

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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. GEM-listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to GEM website <http://www.hkgem.com> in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, for which the directors (the “Directors”) of HC International, Inc. (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



FINANCIAL HIGHLIGHTS

	Three months ended 30th September, 2006		Nine months ended 30th September, 2006	
	RMB'000	2005 RMB'000 (As restated)	RMB'000	2005 RMB'000 (As restated)
Turnover	76,327	81,138	208,614	257,567
Gross profit	39,808	40,281	106,516	129,884
EBITDA	(16,806)	(6,635)	(31,424)	6,823
Loss attributable to equity holders of the Company	(24,543)	(20,536)	(60,679)	(25,532)

- Turnover of the Group for the nine months ended 30th September, 2006 was approximately RMB208.61 million as compared to approximately RMB257.57 million for the corresponding period in the previous financial year.
- Gross profit ratio of the Group for the nine months ended 30th September, 2006 was approximately 51.1% as compared to approximately 50.4% for the corresponding period in the previous financial year.
- EBITDA of the Group for the nine months ended 30th September, 2006 was a loss of approximately RMB31.42 million as compared to a profit of approximately RMB6.8 million for the corresponding period in the previous financial year.
- Loss attributable to equity holders of the Company for the nine months ended 30th September, 2006 was approximately RMB60.68 million as compared to loss attributable to equity holders of approximately RMB25.53 million for the corresponding period in the previous financial year.





MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

During the nine-month period ended 30th September, 2006, the Group recorded a turnover of approximately RMB208.61 million and RMB18.08 million from the continuing operations and discontinued operations, respectively (2005: RMB257.57 million and RMB99.20 million). For the continuing operations, turnover decreased by approximately 19% as compared to that in the corresponding period last year. As part of the restructuring of the Group's domestic television advertising business in the PRC, certain loss-making television stations of the Group had ceased to operate during the period under review and thus a decrease of approximately 81.8% in turnover was recorded by the Group for the discontinued operations as compared to that in the corresponding period last year.

During the reporting period, the Group achieved a turnover of approximately RMB68.37 million from its direct on-line business segment, which contributed to about 32.8% of the Group's total revenue from the continuing operations during the period under review, representing a decrease of about 12.4% as compared to that in the corresponding period last year.

The gross profit margin of the Group's continuing operations increased by about 0.7 percentage point from approximately 50.4% last year to approximately 51.1% during the period under review. The gross profit margin of the trade catalogues and yellow page directories business segment of the Group decreased by about 2 percentage points from approximately 48% last year to approximately 46% during the period under review, while the gross profit margin of the Group's search engine business segment increased by about 4 percentage points from approximately 71% last year to approximately 75% as compared to that in corresponding period last year.

During the nine month period ended 30th September, 2006, a net loss attributable to equity holders of approximately RMB60.68 million was recorded by the Group.

The Company changed its name in Chinese, "慧聰國際資訊有限公司", which it used for identification purposes only, to "慧聰網有限公司" with effect from 6th November, 2006 in order to promote the Company's core businesses, which include the provision of on-line business information services to the business-to-business community, and to reinforce the brand-building policy of the Group.

The Group continued to enhance the features of its on-line marketplace, "Mai-Mai-Tong – 買賣通", to cater for the different needs of members of the business-to-business community. The number of registered users of the product continued to grow during the period under review and reached 2.8 million as at 30th September, 2006.

In addition to the sales agency network that was built up by the Group during the first quarter of 2006, resources had been allocated by the Group to establish its telemarketing sales team in order to further expand the Group's market share in other industry sectors.



On 13th September, 2006, the Group and an indirect subsidiary of Global Sources Ltd., which is the substantial shareholder of the Company, entered into a representation agreement pursuant to which the Group was appointed as its representative for the marketing and promotion of its on-line advertising and marketing products and services for the machinery sector in the PRC. Leveraging on the strategic investment by Global Sources Ltd., the Group will continue to explore business opportunities with Global Sources Ltd. to jointly offer comprehensive domestic, export and import marketing solutions through industry-focused websites, magazines and trade shows for businesses in the PRC.

Going forward, the Group will continue to focus on the business-to-business sector, which offers higher growth potential and profit margin, by devoting more resources to upgrade its technological capability and develop new complimentary on-line products.





