As consideration for HC HK (i) entering into the Co-operation and Framework Agreement and (ii) procuring HC PRC to enter into the Co-operation and Framework Agreement and, *inter alia*, the Commercial Agreements and (iii) procuring that the Company will timely hold the necessary extraordinary shareholders meeting and shall do everything possible to obtain the approval from the Company’s independent shareholders of the transactions contemplated in the Co-operation and Framework Agreement and, *inter alia*, the Commercial Agreements, D&B International will pay to HC HK the Transaction Consideration.

### **Registered capital**

The registered capital of Sales JV Co and Fulfilment JV Co are RMB2.44 Million and RMB9.33 Million respectively. Details of the agreed contributions to and ownerships of the registered capital of the Joint Venture Companies are set out as follows:

For the Sales JV Co,

- (1) HC PRC will contribute RMB12,110.50 worth of assets and will hold 40% equity interest;
- (2) D&B PRC will contribute RMB1,800,000 in cash and will hold 31.75% equity interest;
- (3) HDBC will contribute RMB31,794 worth of assets and RMB600,000 in cash and will hold 28.25% equity interest; and
- (4) There will be an excess capital contribution of RMB3,904.50.

For the Fulfilment JV Co,

- (1) HC PRC will contribute RMB545,446.51 worth of assets and will hold 70% equity interest;
- (2) D&B PRC will contribute RMB8,640,000 in cash and will hold 15.88% equity interest;
- (3) HDBC will contribute RMB144,723.50 worth of assets and will hold 14.12% equity interest; and
- (4) There will be an excess capital amount of RMB170.01.

The assets transferred from HC PRC and HDBC into Sales JV Co and Fulfilment JV Co are mainly office equipment including personal computers, computer servers, printers, facsimile machines and digital cameras/video recorders. The assessed value of the assets contributed by HC PRC and HDBC are RMB557,557.01 (net book value: RMB686,168.38) and RMB176,517.50 (net book value: RMB194,373.38) respectively, which have been assessed by Beijing Jinchenglixin Valuation Firm, which is an independent assets appraisal firm adopting the replacement cost method of valuation and 30 September 2008 as the reference date of valuation.

The total capital commitment of the Group in the Joint Venture Companies is RMB557,557.01. Having regard to the overall benefit of the joint venture to the Group, the Directors consider that the proportion of capital commitments and shareholdings in the Joint Venture Companies held by the Joint Venture Parties are fair and reasonable and in the interest of the Company and Shareholders as a whole.

### **Completion**

At Completion,

- (1) all the above contribution to the registered capital and excess capital of the Joint Venture Companies (save for the initial contribution by D&B PRC as part of the conditions precedent to Completion) shall be fully made;
- (2) the relevant parties shall enter into (and complete, as may be contemplated) each of the Commercial Agreements; and
- (3) D&B International shall pay the Transaction Consideration to HC HK.

### **Transfer of Economic Interest**

It is the intention of the Joint Venture Parties that with effect from 1 December 2008, the entire economic interest in the respective market research businesses of HC PRC and HDBC as per the date of Completion will be transferred to the Joint Venture Companies. The economic interest in the respective market research businesses of HC PRC and HDBC refers to the interest of HC PRC and HDBC in the contracts with their respective customers and employees in relation to their market research businesses. It is intended that, legally speaking, the interest in customer contracts will be assigned to Sales JV Co (with a condition subsequent of obtaining the consent of the relevant customers for some customer contracts) by the date of Completion and, starting from 1 December 2008, such interest will be accounted for Sales JV Co. It is also intended that Sales JV Co and Fulfillment JV Co will make job offers to sales and fulfillment employees of HC PRC and HDBC as per the date of Completion at the same terms as existed immediately prior to such date while the cut-off date for cost allocation amongst HC PRC, HDBC, Sales JV Co and Fulfillment JV Co will be 1 December 2008.

By no later than 15 February 2009, the Joint Venture Parties shall agree on an overview of all the costs and incomes to be transferred from HC PRC and HDBC to the Joint Venture Companies (and vice versa) and a settlement statement setting out the amounts payable by or to HC PRC, HDBC and the Joint Venture Companies based on the overview.

