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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.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I hereby announce the results of the Group for the six months ended 30th June 2007 to the shareholders of the Company.

Financial Highlights

	Three months ended 30th June		Six months ended 30th June	
	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Turnover	78,278	74,724	135,633	132,287
Gross Profit	46,681	40,303	77,086	66,708
EBITDA	4,828	(1,524)	(2,592)	(14,618)
Profit/(loss) attributable to equity holders of the Company	396	(15,829)	(12,119)	(36,134)

Key Financial Figures for the First Half of 2007

- Turnover of the Group for the six months ended 30th June 2007 was approximately RMB135.63 million as compared to approximately RMB132.29 million for the corresponding period last year.
- Gross profit ratio of the Group for the six months ended 30th June 2007 was approximately 56.8% as compared to approximately 50.4% for the corresponding period last year.
- EBITDA of the Group for the six months ended 30th June 2007 was a loss of approximately RMB2.59 million as compared to approximately RMB14.62 million for the corresponding period last year.
- Loss attributable to equity holders of the Company for the six months ended 30th June 2007 was approximate RMB12.12 million as compared to loss attributable to equity holders of approximately RMB36.13 million for the corresponding period last year.

Financial and Business Review

During the six months ended 30th June 2007, the Group recorded a turnover of approximately RMB135.63 million from the continuing operations (2006: RMB132.29 million). No turnover was recorded from the discontinued operations during the six months ended 30th June 2007, as all of the business entities related to the Group's television advertising business ceased operations in year 2006.

During the reporting period, the Group achieved a turnover of approximately RMB60.74 million (2006: RMB45.51 million) from its direct on-line business segment, which contributed to about 44.8% of the Group's total revenue during the reporting period, representing an increase of about 33.5% when compared with the corresponding period last year.

The gross margin of the Group's continuing operations increased by about 6.4 percentage points from approximately 50.4% last year to approximately 56.8% during the reporting period. The gross margin of the trade catalogues and yellow page directories business segment of the Group remained relatively stable at about 45.0% while the gross margin of the Group's search engine business segment increased by about 0.7 percentage point to 75.7% when compared with the corresponding period last year.

During the six months ended 30th June 2007, a net loss attributable to equity holders of the Company of approximately RMB12.12 million was recorded by the Group (2006: RMB36.13 million).

The Group continued to enhance the features of its on-line marketplace, "Mai-Mai-Tong – 買賣通". In June 2007, 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", the users can establish their own on-line storefronts with multiple functions such as product show, sales promotion, on-line negotiation, and identity certification etc, and obtain real time and interactive information between buyers and sellers. The product has been well recognised by users who engage in the e-commerce industry in the PRC. Also "Mai-Mai-Tong – 買賣通" provides the users with all rounded services. Based on the platform of "Mai-Mai-Tong – 買賣通", huge amount of enterprises have released important information in supply, purchase, tender invitation, agency etc., many of whom have also completed the initial stage of the transaction preparations on-line, and obtained long term orders from purchasers. The number of registered users of the product continued to grow during the reporting period and reached approximately 5.0 million as at 30th June 2007.

In addition, the agency sales and the tele-sales teams have demonstrated their ability to support the industry direct sales team, and as a result, they have strengthened the Group's sales forces in both the industrial sectors and the fast moving consumer goods sectors. Accordingly, the Group has generated a strong growth in the sales of its on-line marketplace "Mai-Mai-Tong – 買賣通". As compared to the corresponding period in last year, the revenue from "Mai-Mai-Tong – 買賣通" increased by approximately 55.3%.

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.

Guo Fansheng

Executive Director and Chief Executive Officer

Beijing, PRC, 13th August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30th June 2007, the Group had cash at bank balance of RMB162,362,000 and net current assets of RMB88,964,000. The Group maintained a strong working capital position during the six months ended 30th June 2007.