UNAUDITED CONSOLIDATED RESULTS

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER, 2006

	Note	Unaudited Three months ended 30th September,		Unaudited Nine months ended 30th September,	
		2006 RMB'000	2005 RMB'000 (As restated)	2006 RMB'000	2005 RMB'000 (As restated)
Continuing operations					
Sales		76,327	81,138	208,614	257,567
Cost of sales		(36,519)	(40,857)	(102,098)	(127,683)
Gross profit		39,808	40,281	106,516	129,884
Other gains – net		410	(2,121)	1,150	349
Selling and marketing expenses		(25,287)	(25,281)	(72,999)	(68,914)
Administrative expenses		(25,864)	(28,051)	(73,413)	(77,362)
Gain/(loss) on disposal of subsidiaries		592	2,050	196	2,050
Loss on disposal of discontinued operations	3	(13,202)	–	(12,078)	–
Finance costs		–	(350)	(685)	(1,082)
Impairment of goodwill		–	–	(2,314)	–
Loss before income tax		(23,543)	(13,472)	(53,627)	(15,075)
Income tax	4	982	91	3,181	649
Loss for the period from continuing operations		(22,561)	(13,381)	(50,446)	(14,426)
Loss for the period from discontinued operations	3	(2,743)	(13,161)	(22,584)	(22,081)
Loss for the period		(25,304)	(26,542)	(73,030)	(36,507)
Attributable to:					
Equity holders of the Company		(24,542)	(20,536)	(60,678)	(25,532)
Minority interests		(762)	(6,006)	(12,352)	(10,975)
		(25,304)	(26,542)	(73,030)	(36,507)



UNAUDITED CONSOLIDATED RESULTS (continued)

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER, 2006

	Note	Unaudited Three months ended 30th September,		Unaudited Nine months ended 30th September,	
		2006 RMB'000	2005 RMB'000 (As restated)	2006 RMB'000	2005 RMB'000 (As restated)
Loss per share from continuing operations attributable to the equity holders of the Company (expressed in RMB per share)					
Basic	6	<u>RMB(0.0407)</u>	<u>RMB(0.0208)</u>	<u>RMB(0.0894)</u>	<u>RMB(0.0166)</u>
Diluted	6	<u>RMB(0.0392)</u>	<u>RMB(0.0194)</u>	<u>RMB(0.0862)</u>	<u>RMB(0.0157)</u>
Loss per share from discontinued operations attributable to the equity holders of the Company (expressed in RMB per share)					
Basic	6	<u>RMB(0.0106)</u>	<u>RMB(0.0233)</u>	<u>RMB(0.0376)</u>	<u>RMB(0.0383)</u>
Diluted	6	<u>RMB(0.0102)</u>	<u>RMB(0.0217)</u>	<u>RMB(0.0363)</u>	<u>RMB(0.0362)</u>
Dividends		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>





NOTES TO THE ACCOUNTS

1. General information and basis of preparation

General information

HC International, Inc. ("the Company") and its subsidiaries (collectively referred as the "Group") organise a business-to-business community across China by providing business information through both on-line and off-line channels. The Group operates an on-line marketplace and provides industrial search result prioritising services through its business-to-business website "hc360.com". The Group also publishes its own trade catalogues and yellow page directories and generate market research reports in China.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman Islands, British West Indies.

The Company has its primary listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated third quarterly financial statements are presented in thousands of units of RMB (RMB'000), unless otherwise stated. The unaudited condensed consolidated third quarterly financial statements have been approved for issue by the board of Directors on 10th November, 2006.

Basis of preparation

This unaudited condensed consolidated third quarterly financial information for the nine month ended 30th September, 2006 has been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong (the "GEM Listing Rules"). The unaudited condensed third quarterly financial report should be read in conjunction with the annual financial statements of the Group for the year ended 31st December, 2005.

Comparatives

In its third quarterly report of 2005, the Group presented operating results for the nine months ended 30th September, 2005 by combining the continuing and discontinued operations. To be consistent with the presentation of operating results as in the 2005 annual report of the Group, the comparative figures for the nine months ended 30th September, 2005 have been reclassified by separately reflecting the operating results from continuing and discontinued operations.