The Joint Venture Parties agree that any accounts receivable in connection with the market research business relating to the period before 1 December 2008 shall not be transferred to the Joint Venture Companies but can be collected by HC PRC and HDBC, respectively, for their own risk and account; and all monies received by HC PRC and HDBC, respectively, from customers in connection with Customer Contracts concerning the respective market research businesses of HC PRC and HDBC to the extent reasonably relating to data or services to be delivered under such Customer Contracts after 30 November 2008 shall not be reimbursable by HC PRC and HDBC, respectively, to Sales JV Co.

Consequently, as from the date on which the economic interests in any Customer Contract are to be transferred, irrespective of whether assignment with express consent of the relevant customer of the relevant Customer Contract has taken place or not:

HC PRC and HDBC shall pay to Sales JV Co, in immediately available cash within 5 Business Days of receipt, all amounts received by it from any customer after the date of transfer of the economic interest in connection with MR Services delivered to such customer after the date of transfer of the economic interest.

Sales JV Co shall bear the economic risk connected to the relevant Customer Contracts, including the responsibility to fulfill all the obligations vis-à-vis the relevant customers by delivering the products and services under the relevant Customer Contracts either directly to the relevant customers or – but only with respect to customers who insist to continue their contractual relationship with HC PRC or HDBC (as the case may be) – to HC PRC or HDBC (as the case may be) so as to put HC PRC or HDBC (as the case may be) in the position to fulfill the obligations vis-à-vis the relevant customers under their respective Customer Contracts. The Company will comply with the necessary disclosure and independent shareholders' approval under the GEM Listing Rules in connection with the possible connected transactions arising from the delivery of products and services abovementioned by Sales JV Co to HC PRC (if any).

## **Share Transfer**

The Co-operation and Framework Agreement lays down certain restrictions on the disposal of or encumbering interest in the registered capital of the Joint Venture Companies by a Joint Venture Party. It also sets out the mechanism by which interest in the registered capital of the Joint Venture Companies may be transferred.

## **Guarantee**

D&B International (i) guarantees to HC PRC and to HC HK the timely and proper fulfilment by D&B PRC and HDBC of all their contractual obligations under the Co-operation and Framework Agreement and, *inter alia*, the Commercial Agreements, (ii) undertakes to use all its powers and influence to ensure each of D&B PRC and HDBC shall repair the consequences of any breach by it of any of the provisions of, *inter alia*, the Co-operation and Framework Agreement and/or any of the Commercial Agreements brought to the attention of D&B International and (iii) agrees to indemnify HC PRC and HC HK against any damages suffered by them as a consequence of any such breach (to the extent not repaired by D&B PRC and HDBC).

HC HK (i) guarantees to D&B PRC, HDBC and D&B International the timely and proper fulfilment by HC PRC of all its contractual obligations under the Co-operation and Framework Agreement and, *inter alia*, the Commercial Agreements, (ii) undertakes to use all its powers and influence to ensure HC PRC shall repair any breach by it of any of the provisions of, *inter alia*, the Co-operation and Framework Agreement and/or any of the Commercial Agreements brought to the attention of HC HK and (iii) agrees to indemnify D&B PRC, HDBC and D&B International against any damages suffered by them as a consequence of any such breach (to the extent not repaired by HDBC).

### **Shareholders approval of the Joint Venture Company**

Ordinary meetings of shareholders of each of the Joint Venture Companies shall be held at least once every calendar year.

The Joint Venture Companies shall not pursue any of the following in relation to the relevant Joint Venture Company and shall not enter into any contract, undertaking or arrangement to do any of the following without the prior written unanimous approval of all the shareholders of the relevant Joint Venture Company (whereby reference to any amount in US\$ shall include the counter-value in any other currency):

- (1) any formulation or change in the business strategy or business direction beyond the scope of the business of developing, fulfilling, marketing and selling MR Services or any change in the name of such Joint Venture Company;
- (2) any change in the registered capital of such Joint Venture Company or grant of any options over any unsubscribed capital of such Joint Venture Company;
- (3) the incurring of any expenditure in excess of US\$100,000 in respect of a single transaction or series of related transactions or the making of an investment exceeding such amount;
- (4) the disposal of any asset with a value of more than US\$10,000 in a single transaction or a series of related transactions;
- (5) distribution of profits and dividends in excess of dividend policy as detailed in the Co-operation and Framework Agreement;
- (6) repurchase or redemption by such Joint Venture Company of its own registered capital;
- (7) any agreement with any third party (including but not limited to any of the shareholders of the Joint Venture Companies or any of their Affiliates (as defined in the Corporate and Framework Agreement) not in the normal course of business or not on arm's-length terms (i.e., not at terms on which no reasonable person would have transacted with an unrelated third party);
- (8) split-off or division;
- (9) dissolution or liquidation;
- (10) amendment to the articles of association;

