



Third Quarterly Report

2008



慧聪网有限公司
HC INTERNATIONAL, INC.

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 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”) 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		Nine months ended	
	30th September,		30th September,	
	2008	2007	2008	2007
	RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
Turnover	74,925	79,059	223,518	214,692
Gross profit	39,744	45,631	120,826	122,717
EBITDA	8,159	9,614	27,306	7,022
Profit/(loss) attributable to equity holders	3,490	556	6,492	(11,563)

- Turnover of the Group for the nine months ended 30th September, 2008 was approximately RMB223.52 million as compared to approximately RMB214.69 million for the corresponding period in the previous financial year.
- Gross profit ratio of the Group for the nine months ended 30th September, 2008 was approximately 54.1% as compared to approximately 57.2% for the corresponding period in the previous financial year.
- EBITDA of the Group for the nine months ended 30th September, 2008 was a profit of approximately RMB27.31 million as compared to a profit of approximately RMB7.02 million for the corresponding period in the previous financial year. EBITDA represents earning before interest, income tax, depreciation, amortisation of intangible assets, land use rights and share base payments.
- Profit/(loss) attributable to equity holders of the Group for the nine months ended 30th September, 2008 was approximately RMB6.49 million as compared to approximately RMB(11.56) million for the corresponding period in the previous financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

During the nine months period ended 30th September, 2008, the Group recorded a turnover of approximately RMB223.52 million from the operations (2007: RMB214.69 million).

During the reporting period, the Group achieved a turnover of approximately RMB84.97 million from its on-line business segment, which amounted to about 38.0% of the Group's total revenue during the period under review, representing an increase of about 0.7% when compared with that in the corresponding period last year.

The gross profit margin of the Group decreased by about 3.1 percentage points from approximately 57.2% last year to approximately 54.1% during the period under review. The gross profit margin of the Group's on-line business segment decreased by about 2.2 percentage points from approximately 75.2% last year to approximately 73.0%, and the gross profit margin of the trade catalogues and yellow page directories business segment of the Group decreased by about 2.0 percentage points from approximately 49.1% last year to approximately 47.1% during the period under review.

During the nine months period ended 30th September, 2008, a net profit/(loss) attributable to equity holders of approximately RMB6.49 million was recorded by the Group (2007: RMB(11.56) million).

The Group continued to enhance the features of its on-line marketplace, "Mai-Mai-Tong – 買賣通". In September 2008, a new version of "Mai-Mai-Tong – 買賣通" was released which has greatly improved the users' experience on the on-line shops and search engine.

"Mai-Mai-Tong – 買賣通" is an innovative and user-friendly e-commerce platform launched by hc360.com in October 2004. The platform allows users of the business-to-business community to access business information in a timely and reliable manner. With "Mai-Mai-Tong – 買賣通", users can establish their own on-line storefronts with multiple functions such as product show, sales promotion, on-line negotiation, and identity certification etc. The product has been well recognised by users who perform their sourcing in China through the internet. The number of registered users of the product continued to grow during the reporting period and reached approximately 8.7 million as at 30th September, 2008.

On behalf of the board of Directors, I would like to take this opportunity to thank management and every member of the Group for their on-going dedication and hard work.

UNAUDITED CONDENSED CONSOLIDATED RESULTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30TH SEPTEMBER, 2008

	Note	Unaudited Three months ended 30th September, 2008		Unaudited Nine months ended 30th September, 2008	
		RMB'000	2007 RMB'000	RMB'000	2007 RMB'000
Sales		74,925	79,059	223,518	214,692
Cost of sales		(35,181)	(33,428)	(102,692)	(91,975)
Gross profit		39,744	45,631	120,826	122,717
Other income		678	566	10,333	1,513
Selling and marketing expenses		(21,921)	(20,002)	(63,343)	(66,930)
Administrative expenses		(15,914)	(23,844)	(61,260)	(68,122)
Finance costs		-	(444)	-	(1,512)
Profit/(loss) before income tax		2,587	1,907	6,556	(12,334)
Income tax benefit/(expense)	2	520	(833)	780	(1,209)
Profit/(loss) for the period		3,107	1,074	7,336	(13,543)
Attributable to:					
Equity holders of the Company		3,490	556	6,492	(11,563)
Minority interest		(383)	518	844	(1,980)
		3,107	1,074	7,336	(13,543)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)					
Basic	3	RMB0.0071	RMB0.0011	RMB0.0132	RMB(0.0235)
Diluted	3	RMB0.0071	RMB0.0011	RMB0.0131	RMB(0.0235)
Dividends	4	-	-	-	-

NOTES TO THE ACCOUNTS

1. General information and basis of preparation

General information

HC International, Inc. ("the Company") and its subsidiaries (together 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, 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 information are presented in thousands of units of RMB (RMB'000), unless otherwise stated. The unaudited condensed consolidated third quarterly financial information have been approved for issue by the board of Directors on 11th November, 2008.