2. Accounting policies

The accounting policies used in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st December, 2005.

During the period, the Group has changed of its accounting policies following the adoption of new standards, amendments to standards and interpretations which are effective for accounting periods commencing on or after 1st January, 2006.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- IFRIC/HK(IFRIC)-Int 7, "Applying the Restatement Approach under IFRS/HKFRS 29", effective for annual periods beginning on or after 1st March, 2006. Management do not expect the interpretation to be relevant for the Group;



2. Accounting policies (continued)

- IFRIC/HK(IFRIC)-Int 8, "Scope of IFRS/HKFRS 2", effective for annual periods beginning on or after 1st May, 2006. Management is currently assessing the impact of IFRIC/HK(IFRIC)-Int 8 on the Group's operations;
- IFRIC/HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after 1st June, 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assess if embedded derivative should be separated using principles consistent with IFRIC/HK(IFRIC)-Int 9; and
- IFRS/HKFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after 1st January, 2007. IAS/HKAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1st January, 2007. The Group assessed the impact of IFRS/HKFRS 7 and the amendment to IAS/HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS/HKAS 1. The Group will apply IFRS/HKFRS 7 and the amendment to IAS/HKAS 1 from annual periods beginning 1st January, 2007.

3. Discontinued operation

On 27th May, 2005, the Company, through its wholly-owned subsidiary, Hong Kong Huicong International Group Limited ("Hong Kong HC International") agreed to transfer to Metaphor Corp. its entire interest in operations in relation to television advertising business in the PRC. Subject to the terms and conditions of the sale and purchase agreement, the Company has agreed to procure a restructuring in respect of its PRC domestic television advertising business, and the restructuring and transfers of relevant equity interests will take place on 30th August, 2005 or such later date when all the conditions have been fulfilled or waived.

Pursuant to the Company's announcement dated 27th July, 2006, the above said sales and purchase agreement was terminated. The Company is taking action to further restructure the TV advertising business to align with the Group's current business and investment strategies. As at 30th September, 2006, some of the business entities related to the TV advertising business have ceased operations.

The discontinued operation is related to TV advertising business, which formerly presented as a business segment of the Group.

An analysis of the results of discontinued operations is as follows:

	Unaudited	
	Nine months ended	
	30th September,	
	2006	2005
	RMB'000	RMB'000
		(As restated)
Revenue	18,075	99,203
Cost of sales	(21,864)	(106,326)
Interest income	94	89
Expenses	(18,871)	(14,853)
Loss before income tax of discontinued operations	(22,566)	(21,887)
Income tax	(18)	(194)
Loss for the period from discontinued operations	(22,584)	(22,081)



4. Income tax expense

The amount of tax charged to the consolidated profit and loss account represents:

	Three months ended 30th September, 2006		Nine months ended 30th September, 2006	
	RMB'000	2005 RMB'000	RMB'000	2005 RMB'000
Current income tax				
- Hong Kong profits tax (i)	-	-	-	-
- The PRC enterprise income tax ("EIT") (ii)	(445)	(371)	(1,275)	(1,145)
Deferred income tax	1,427	463	4,456	1,795
	982	92	3,181	650

- (i) No Hong Kong profits tax has been provided for as there was no assessable profit arising in Hong Kong for the period (2005: Nil).
- (ii) The PRC enterprise income tax represents taxation charged on assessable profits for the period at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The subsidiaries of the Group established in the PRC are generally subject to income tax on their taxable income at a combined national and local tax rate of 33%. Certain subsidiaries enjoy tax preferential rights and subject to a tax rate of 0% to 15% during the period.

5. Dividends

No dividends have been paid or declared by the Company and the group companies.

6. Earnings per share

The calculation of basic loss per share from continuing operations for the three months and nine months ended 30th September, 2006 is based on the respective unaudited continuing operation's loss attributable to the equity holders of RMB19,492,000 and RMB42,716,000 (2005: restated RMB9,688,000 and RMB7,732,000 and the weighted average of 478,565,000 and 477,637,000 (2005: 465,934,000 and 464,881,000) ordinary shares in issue during the period.