- (11) approval of annual accounts;
- (12) approval of annual budgets (including investment plans), as well as amendments to any previously approved budget;
- (13) procedures for the authorisation of financial transactions and payments, as well as approval limits, for individual directors (to the extent not provided for in the relevant articles of association) of such Joint Venture Company;
- (14) any borrowings in excess of US\$100,000 or the giving of any guarantees or indemnities or other securities or the issuance of any corporate bonds, in each case involving a liability in excess of US\$100,000;
- (15) the acquisition or disposal of any business or equity interest in any company or business;
- (16) remuneration of any director of such Joint Venture Company;
- (17) adoption of any bonus or profit-sharing scheme or any option or equity incentive scheme or employee equity ownership plan;
- (18) entering into any transaction or series or related transactions with a value in excess of US\$100,000 with any shareholder of the Joint Venture Companies or Affiliate of a shareholder of the Joint Venture Companies;
- (19) any merger or amalgamation with any other company or acquisition of shares in another company or any purchase of all or substantially all of the undertaking or assets of another company;
- (20) variation of any of the rights attaching to all or any part of the share capital of such Joint Venture Company; and
- (21) the formation of any partnership or joint venture with any other person,

save that no prior written approval from any of the shareholders of the Joint Venture Companies shall be required for any act, transaction or decision that follows specifically from a budget approved by the shareholders of the relevant Joint Venture Company.

Save for the following decisions of the shareholders' meeting of any of the Joint Venture Companies which shall require a special resolution (i.e. a resolution passed at a shareholders' meeting with the approval of shareholders holding at least 75% of the shares of the relevant Joint Venture Company), all resolutions of the shareholders of the Joint Venture Companies shall be ordinary resolutions (i.e. resolutions passed by a simple majority at a shareholders' meeting):

- (1) any decision in respect of an increase or decrease in the registered capital of such Joint Venture Company;
- (2) any decision in respect of a separation or merger of such Joint Venture Company;
- (3) any decision in respect of the dissolution and liquidation of such Joint Venture Company;



- (4) any decision in respect of any change in the corporate form of such Joint Venture Company; and
- (5) any decision in respect of any amendments to the applicable articles of association.

### **Composition and approval of the board of directors of the Joint Venture Company**

The board of directors of each of the Joint Venture Companies shall comprise five directors.

D&B PRC and HDBC collectively shall be entitled to appoint (i) three directors, including the chairman, of Sales JV Co; (ii) the chief executive officer and the chief financial officer of Sales JV Co, each of whom can be either a director (including the chairman) already appointed by D&B PRC and HDBC or an employee of the relevant Joint Venture Company; and (iii) two directors of Fulfilment JV Co, including the vice-chairman.

HC PRC is entitled to appoint (i) three directors, including the chairman, of Fulfilment JV Co; (ii) the chief executive officer and the chief financial officer of Fulfilment JV Co, each of whom can be either a director (including the chairman) already appointed by HC PRC or an employee of the relevant Joint Venture Company; and (iii) two directors of Sales JV Co, including the vice-chairman.

If the percentage shareholdings held by the shareholders of the Joint Venture Companies should change from the original percentages as at Completion, the Joint Venture Parties will negotiate in good faith an adjustment of the number of directors and other officers that each of D&B PRC and HDBC on the one hand and HC PRC on the other hand is entitled to appoint, reflecting fairly the amended percentages. If no such agreement is reached within 10 Business Days after the percentage shareholdings have changed, the aforesaid manner of appointment of directors shall no longer apply and shall be replaced by an agreed mechanism.

If either D&B PRC and HDBC collectively or HC PRC hold(s) 90% or more of the paid-up registered capital of any of the Joint Venture Companies, the provisions concerning matters which require unanimous shareholders' approval and set out in the section headed "Shareholders approval of the Joint Venture Company" in this announcement shall cease to apply entirely to such Joint Venture Company and the shareholders of such Joint Venture Company shall amend its articles of association accordingly.