Short-term loans amounted to approximately RMB34,748,000 as at 30th June 2007. Gearing ratio of the Group increased to about 15.4% as at 30th June 2007 from about 14.8% as at 31st December 2006, calculated with reference to its short-term loans of approximately RMB34,748,000 (31st December 2006: RMB35,001,000) and equity holders' funds of approximately RMB226,340,000 (31st December 2006: RMB236,218,000).

The equity holders' funds of the Group decreased by approximately RMB9,878,000 from approximately RMB236,218,000 as at 31st December 2006 to approximately RMB226,340,000 as at 30th June 2007.

Significant Investment

The Group had no significant investment during the six months ended 30th June 2007.

Future Plans for Material Investments

The Group has no plan for material investment other than those set out in the Company's prospectus dated 8th December 2003.

Material Acquisitions and Disposals

The Group had no material acquisition or disposal during the six months ended 30th June 2007.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2007, the Group has approximately 2,400 employees.

Remuneration of employees has been generally in line with the market trend and commensurate with the level of pay in the industry, with share options granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

Capital Structure

On 12th January 2007 and 25th May 2007, certain grantees under the Pre-IPO Share Option Scheme (as defined below) exercised their options in respect of 9,269,533 and 1,816,234 shares of the Company at HK\$0.44 per share, respectively. The total number of issued shares of the Company was 489,651,640 as at 30th June 2007.

Charge on Group Assets

As at 30th June 2007, buildings carried at approximately RMB30,702,000 and the associated land use rights carried at approximately RMB19,647,000 were pledged to secure the Group's bank loan in the amount of RMB32,000,000.

Exchange Risk

As the Group's operations are principally in the PRC, and all assets and liabilities are denominated either in Renminbi, HK dollars or US dollars, the Directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent Liabilities

As at 30th June 2007, the Group had no material contingent liabilities (31st December 2006: Nil).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
 FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH JUNE 2007

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Continuing operations					
Sales	3	78,278	74,724	135,633	132,287
Cost of sales	5	(31,597)	(34,421)	(58,547)	(65,579)
Gross profit		46,681	40,303	77,086	66,708
Other income		522	398	947	740
Selling and marketing expenses	5	(25,345)	(25,269)	(46,928)	(47,712)
Administrative expenses	5	(20,510)	(24,323)	(44,278)	(47,547)
Gain on disposal and termination of subsidiaries and branches		-	728	-	728
Finance costs	6	(537)	(322)	(1,068)	(685)
Impairment of goodwill	10	-	(2,314)	-	(2,314)
Profit/(loss) before income tax		811	(10,799)	(14,241)	(30,082)
Income tax	7	(540)	933	(376)	2,199
Profit/(loss) for the period from continuing operations		271	(9,866)	(14,617)	(27,883)
Loss for the period from discontinued operations	4	-	(10,935)	-	(19,841)
Profit/(loss) for the period		271	(20,801)	(14,617)	(47,724)
Attributable to:					
Equity holders of the Company		396	(15,829)	(12,119)	(36,134)
Minority interest		(125)	(4,972)	(2,498)	(11,590)
		271	(20,801)	(14,617)	(47,724)

The notes on pages 12 to 29 form an integral part of this condensed financial information.

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2007	2006	2007	2006
		RMB'000	RMB'000	RMB'000	RMB'000
Earnings/(loss) per share from continuing operations attributable to the equity holders of the Company during the period (expressed in RMB per share)					
Basic	8	<u>RMB0.0008</u>	<u>RMB(0.0173)</u>	<u>RMB(0.0249)</u>	<u>RMB(0.0487)</u>
Diluted	8	<u>RMB0.0008</u>	<u>RMB(0.0173)</u>	<u>RMB(0.0249)</u>	<u>RMB(0.0487)</u>
Loss per share from discontinued operations attributable to the equity holders of the Company during the period (expressed in RMB per share)					
Basic	8	<u>N/A</u>	<u>RMB(0.0158)</u>	<u>N/A</u>	<u>RMB(0.0271)</u>
Diluted	8	<u>N/A</u>	<u>RMB(0.0158)</u>	<u>N/A</u>	<u>RMB(0.0271)</u>
Dividends	9	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The notes on pages 12 to 29 form an integral part of this condensed financial information.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2007

		Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	78,483	85,867
Land use rights	10	19,647	19,860
Intangible assets	10	26,617	29,153
Amount due from a jointly controlled entity	18	7,131	7,131
Deferred income tax assets		13,191	12,335
		145,069	154,346
Current assets			
Amount due from a jointly controlled entity	18	7,107	6,971
Trade receivables	11	29,532	27,978
Deposits, prepayments and other receivables		14,308	15,182
Amounts due from related parties	18	5,476	1,233
Cash and cash equivalents		162,362	164,364
		218,785	215,728
Total assets		363,854	370,074

The notes on pages 12 to 29 form an integral part of this condensed financial information.

		Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
	16	52,248	51,153
	17	256,155	255,009
		(82,063)	(69,944)
		226,340	236,218
Minority interest		6,339	8,837
Total equity		232,679	245,055
LIABILITIES			
Non-current liabilities			
		1,354	1,204
Current liabilities			
	12	4,139	5,049
		53,772	43,329
		16,023	21,763
	13	149	64
	14	34,748	35,001
	15	17,329	15,747
	15	3,661	2,862
		129,821	123,815
Total liabilities		131,175	125,019
Total equity and liabilities		363,854	370,074
Net current assets		88,964	91,913
Total assets less current liabilities		234,033	246,259

The notes on pages 12 to 29 form an integral part of this condensed financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30TH JUNE 2007

		Unaudited				
		Attributable to equity holders of the Company				
		Share Capital	Other reserves	Retained earnings/ (Accumulated losses)	Minority Interest	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2006		49,839	250,920	28,849	28,485	358,093
Exercise of share options	16, 17	1,314	4,467	-	-	5,781
Disposal of subsidiaries		-	-	-	971	971
Loss for the period		-	-	(36,134)	(11,590)	(47,724)
Share option scheme-value of employee services	17	-	1,027	-	-	1,027
Balance at 30th June 2006		51,153	256,414	(7,285)	17,866	318,148
Balance at 1st January 2007		51,153	255,009	(69,944)	8,837	245,055
Exercise of share options	16, 17	1,095	3,724	-	-	4,819
Loss for the period		-	-	(12,119)	(2,498)	(14,617)
Currency translation difference	17	-	(1,403)	-	-	(1,403)
Share option scheme-value of employee services	17	-	(1,175)	-	-	(1,175)
Balance at 30th June 2007		52,248	256,155	(82,063)	6,339	232,679

The notes on pages 12 to 29 form an integral part of this condensed financial information.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE SIX MONTHS ENDED 30TH JUNE 2007

	Unaudited	
	2007	2006
	RMB'000	RMB'000
Net cash outflow from operating activities	(3,810)	(15,936)
Net cash outflow from investing activities	(2,071)	(9,808)
Net cash inflow/(outflow) from financing activities	4,819	(17,220)
Decrease in cash and cash equivalents	(1,062)	(42,964)
Cash and cash equivalents at 1st January	164,364	149,017
Exchange losses on cash and cash equivalents	(940)	-
Cash and cash equivalents at 30th June	162,362	106,053
Analysis of balances of cash and cash equivalents		
Bank balances and cash	162,362	102,876
Bank balances and cash classified as non-current assets held for sales	-	3,177
	162,362	106,053

The notes on pages 12 to 29 form an integral part of this condensed financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 interim financial information are presented in thousands of units of RMB (RMB'000), unless otherwise stated. The unaudited condensed consolidated interim financial information have been approved for issue by the board of Directors on 13th August 2007.

Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. The unaudited condensed interim financial information should be read in conjunction with the annual report of the Group for the year ended 31st December 2006.