The calculation of diluted loss per share from continuing operations for the three months and nine months ended 30th September, 2006 is based on the respective unaudited continuing operation's loss attributable to the equity holders of RMB19,492,000 and RMB42,716,000 (2005: restated RMB9,688,000 and RMB7,732,000 and the weighted average of 497,050,000 and 495,531,000 (2005: 500,022,000 and 491,435,000) ordinary shares after adjusted for the effects of all dilutive potential ordinary shares, as if all the outstanding share options granted by the Company, under the Pre-IPO Share Option Scheme had been exercised at the date of grant. Since the exercise price of the Share Options granted by the Company under Share Option Scheme is higher than the average market price of the Company, the effect of anti-dilutive potential ordinary shares has not been taken into account in calculating diluted earnings per share.



6. Earnings per share (continued)

The calculation of basic loss per share from discontinued operations attributable to the equity holders for the three months and nine months ended 30th September, 2006 is based on the respective unaudited discontinued operation's loss attributable to the equity holders of RMB5,051,000 and RMB17,963,000 (2005: RMB10,847,000 and RMB17,799,000 and the weighted average of 478,565,000 and 477,637,000 (2005: 465,934,000 and 464,881,000) ordinary shares in issue during the period.

The calculation of diluted loss per share from discontinued operations for the three months and nine months ended 30th September, 2006 is based on the respective unaudited discontinued operation's loss attributable to the equity holders of RMB5,051,000 and RMB17,963,000 (2005: RMB10,847,000 and RMB17,799,000 and the weighted average of 497,050,000 and 495,531,000 (2005: 500,022,000 and 491,435,000) ordinary shares in issue during the period.

7. Movement of reserves

	Group				Total RMB'000
	Capital reserve RMB'000	Merger reserve RMB'000	Share premium RMB'000	Share- based compensation reserves RMB'000	
Balance at 1st January, 2005 (as restated)	987	108,830	124,448	7,814	242,079
Exercise of share options	-	-	3,978	-	3,978
Profit for the period	-	-	-	-	-
Shares issue expenses	-	-	-	-	-
Offset of share issuance costs to share premium	-	-	-	-	-
Employees share option scheme-value of employee services	-	-	-	3,898	3,898
At 30th September, 2005 (as restated)	987	108,830	128,426	11,712	249,955
Balance at 1st January, 2006	987	108,830	128,426	12,677	250,920
Exercise of share options	-	-	4,467	-	4,467
Loss for the period	-	-	-	-	-
Employees share option scheme-value of employee services	-	-	-	2,399	2,399
At 30th September, 2006	987	108,830	132,893	15,076	257,786



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

As at 30th September, 2006, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
Guo Fansheng	Beneficial owner	64,088,863	-	-	-	64,088,863	13.39%
Li Jianguang	Beneficial owner	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.36%
Guo Jiang	Beneficial owner	4,501,298 (Note 2)	-	-	-	4,501,298 (Note 2)	0.94%
Wu Ying	Beneficial owner	3,715,884 (Note 3)	-	-	-	3,715,884 (Note 3)	0.77%
Lai Sau Kam, Connie	Beneficial owner	3,023,808 (Note 4)	-	-	-	3,023,808 (Note 4)	0.63%

(b) Directors' Short Positions

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
Guo Fansheng	Beneficial owner	64,088,863	-	-	-	64,088,863	13.39%
Li Jianguang	Beneficial owner	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.36%
Guo Jiang	Beneficial owner	2,027,200	-	-	-	2,027,200	0.42%
Wu Ying	Beneficial owner	3,715,884 (Note 3)	-	-	-	3,715,884 (Note 3)	0.77%
Lai Sau Kam, Connie	Beneficial owner	3,023,808 (Note 4)	-	-	-	3,023,808 (Note 4)	0.63%



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES *(continued)*

Notes:

1. The references to 40,000,384 shares of the Company relate to the same block of shares of the Company held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li.
2. Such interest in the Company comprises:
 - (a) 2,162,606 shares of the Company; and
 - (b) 2,338,692 underlying shares derived from the share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
3. Such interest in the Company comprises:
 - (a) 1,538,602 shares of the Company; and
 - (b) 2,177,282 underlying shares derived from the share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
4. Such interest in the Company comprises:
 - (a) 1,015,770 shares of the Company; and
 - (b) 2,008,038 underlying shares derived from the share options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

SHARE OPTION SCHEMES

Pursuant to written resolutions of the shareholders of the Company dated 30th 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 8th December, 2003.





OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

As at 30th September, 2006, options to subscribe for an aggregate of 23,418,207 shares of the Company 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 30th September 2006 (Note 1)
			As at 1st January 2006	Granted during the period	Exercised during the period	Cancelled during the period	
<i>Directors</i>							
WU Ying	2nd December, 2003	0.44	677,282	-	-	-	677,282
LAI Sau Kam, Connie	2nd December, 2003	0.44	1,015,923	-	(507,885)	-	508,038
GUO Jiang	2nd December, 2003	0.44	677,282	-	(338,590)	-	338,692
<i>Senior management</i>							
LEE Wee Ong, Alex	2nd December, 2003	0.44	1,777,865	-	(888,799)	-	889,066
WANG Chong	2nd December, 2003	0.44	4,199,150	-	(2,099,256)	-	2,099,894
WANG Yonghui	2nd December, 2003	0.44	3,945,166	-	(1,972,288)	-	1,972,878
<i>Ex-employees</i>							
FAN Qimiao	2nd December, 2003	0.44	7,111,104	-	-	-	7,111,104
GU Yuanchao	2nd December, 2003	0.44	3,777,774	-	-	-	3,777,774
<i>Consultant</i>							
Earl Ching-Hwa YEN	2nd December, 2003	0.44	804,272	-	(402,076)	-	402,196
<i>Other employees</i>							
In aggregate (Note 2)	2nd December, 2003	0.44	12,063,917	-	(6,422,634)	-	5,641,283
Total			36,049,735	-	(12,631,528)	-	23,418,207

Notes:

- Each option has a 10-year exercise period, which may be exercised after the expiry of twelve months from the date on which trading in the shares of the Company first commenced on GEM (the "Listing Date"), being 17th 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 of the Company comprised in his or her option (less any number of the shares of the Company in respect of which the option has been previously exercised).
- As at 30th September, 2006, there are 47 employees who have been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 5,641,283 shares.



OUTSTANDING SHARE OPTIONS (continued)

(b) Share Option Scheme

As at 30th September, 2006, options to subscribe for an aggregate of 28,150,000 shares of the Company 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 30th September 2006 (Note 1)
			As at 1st January 2006	Granted during the period	Exercised during the period	Cancelled during the period	
<i>Directors</i>							
WU Ying	18th February, 2004	2.40	1,500,000	-	-	-	1,500,000
LAI Sau Kam, Connie	18th February, 2004	2.40	1,500,000	-	-	-	1,500,000
GUO Jiang	18th February, 2004	2.40	1,000,000	-	-	-	1,000,000
GUO Jiang	23rd June, 2006	1.49	-	1,000,000	-	-	1,000,000
<i>Senior management</i>							
LEE Wee Ong, Alex	18th February, 2004	2.40	1,500,000	-	-	-	1,500,000
WANG Chong	18th February, 2004	2.40	3,400,000	-	-	-	3,400,000
<i>Other employees</i>							
In aggregate (Note 2)	18th February, 2004	2.40	9,250,000	-	-	-	9,250,000
In aggregate (Note 3)	23rd June, 2006	1.49	-	9,000,000	-	-	9,000,000
Total			18,150,000	10,000,000	-	-	28,150,000

Notes:

- Each option has a 10-year exercise period, which may be exercised after the expiry of twelve months from the date of the granting of options (the "Offer Date"). 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 of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised).

During the nine-month period ended 30th September, 2006, a total of 10,000,000 share options were granted to certain employees pursuant to the Share Option Scheme. The grantees can exercise these options at an exercise price of HK\$1.49 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 23rd June, 2006.

- 270 employees have been granted options under the Share Option Scheme to acquire an aggregate of 9,250,000 shares of the Company at HK\$2.40 per share.