Subject to the provisions of the respective articles of association, the board of directors of the Joint Venture Companies will be responsible for the management of the affairs of the respective Joint Venture Companies and shall have the power to exercise all of the powers of the relevant Joint Venture Company. Subject to the provisions concerning matters which require unanimous shareholders' approval and set out in the section headed "Shareholders approval of the Joint Venture Company" in this announcement, all decisions relating to the business and affairs of each of the Joint Venture Companies shall be decided by a simple majority of the relevant board at a duly convened and quorate meeting of such board.

No business shall be transacted at any meeting of any board (including, for the avoidance of doubt, any adjourned meeting) of the Joint Venture Companies unless a quorum is present. The quorum at a board meeting shall be three directors of the relevant Joint Venture Company (or their respective alternates) present at the time when the relevant business is transacted, including:

- (1) for the board of Sales JV Co: at least two directors collectively appointed by D&B PRC and HDBC (or their respective alternates) and one director appointed by HC PRC (or his alternate); and

- (2) for the board of Fulfilment JV Co: at least two directors appointed by HC PRC (or their respective alternates) and one director collectively appointed by D&B PRC and HDBC.

The following provisions shall apply to all meetings of a board of each of the Joint Venture Companies;

- (1) at any board meeting of the Joint Venture Companies, every director shall have one vote. Any alternate appointed by a director shall be entitled to exercise the votes of any director to whom he is an alternate who is not present;
- (2) save as otherwise provided, all business arising at any board meeting shall be determined by resolution passed by a majority of directors present; and
- (3) in the event of a deadlock (i.e. equal number of votes against and in favour of a proposal), the matter shall be decided by the shareholders' meeting of the relevant Joint Venture Company and the board of such Joint Venture Company shall carry out such decision as if it had been taken by the board.

### **Budgets**

The board of each of the Joint Venture Companies shall prepare and submit to the shareholders of the Joint Venture Companies for approval a detailed draft budget for the relevant Joint Venture Company for the following financial year (the "**New Budget Year**") by no later than 45 Business Days before the end of each financial year (the "**Old Budget Year**"). Each budget shall include:

- (1) broken down on a monthly basis: estimated items of revenue, operational costs (including costs of employment), capital expenditure, cash flow projection, profit/loss and required shareholder funding; and
- (2) a balance sheet showing the projected position of the relevant Joint Venture Company as at the end of the following financial year.

If the budget for a New Budget Year has not been prepared and submitted by the board of the relevant Joint Venture Company before the prescribed time or if such budget has been timely submitted but has not been unanimously agreed to by the shareholders of the Joint Venture Companies before the end of the Old Budget Year, then the budget for the New Budget Year shall be equal to the budget for the Old Budget Year, adjusted proportionally in order to reflect the revenue growth realised (as determined by the board of the relevant Joint Venture Company) in the 12 months period ending on 31 October in the Old Budget Year without, however, any shareholder funding, except to the extent required in order to provide the relevant Joint Venture Company with sufficient working capital for realising the new budget in the New Budget Year.

### **Dividend Policy**

As soon as practically possible after the adoption of the annual accounts of any of the Joint Venture Companies, the shareholders of the Joint Venture Companies shall agree what percentage of the distributable net profits after tax realized by such Joint Venture Company shall be distributed to the shareholders of the Joint Venture Companies. Failing such agreement the shareholders of the Joint Venture Companies shall use their voting rights and other powers available to them so as to ensure that with respect to the relevant financial year each of the Joint Venture Companies will distribute a total

dividend of 50% of such Joint Venture Company's distributable gross profits (i.e., profits that can be distributed under its articles of association and PRC law after tax, interest and depreciation but before investments), but only to the extent that such Joint Venture Company has sufficient cash available to make such a distribution without taking additional external borrowings.

### **Additional Shareholders' Funding**

No shareholder of the Joint Venture Companies is obliged to provide shareholder funding (either through the subscription of additional capital or otherwise), except to the extent provided by a budget approved by such shareholder, or where outside a budget on the basis of a written undertaking by such shareholder.

### **Restrictive Covenants**

Each of the Joint Venture Parties undertakes and warrants towards each of the other Joint Venture Parties that it shall not (and that none of its affiliates or connected persons (as defined in the Co-operation and Framework Agreement) shall during the term of the Co-operation and Framework Agreement be engaged or directly or indirectly interested in the business of developing, fulfilling, marketing and selling MR Services or any business or enterprise or activity that competes with the Joint Venture Companies and/or their such business in the PRC except as expressly permitted under the Co-operation and Framework Agreement.