Basis of preparation

This unaudited condensed consolidated third quarterly financial information for the nine month ended 30th September, 2008 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 information should be read in conjunction with the annual report of the Group for the year ended 31st December, 2007.

This unaudited condensed consolidated third quarterly financial information has been prepared under the historical cost convention.

2. Income tax benefit/(expense)

The amount of tax charged to the condensed consolidated income statement represents:

	Three months ended		Nine months ended	
	30th September, 2008	2007	30th September, 2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax				
- Hong Kong profits tax (i)	-	-	-	-
- The PRC enterprise income tax ("EIT") (ii)	51	(539)	(2,690)	(1,623)
Deferred income tax	469	(294)	3,470	414
	520	(833)	780	(1,209)

- (i) No Hong Kong profits tax has been provided for as there was no assessable profit arising in Hong Kong for the period (2007: 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 25%. Certain subsidiaries enjoy tax preferential rights and subject to a tax rate of 15% to 18% during the period.

3. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months and nine months ended 30th September, 2008 is based on the respective unaudited profit/(loss) attributable to the equity holders of approximately RMB3,490,000 and RMB6,492,000 (2007: RMB556,000 and RMB(11,563,000)) and the weighted average of approximately 491,722,000 and 492,465,000 (2007: 489,652,000 and 488,280,000) ordinary shares in issue during the period.

4. Dividends

No dividends was paid or declared by the Company during the period (2007: nil).

5. Other reserves

	Group					Total RMB'000
	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Exchange reserve RMB'000	
At 1st January, 2007	132,893	987	108,830	16,621	(4,322)	255,009
Exercise of share options	3,724	-	-	-	-	3,724
Currency translation difference	-	-	-	-	(885)	(885)
Share option scheme-value of employee services	-	-	-	345	-	345
At 30th September, 2007	<u>136,617</u>	<u>987</u>	<u>108,830</u>	<u>16,966</u>	<u>(5,207)</u>	<u>258,193</u>
At 1st January, 2008	137,647	987	108,830	20,399	(5,978)	261,885
Currency translation difference	-	-	-	-	(1,760)	(1,760)
Share option scheme-value of employee services	-	-	-	2,585	-	2,585
At 30th September, 2008	<u>137,647</u>	<u>987</u>	<u>108,830</u>	<u>22,984</u>	<u>(7,738)</u>	<u>262,710</u>

6. Events after the balance sheet date

(a) Joint venture agreement

On 17th October, 2008, Hong Kong Huicong International Group Limited and Beijing HC International Information Co. Limited, both subsidiaries of the Company, entered into a co-operation and framework agreement with Dun & Bradstreet International, Ltd., Dun & Bradstreet (Shanghai) International Information Consulting Co. Limited and Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co. Limited for the establishment of two joint venture companies. Details of the transaction were disclosed in an announcement and a circular of the Company dated 21st October, 2008 and 7th November, 2008, respectively.

The directors expect the transaction will be completed prior to the end of the year 2008.

(b) Treasury share retirement

On 24th October, 2008, the company retired 4,658,000 shares of the treasury share which were repurchased between 28th August, 2008 and 25th September, 2008.

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

As at 30th September, 2008, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures 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) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(a) Directors' Long Positions in the shares of the Company

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
Guo Fansheng	Beneficial owner	39,447,015	-	-	-	39,447,015	8.00%
Li Jianguang	Interest in controlled corporation	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.12%
Guo Jiang	Beneficial owner	34,349,146 (Note 2)	2,808,625 (Note 2)	-	-	37,157,771 (Note 2)	7.54%

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) 29,223,771 shares of the Company of which 1,074,625 shares of the Company are held by Ms. Geng Yi, Mr. Guo's spouse; and
 - (b) 7,934,000 underlying shares derived from the share options granted under the Share Option Scheme of which 1,734,000 underlying shares derived from the share options granted to Ms. Geng Yi under the share option scheme.