OUTSTANDING SHARE OPTIONS *(continued)*

(b) Share Option Scheme *(continued)*

3. 100 employees have been granted options under the Share Option Scheme to acquire an aggregate of 9,000,000 shares of the Company at HK\$1.49 per share.
4. The fair value of options granted under the Share Option Scheme on 18th February, 2004, determined using the Binomial Model value model, was RMB20,193,000. The significant inputs into the model were the exercise price, standard deviation of expected share price returns of 32%, expected life of options ranging from 5.4 to 6.6 years, expected dividend paid out rate of 0% and annual risk-free interest rate ranging from 1.34% to 4.43%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
5. The fair value of options granted under the Share Option Scheme on 23rd June, 2006, determined using the Binomial Model valuation model, was RMB3,919,003. The significant inputs into the model were exercise price of HK\$1.49, standard deviation of expected share price returns of 34.8%, expected life of options ranging from 3.2 to 5.5 years expected dividend paid cut rate of 0% and annual risk free interest rate 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

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

As at 30th September, 2006, the interest and the short position 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	Long position	Short position	Nature of Interests/Holding capacity	Percentage of shareholding
Hinrichs Merle Allan	234,560,134 (Note 1)	-	Interest in controlled corporation	48.59%
McCarthy Kent C.	90,967,805 (Note 2)	-	Interest in controlled corporation	19.01%
APAC Capital Advisors Ltd sub a/c APAC Greater China Fund (Cayman) Ltd	29,931,850	-	Investment manager	6.25%
McGovern Patrick J.	25,473,954 (Note 3)	25,473,954 (Note 3)	Interest in controlled corporation	5.32%
PMA Capital Management Ltd.	24,540,000	-	Investment manager	5.13%



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

1. Such interest in the Company comprises:
 - (a) 62,652,000 shares of the Company of which 5,916,000 shares and 56,736,000 shares were held by Global Sources Ltd., which is owned as to approximately 61% by Mr. Hinrichs, and Trade Media Holdings Limited, which is a wholly-owned subsidiary of Global Sources Ltd., respectively; and
 - (b) 171,908,134 underlying shares of the Company derived from certain call options granted to Trade Media Holdings Limited, a wholly-owned subsidiary of Global Sources Ltd., which is owned as to approximately 61% by Mr. Hinrichs.
2. Such shares of the Company were held by Jayhawk China Fund (Cayman), Ltd., the entire issued share capital of which is owned by Mr. McCarthy.
3. The references to 25,473,954 shares of the Company relate to the same block of shares of the Company held by IDG Technology Venture Investment, Inc., a wholly-owned subsidiary of International Data Group, Inc., which is owned as to approximately 33% by Mr. McGovern.

AUDIT COMMITTEE

Pursuant to GEM Listing Rule 5.28, the Company established an audit committee on 24th July, 2003 with 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. John Craig Pepples and two independent non-executive directors, Mr. Zhang Ke and Mr. Xiang Bing. Mr. Zhang Ke is the Chairman of the audit committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group, and the third quarterly results of the Group for the nine months ended 30th September, 2006.

DIRECTORS INTERESTS IN COMPETING BUSINESS

Mr. John Craig Pepples, a non-executive director of the Company, is a director of Trade Media Limited and a shareholder of Global Sources Limited. Trade Media Limited is an indirect wholly-owned subsidiary of Global Sources Limited, which is a substantial shareholder of the Company. Global Sources Limited and its associates (as defined in the GEM Listing Rules) are engaged in business-to-business media businesses which provide global two-way trade services.



DIRECTORS INTERESTS IN COMPETING BUSINESS *(continued)*

Save as disclosed above, 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 has had any business or interest in companies that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the nine months ended 30th September, 2006.

ADVANCES TO AN ENTITY

As at 30th September, 2006, the Group had not made any advance, which is of a non-trading nature, to any entity.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

As at 30th September, 2006, the Group had not provided any financial assistance to any of its affiliated companies.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the nine months ended 30th September, 2006.

By Order of the board of Directors

HC International, Inc.

Guo Fansheng

Chief Executive Officer and Executive Director

As at the date of this report, the board of Directors comprises:

Mr. Guo Fansheng *(Executive Director and Chief Executive Officer)*

Ms. Wu Ying *(Executive Director)*

Ms. Lai Sau Kam, Connie *(Executive Director)*

Mr. Guo Jiang *(Executive Director)*

Mr. Li Jianguang *(Non-executive Director)*

Mr. John Craig Pepples *(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, PRC, 10th November, 2006