### **Term**

The Co-operation and Framework Agreement shall continue in full force and effect until terminated in accordance with its terms. The Joint Venture Companies will be incorporated for a fixed period of 20 (twenty) years and as long as the Co-operation and Framework Agreement has not terminated. The shareholders of the Joint Venture Companies shall amend the articles of association of the Joint Venture Companies in order to renew the terms of the Joint Venture Companies for a new period of 20 (twenty) years no later than 6 months prior to the end of the first or each new 20 years period, unless all shareholders of the Joint Venture Companies decide unanimously that no renewal should take place.

## **PROPOSED CONTINUING CONNECTED TRANSACTIONS**

After their establishment, Sales JV Co will be owned by HC PRC, D&B PRC and HDBC as to 40%, 31.75% and 28.25% respectively and Fulfilment JV Co will be owned by HC PRC, D&B PRC and HDBC as to 70%, 15.88% and 14.12% respectively. Commencing from the completion of the Co-operation and Framework Agreement, there will be various ongoing transactions between HC PRC and Fulfilment JV Co (which will be a subsidiary of the Company) on the one side and Sales JV Co and HDBC (both will be connected persons of the Group) on the other side under the DPA, FSA1, FSA2, HC Sales TMLA and HDBC TMLA.

### **DPA**

*Parties:*

- (1) HDBC
- (2) Fulfilment JV Co

## Major Terms:

Pursuant to the DPA, Fulfilment JV Co shall purchase data and related products and services which it requires in connection with its fulfilment services under FSA1 exclusively from HDBC to the extent that such data and related products and services are part of HDBC's product/service range on offer in the PRC. DPA includes a price list for such products and services that shall be based on HDBC's costs plus a margin of 12%. Payments shall be made within 30 days after the date of invoice. DPA shall be for an initial term of 3 years (renewable for subsequent 3 year periods upon further agreement by the parties) commencing from the date of Completion with the annual transaction amounts for each of the four years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 capped at, RMB67,000, RMB817,000, RMB1,017,000 and RMB1,100,000 respectively. Such caps are determined based on the forecasted quantity and cost of products to be delivered for the respective periods. In case the transaction amount for any of the above periods reaches the agreed cap for such period, no further transaction will be made under the DPA until the next calendar year or until obtaining the approval of the Shareholders at an extraordinary meeting pursuant to the GEM Listing Rules for an additional cap agreed upon by the parties for the remainder of the relevant calendar year. The Company will re-comply with the disclosure and independent shareholders' approval requirements under the GEM Listing Rules upon renewal of the DPA.

## FSA1

### *Parties:*

- (1) Sales JV Co
- (2) Fulfilment JV Co

## Major Terms:

Pursuant to the FSA1, Fulfilment JV Co shall provide fulfillment services to Sales JV Co. FSA1 shall be for an initial term of 3 years (renewable for subsequent 3 year periods upon further agreement by the parties) commencing from the date of Completion. Fulfilment JV Co will charge a fulfilment charge for the fulfillment services provided at a percentage of the net revenues achieved by Sales JV Co as follows: (a) for the first 12-month period: 66.7%; (b) for the second 12-month period: 67.3%; and (c) for the third 12-month period: 66.2%. The fulfilment charge shall be paid monthly in arrears based on the net revenue of Sales JV Co in the previous calendar month, provided that for the first six months commencing from the date of Completion, Sales JV Co will pay the fulfilment charges by remitting to Fulfilment JV Co, on a monthly basis and in the proportions as specified above, all monies received by Sales JV Co from customers in relation to projects fulfilled by Fulfilment JV Co. The annual transaction amounts for each of the four years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 are capped at RMB4,000,000, RMB57,000,000, RMB78,000,000 and RMB89,000,000 respectively. Such caps are determined based on the forecasted aggregated MR Services revenue of HDBC and HC PRC (including synergy effect) for each of the above periods multiplied by the fulfilment charge ratios set out in (a), (b) and (c) above for the respective periods. In case the transaction amount for any of the above calendar year reaches the agreed cap for such period, no further transaction will be made under the FSA1 until the next calendar year or until obtaining the approval of the Shareholders at an extraordinary meeting pursuant to the GEM Listing Rules for an additional cap agreed upon by the parties for the remainder of the relevant calendar year. The Company will re-comply with the disclosure and independent shareholders' approval requirements under the GEM Listing Rules upon renewal of the FSA1.