2. Accounting policies

The accounting policies and methods of computations adopted in the preparation of this unaudited condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31st December 2006, as described in the annual report for the year ended 31st December 2006.

This unaudited condensed consolidated interim financial information has been prepared in accordance with those HKAS, Hong Kong Financial Reporting Standards ("HKFRS") and interpretations of HKAS (together "HKFRSs") issued and effective as at the time of preparing this unaudited condensed consolidated interim financial information.

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31st December 2007 and are relevant to the Group's operations.

- HKFRS 7, 'Financial instruments: Disclosures', and the complementary Amendment to HKAS 1, 'Presentation of Financial Statements–Capital Disclosures' (effective for annual periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments; and Amendment to HKAS 1 requires the disclosure of information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The Group has adopted the standards starting from 1st January 2007, and the disclosures as required by these standards will be disclosed in the Group's 2007 annual report.
- HK(IFRIC)-Int 8, 'Scope of HKFRS 2' (effective for annual periods beginning on or after 1st May 2006), requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. This interpretation has no material financial impact on the Group, and does not result in substantial changes to the Group's accounting policies, financial statement disclosures or presentation as compared to that used in the preparation of the financial statements as of and for the year ended 31st December 2006.
- HK(IFRIC)-Int 10, 'Interim Financial Reporting and Impairment' (effective for annual periods beginning on or after 1st November 2006), prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation has no material financial impact on the Group.

The following new standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1st January 2009;
- HK (IFRIC)-Int 11, 'Group and treasury share transactions', effective for annual periods beginning on or after 1st March 2007; and
- HK (IFRIC)-Int 12, 'Service concession arrangements', effective for annual periods beginning on or after 1st January 2008.

Management is assessing the impact of the above new standards and interpretations, which have been issued but are not effective for 2007, on the Group's operations.

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

3. Segment information

(a) *Primary reporting format – business segments*

At 30th June 2007, the Group is organised in the following business segments:

- (i) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.
- (ii) Search engine services – provision of search engine services to customers which allows a customer to register its own business website on the search engine platform.
- (iii) Market research and analysis – provision of business information and analysis services.
- (iv) Printed periodicals, seminars and other PR services – wholesaling of advertisement space in newspapers and magazines and provision of arrangement, assistance and PR services for hosting of seminars.

There were no sales or other transactions between the business segments in 2007.

	Unaudited				
	6 months ended 30th June 2007				
	Trade catalogues and yellow page directories RMB'000	Search engine services RMB'000	Market research and analysis RMB'000	Printed periodicals, seminars and other PR services RMB'000	Total RMB'000
Sales	<u>59,319</u>	<u>60,738</u>	<u>14,001</u>	<u>1,575</u>	<u>135,633</u>
Segment results	<u>26,696</u>	<u>45,956</u>	<u>3,636</u>	<u>798</u>	<u>77,086</u>
Other income					947
Allocated costs	<u>(20,737)</u>	<u>(36,046)</u>	<u>(2,542)</u>	<u>(295)</u>	<u>(59,620)</u>
Unallocated costs					(31,586)
Finance costs					<u>(1,068)</u>
Loss before income tax					<u>(14,241)</u>
Income tax					<u>(376)</u>
Loss for the period					<u>(14,617)</u>
Attributable to:					
Equity holders of the Company					<u>(12,119)</u>
Minority interest					<u>(2,498)</u>
					<u>(14,617)</u>