(b) Directors' Short Positions in the shares of the Company

There was no Directors' short position as at 30th September, 2008.

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, 2008, options to subscribe for an aggregate of 9,147,120 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 2008 (Note 1)
			As at 1st January 2008	Granted during the period	Exercised during the period	Lapsed during the period	
<i>Ex-employees</i>							
FAN Qimiao	2nd December 2003	0.44	5,111,104	-	-	-	5,111,104
GU Yuanchao	2nd December 2003	0.44	3,777,774	-	-	-	3,777,774
<i>Other employees</i>							
In aggregate (Note 2)	2nd December 2003	0.44	258,242	-	-	-	258,242
Total			9,147,120	-	-	-	9,147,120

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 shares of the Company in respect of which the option has been previously exercised).
- As at 30th September, 2008, there were 3 employees who had been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 258,242 shares of the Company.

(b) Share Option Scheme

As at 30th September, 2008, options to subscribe for an aggregate of 47,007,000 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, 2008 (Note 1)
			As at 1st January, 2008	Granted during the period	Exercised during the period	Lapsed during the period	
<i>Directors</i>							
GUO Jiang	18th February, 2004	2.40	1,000,000	-	-	-	1,000,000
	23rd June, 2006	1.49	1,000,000	-	-	-	1,000,000
	11th July, 2007	1.24	2,200,000	-	-	-	2,200,000
	29th September, 2008	0.604	-	2,000,000	-	-	2,000,000
<i>Senior management</i>							
GENG Yi	18th February, 2004	2.40	300,000	-	-	-	300,000
	23rd June, 2006	1.49	434,000	-	-	-	434,000
	29th September, 2008	0.604	-	1,000,000	-	-	1,000,000
Wu Xiaorong	29th September, 2008	0.604	-	1,000,000	-	-	1,000,000
Guo Bingbing	29th September, 2008	0.604	-	800,000	-	-	800,000
<i>Other employees</i>							
In aggregate (Note 2)	18th February, 2004	2.40	7,500,000	-	-	-	7,500,000
In aggregate (Note 3)	23rd June, 2006	1.49	6,106,000	-	-	(1,502,000)	4,604,000
In aggregate (Note 4)	11th July, 2007	1.24	20,800,000	-	-	(5,431,000)	15,369,000
In aggregate (Note 5)	29th September, 2008	0.604	-	9,800,000	-	-	9,800,000
Total			39,340,000	14,600,000	-	(6,933,000)	47,007,000

Notes:

- Each option has a 10-year exercise period, which may be exercised after the expiry of twelve months from the date of the grant of options.

For the options exercisable at HK\$2.40 granted on 18th February, 2004, the relevant grantees 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), commencing from the first, second and third anniversaries of the date of the grant of options.

For the options exercisable at HK\$1.49 granted on 23rd June, 2006, the relevant grantees may exercise these options in a 10-year period starting from the expiry of twelve months from the date of the grant of options.

For the options exercisable at HK\$1.24 granted on 11th July, 2007, the relevant grantees may exercise options up to 50% 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), commencing from the first and second anniversaries of the date of the grant of options.

For the options exercisable at HK\$0.604 granted on 29th September, 2008, the relevant grantees may exercise these options in a 10-year period starting from the expiry of twelve months from the date of the grant of options.

2. 89 employees have been granted options under the Share Option Scheme to acquire an aggregate of 7,500,000 shares of the Company at HK\$2.40 per share.
3. 55 employees have been granted options under the Share Option Scheme to acquire an aggregate of 4,604,000 shares of the Company at HK\$1.49 per share.
4. 72 employees have been granted options under the Share Option Scheme to acquire an aggregate of 15,369,000 shares of the Company at HK\$1.24 per share.
5. 36 employees have been granted options under the Share Option Scheme to acquire an aggregate of 9,800,000 shares of the Company at HK\$0.604 per share.
6. The fair value of options granted under the Share Option Scheme on 18th February, 2004, determined using the Binomial Model value model, was approximately RMB20,193,000. The significant inputs into the model were the exercise price of HK\$2.4, 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.
7. The fair value of options granted under the Share Option Scheme on 23rd June, 2006, determined using the Binomial Model valuation model, was approximately RMB3,919,000. 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.
8. The fair value of options granted under the Share Option Scheme on 11th July, 2007, determined using the Binomial Model valuation model, was approximately RMB9,390,000. The significant inputs into the model were exercise price of HK\$1.24 standard deviation of expected share price returns of 49.0%, expected life of options ranging from 2.4 to 6.2 years expected dividend paid cut rate of 0% and annual risk-free interest rate 4.757%. 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.
9. The fair value of options granted under the Share Option Scheme on 29th September, 2008, determined using the Binomial Model valuation mode, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK\$0.604 standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years expected dividend paid cut rate of 0% and annual risk-free interest rate 3.133%. 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.
10. In the extraordinary general meeting of the Company held on 20th June, 2008, an ordinary resolution was passed by the shareholders of the Company to refresh the scheme mandate limit under the Share Option Scheme. For details, please refer to the Company's circular and announcement dated 5th June, 2008 and 20th June, 2008 respectively.