## **FSA2**

### *Parties:*

- (1) HC PRC
- (2) Sales JV Co

### Major Terms:

Pursuant to the FSA2, HC PRC shall provide fulfillment services to Sales JV Co to enable Sales JV Co to sell and market e-Eyes products to customers. FSA2 shall be for an initial term of 3 years (renewable for subsequent 3 year periods upon further agreement by the parties) commencing from the date of Completion. HC PRC will charge a fulfilment charge for the fulfillment services provided based on actual cost of fulfillment plus 12%. Fulfilment charges due in the first 12-month period shall be invoiced quarterly in arrears. From the second 12-month period onward, the fulfilment charges shall be invoiced monthly in arrears, provided however that in the event Sales JVCo can demonstrate by the end of the first month of the second 12-month period that its cash receipts from customers of e-Eyes products do not support monthly payments of the fulfillment charges, the fulfilment charges shall continue to be invoiced quarterly in arrears until such time Sales JVCo inform HC PRC that its cash receipts from customers of e-Eyes customers do support monthly payment of the fulfilment charges. The invoiced fulfilment charge shall be paid within 30 days after the date of invoicing. The annual transaction amounts of each of the four years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 are capped at RMB740,000, RMB9,200,000, RMB12,100,000 and RMB13,960,000 respectively. Such caps are determined with reference to the cost percentage of sales generated by e-Eyes products in 2008 and on the assumption that the growth of revenue generated by e-Eyes products during the contract period will be in line with the forecasted revenue growth of the MR Services of HC PRC for the same period. In case the transaction amount for any of the above periods reaches the agreed cap for such period, no further transaction will be made under the FSA2 until the next calendar year or until obtaining the approval of the Shareholders at an extraordinary meeting pursuant to the GEM Listing Rules for an additional cap agreed upon by the parties for the remainder of the relevant calendar year. The Company will re-comply with the disclosure and independent shareholders' approval requirements under the GEM Listing Rules upon renewal of the FSA2.

## **HC Sales TMLA**

### *Parties:*

- (1) HC PRC
- (2) Sales JV Co

Under the HC Sales TMLA, HC PRC shall grant Sales JVCo the royalty-free exclusive right to use the name "HuiCong" in its company name, as further described in that agreement, solely in connection with the sale and marketing of MR Services in the PRC (or outside the PRC pursuant to the CSA).

## **HDBC TMLA**

### *Parties:*

- (1) HDBC
- (2) Sales JV Co
- (3) Fulfilment JV Co

Under the HDBC TMLA, HDBC shall grant Sales JVCo and Fulfilment JVCo the royalty-free right to use the tagline “A joint venture with Huaxia D&B” on their letter heads, business cards, website and in any and all brochures and other written documentation as further described in that agreement, solely in connection with the sale and marketing of MR Services in the PRC (or outside the PRC pursuant to the CSA).

## **REASONS AND BENEFITS**

The Group is a leading provider of MR Services in the PRC, with a comprehensive service offering, an established clientele and well-trained personnel.

D&B International, which is the parent company of D&B PRC, operates a worldwide information business, collecting and providing commercial information and services (including credit information, sales and marketing services and supply management services) through a worldwide network of subsidiaries and partners. HDBC is the member of the aforesaid worldwide network for the PRC.

Having considered the respective areas of strength, the Joint Venture Parties decided to join forces in the PRC and establish the Joint Venture Companies. The co-operation and formation of the Joint Venture Companies will provide the following benefits:

- (1) Strengthened marketing capability of MR Business in the PRC with the establishment of Sales JV Co which will be composed with strong sales personnel from the Group and D&B International. Moreover, Sales JV Co will continue to leverage both the Group’s and D&B International’s presence and market channels in the PRC.
- (2) Global network will be established under the CSA, which will provide exposure and marketing capability of MR Services to all foreign companies who have interests in the markets and require business information in the PRC. The Group believes that such global network will potentially fuel a significant revenue growth to the Joint Venture Companies.
- (3) The Joint Venture Companies will complement well on one side with D&B International’s service offering on information business ranging from credit information, financial information to sales and marketing information and as well as media and competitive monitoring and on the other side with the Group’s B2B Business on information business, which as an entity will become a leading information services provider to many businesses.
- (4) With the establishment of the Joint Venture Companies, MR Business will be operated with sharpened focus and discipline, enabling clear strategic move with focused financial guidance, which the Group believes will provide room for continuous long-term growth of MR Business.

- (5) The Joint Venture Companies will be benefited from the branding power of both the Group and D&B International, supporting MR Business to solidify its competitive position and growing into a premier MR Services provider.

In view of the aforesaid, the Group believes that the formation of the Joint Venture Companies is a positive strategic move, which will provide the Shareholders with both short-term and long term benefits.

All the Directors (including all the independent non-executive Directors, save for the DPA, FSA1, FSA2, HC Sales TMLA and HDBC TMLA) considered that the Co-operation and Framework Agreement was arrived at after arm's length negotiations between the parties concerned and the terms and conditions of the Co-operation and Framework Agreement and the Commercial Agreements are fair and reasonable, are normal commercial terms in the usual and ordinary course of business of the Group and in the interests of the Company and the Shareholders taken as a whole.

## **GENERAL INFORMATION**

The Group is one of the leading e-commerce communities in the PRC. The Group aims to provide business information through different means to facilitate buyers and sellers in the commercial world to disseminate and/or obtain such information to assist them in locating and matching their counterparties and to make business decisions.

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

The establishment of the Joint Venture Companies under the Co-operation and Framework Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. The abovementioned proposed continuing connected transactions under the DPA, FSA1 and FSA2 do not fall under the exemption in Rules 20.33 and 20.34 of the GEM Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Rules 20.45 to 20.54 of the GEM Listing Rules. Therefore, the Company will seek for the approval of the independent shareholders of the Company of such proposed continuing connected transactions under the DPA, FSA1 and FSA2 abovementioned. A circular containing further information in respect of the Co-operation and Framework Agreement, other information as required by the GEM Listing Rules, the advice from the independent board committee and the advice from the independent financial adviser to the independent board committee and independent shareholders in relation to the relevant proposed continuing connected transactions, together with the notice convening the extraordinary general meeting (for approving the relevant proposed continuing connected transactions) will be dispatched to the Shareholders as soon as practicable. Independent shareholders will vote at the extraordinary general meeting on the relevant proposed continuing connected transactions by way of a poll.

## DEFINITIONS

“associates”	has the same meaning as ascribed thereto in the GEM Listing Rules
“Board”	the board of directors of the Company;
“Business Days”	a day when banks are customarily open for business and excluding weekends and public holidays, in each of the PRC, Hong Kong and the United States of America;
“Commercial Agreements”	CSA, DPA, FSA1, FSA2, D&B TMLA, HC Sales TMLA, HC Fulfilment TMLA and HDBC TMLA which are not inter-conditional to each other;
“Company”	HC International Inc., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM;
“Completion”	completion of the Co-operation and Framework Agreement;
“Co-operation and Framework Agreement”	the co-operation and framework agreement entered into between the Joint Venture Parties dated 17 October 2008 for, <i>inter alia</i> , the establishment of the Joint Venture Companies;
“CSA”	the commercial services agreement to be entered into between Sales JV Co and D&B International, pursuant to the Co-operation and Framework Agreement, pursuant to which D&B International – through its worldwide network of affiliates, subsidiaries and partners – shall be the exclusive sub-distributor of the MR Services fulfilled by Fulfilment JVCo and HC PRC under the FSA1 for all territories outside the PRC;
“Customer Contracts”	any and all contracts with customers of data or services in the ordinary course of market research business of each of the HDBC and HC PRC, which are in force and have not expired at the date of Completion;
“D&B International”	Dun & Bradstreet International, Ltd., a legal entity organized and existing under the laws of the State of Delaware of the United States of America and, to the best knowledge of the Directors, an Independent Third Party;
“D&B PRC”	Dun & Bradstreet (Shanghai) International Information Consulting Co. Limited, a limited liability company incorporated under the laws of the PRC and, to the best knowledge of the Directors, an Independent Third Party;
“D&B TMLA”	the trade mark license agreement to be entered into between the Sales JV Co and D&B International pursuant to the Co-operation and Framework Agreement, pursuant to which D&B International shall grant Sales JV Co the exclusive right to use the name “D&B” and the “D&B Worldwide Network” logos, as further described in D&B TMLA, solely in connection with the sale and marketing of MR Services in the PRC (or outside the PRC pursuant to the CSA);