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

As at 30th September, 2008, the interest of persons (not being Directors and the chief executive officer of the Company) in the shares and underlying shares of the Company 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	Class of shares	Long position	Short position	Holding capacity	Approximate Percentage of share capital
McCarthy Kent C.	Ordinary	108,550,000 <i>(Note 1)</i>	-	Interest in controlled corporation	22.03%
McGovern Patrick J.	Ordinary	104,790,697 <i>(Note 2)</i>	-	Interest in controlled corporation	21.26%
Zhou Quan	Ordinary	79,316,743 <i>(Note 3)</i>	-	Interest in controlled corporation	16.09%
Geng Yi	Ordinary	37,157,771 <i>(Note 4)</i>	-	Beneficial owner/ Family interests	7.54%

Notes:

1. Such interest in the Company comprises 93,776,628 shares, 8,869,000 shares and 5,904,372 shares owned by Jayhawk Private Equity Fund, L.P., Buffalo Jayhawk China Fund and Jayhawk Private Equity Co-Invest Fund, L.P., respectively. The entire issued share capital of each of the abovementioned companies is owned by Mr. Kent C. McCarthy.
2. Such interest in the Company comprises 25,473,954 shares, 16,664,743 shares and 62,652,000 shares owned by IDG Technology Venture Investment, Inc., a wholly-owned subsidiary of International Data Group, Inc., the majority shareholder of which is Mr. Patrick J. McGovern, IDG Technology Venture Investments, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Quan Zhou, and IDG Technology Venture Investment III, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investment III, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Quan Zhou, respectively.
3. Such interest in the Company comprises 16,664,743 shares and 62,652,000 shares owned by IDG Technology Venture Investments, L.P., a limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Quan Zhou, and IDG Technology Venture Investment III, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investment III, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Quan Zhou, respectively.
4. Such interest in the Company comprises:
 - (a) 29,223,771 shares of the Company of which 28,149,146 shares of the Company are held by Mr. Guo Jiang, Ms. Geng's spouse; and
 - (b) 7,934,000 underlying shares derived from the share options granted under the Share Option Scheme of which 6,200,000 underlying shares derived from the share options granted to Mr. Guo Jiang, Ms. Geng's spouse, under the share option scheme.

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. As at the date of this report, the audit committee comprises two independent non-executive Directors, Mr. Zhang Ke and Mr. Xiang Bing and a non-executive Director, Mr. Li Jianguang. 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, 2008.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the nine months ended 30th September, 2008.

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 THE COMPANY'S LISTED SHARES

During the nine months period ended 30th September, 2008, the Company, in the opinion of the Directors that the market price of the shares of the Company had deviated significantly from its intrinsic value, repurchased 4,658,000 shares of the Company. The details of the repurchases are set out below :-

Trading Month	Number of shares repurchased	Method of repurchase	Price per share or highest price paid (HK\$)	Lowest price paid (HK\$)	Total paid (HK\$)
August, 2008	1,000,000	On the Stock Exchange	0.62	0.60	613,040.00
September, 2008	3,658,000	On the Stock Exchange	0.67	0.55	2,261,840.00
	<u>4,658,000</u>				<u>2,874,880.00</u>

All the relevant share certificates in respect of the repurchases have been duly cancelled and destroyed by the share registrar of the Company in Hong Kong.

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the period.

By order of the board of Directors

HC International, Inc.

Guo Jiang

Chief Executive Officer and Executive Director

As at the date of this report, the board of Directors 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, PRC, 11th November, 2008