“Directors”	the directors of the Company;
“DPA”	the data purchase agreement to be entered into between Fulfilment JV Co and HDBC pursuant to the Co-operation and Framework Agreement;
“FSA1”	the fulfillment services agreement to be entered into between Fulfilment JV Co and Sales JV Co pursuant to the Co-operation and Framework Agreement;
“FSA2”	the fulfillment services agreement to be entered into between HC PRC and Sales JV Co pursuant to the Co-operation and Framework Agreement;
“Fulfilment JV Co”	a joint venture company to be named, whose main purpose shall be the fulfillment of MR Services, to be established by the Joint Venture Parties in the PRC pursuant to the Co-operation and Framework Agreement and the registered capital of which shall be held in the proportion of 70% by HC PRC, 15.88% by D&B PRC and 14.12% by HDBC;
“Fulfilment Services”	fulfillment services provided by Fulfilment JV Co to Sales JV Co pursuant to FSA1;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HC Fulfilment TMLA”	the trade mark license agreement to be entered into between Fulfilment JV Co and HC PRC pursuant to the Co-operation and Framework Agreement, pursuant to which HC PRC shall grant Fulfilment JV Co the exclusive right to use the name “HuiCong” in its company name and related names and logos, as further described in HC Fulfilment TMLA, solely in connection with the development, fulfilment and delivery of MR Services to Sales JV Co and its customers in the PRC (or outside the PRC pursuant to the CSA);
“HC HK”	Hong Kong Huicong International Group Limited, a limited liability company incorporated under the laws of the British Virgin Islands and is a subsidiary of the Company;
“HC PRC”	Beijing HC International Information Co. Limited, a limited liability company incorporated under the laws of the PRC; HC PRC is a subsidiary of the Company and owned as to 82% by HC HK and 18% by Beijing HC Construction Information Consulting Co., Limited (which in turn is owned as to 80% by Mr. Guo Fansheng, a director of the Company);

“HC Sales TMLA”	the trade mark license agreement to be entered into between Sales JV Co and HC PRC pursuant to the Co-operation and Framework Agreement;
“HDBC”	Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co. Limited, a limited liability company incorporated under the laws of the PRC and, to the best knowledge of the Directors, an Independent Third Party;
“HDBC TMLA”	the trade mark license agreement to be entered into between HDBC, Fulfilment JV Co and Sales JV Co pursuant to the Co-operation and Framework Agreement;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Huaxia”	Huaxia International Credit Consulting Co. Ltd., a company incorporated under the laws of the PRC;
“Independent Third Party(ies)”	party or parties that is or are not connected with the Company and/or connected with the directors, chief executive, supervisors, promoters or substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Joint Venture Companies”	Fulfilment JV Co and Sales JV Co;
“Joint Venture Parties”	HC HK, HC PRC, D&B International, D&B PRC and HDBC;
“MR Business”	the business of developing, fulfilling, marketing and selling MR Services;
“MR Services”	the provision of market research solutions to determine market demand, supply and competition so as to identify market opportunities and risks to help businesses formulate appropriate marketing strategies, including but not limited to industry studies, competitive intelligence, due diligence and media monitoring;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sales JV Co”	a joint venture company to be named, whose main purpose shall be the sale and marketing of MR Services, to be established by the Joint Venture Parties in the PRC pursuant to the Co-operation and Framework Agreement and the registered capital of which shall be held in the proportion of 40% by HC PRC, 31.75% by D&B PRC and 28.25% by HDBC;
“Share(s)”	ordinary share(s) of HK\$0.1 par value each of the Company;

“Shareholder(s)”	holder(s) of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction Consideration”	an amount of US\$3,085,000; and
“US\$”	United States Dollars, the lawful currency of the United States of America.

By Order of the Board  
**HC International, Inc.**  
**Guo Jiang**  
*Chief Executive Officer and Executive Director*

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

Mr. Guo Fansheng (*Executive Director*)  
Mr. Guo Jiang (*Executive Director and Chief Executive Officer*)  
Mr. Li Jianguang (*Non-executive Director*)  
Mr. Zhang Ke (*Independent non-executive Director*)  
Mr. Xiang Bing (*Independent non-executive Director*)  
Mr. Guo Wei (*Independent non-executive Director*)

Beijing, the PRC, 21 October 2008

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the pages of “Latest Company Announcements” on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting.*