Unaudited
6 months ended 30th June 2006

	Trade catalogues and yellow page directories <i>RMB'000</i>	Search engine services <i>RMB'000</i>	Market research and analysis <i>RMB'000</i>	Printed periodicals, seminars and other PR services <i>RMB'000</i>	Total <i>RMB'000</i>
Sales	64,080	45,512	13,687	9,008	132,287
Segment results	28,487	34,149	5,083	(1,011)	66,708
Other Income					740
Allocated costs	(23,699)	(30,458)	(2,165)	(779)	(57,101)
Unallocated costs					(39,744)
Finance costs					(685)
Loss before income tax					(30,082)
Income tax					2,199
Loss for the period from continuing operations					(27,883)
Loss for the period from discontinued operations					(19,841)
Loss for the period					(47,724)
Attributable to:					
Equity holders of the Company					(36,134)
Minority interest					(11,590)
					(47,724)

(b) *Secondary reporting format – geographical segments*

The principal market of the Group is primarily in the People's Republic of China (the "PRC"), excluding Hong Kong Special Administrative Region and the turnover and operating profit attributable to other markets are both less than 10% of the Group's total turnover and operating profit for the six months ended 30th June 2006 and 2007, individually. Accordingly, no segmental information analysed by geographical segment is presented.

4. Non-current assets held for sale and discontinued operations

On 27th May 2005, the Company entered into a sale and purchase agreement, pursuant to which Hong Kong Huicong International Group Limited ("HKHC"), a wholly-owned subsidiary of the Company, agreed to dispose its entire interest in operations in relation to television advertising business in the PRC. Subject to the terms and conditions of the sales 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 conditions have fulfilled or waived.

Pursuant to the Company's announcement dated 27th July 2006, the above said sales and purchase agreement was terminated. As at 31st December 2006, all of the business entities related to the TV advertising business 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	
	Six months ended	
	30th June	
	2007	2006
	RMB'000	RMB'000
Revenue	–	18,075
Cost of sales	–	(19,518)
Interest income	–	93
Expenses	–	(18,491)
	<hr/>	<hr/>
Loss before income tax from discontinued operations	–	(19,841)
Income tax expense	–	–
	<hr/>	<hr/>
Loss for the period from discontinued operations	–	(19,841)
	<hr/>	<hr/>
	Unaudited	Audited
	30th June	31st December
	2007	2006
	RMB'000	RMB'000
Operating cash flows	–	(13,967)
Investing cash flows	–	252
Financing cash flows	–	–
	<hr/>	<hr/>
Total cash flows	–	(13,715)
	<hr/>	<hr/>

5. Expenses by nature

Expenses included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Unaudited Six months ended 30th June	
	2007	2006
	RMB'000	<i>RMB'000</i>
Direct cost of trade catalogues and yellow page directories	18,309	21,612
Direct cost of search engine services	1,019	2,602
Direct cost of market research and analysis	5,065	3,969
Direct cost of print periodicals, seminars and other PR services	442	9,588
Marketing expenses	12,237	8,426
Network and telephone expenses	7,530	7,415
Auditors' remuneration	1,100	900
Staff costs, including directors' emoluments	68,933	69,788
Amortisation of land use right	213	213
Amortisation of intangible assets	2,465	2,465
Depreciation of property, plant and equipment	9,078	8,762
Write-off and provision for impairment of trade receivables	4,630	4,618
Loss on disposal of property, plant and equipment	241	13
Operating lease payments in respect of land and buildings	7,937	8,282
Other expenses	10,554	12,185
	<hr/>	<hr/>
Total cost of sales, selling and marketing expenses	149,753	160,838
administrative expenses	<hr/>	<hr/>

6. Finance costs

	Unaudited Six months ended 30th June	
	2007 RMB'000	2006 RMB'000
Interest expense on short-term loans	(1,068)	(685)

7. Income tax

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

	Unaudited Six months ended 30th June	
	2007 RMB'000	2006 RMB'000
Current income tax		
– Hong Kong profits tax (i)	–	–
– The PRC Enterprise income tax (“EIT”) (ii)	(1,084)	(830)
Deferred income tax	708	3,029
	(376)	2,199

- (i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2006: 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.

8. Earnings/(loss) per share

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Profit/(loss) attributable to equity holders from continuing operations	396	(8,263)	(12,119)	(23,222)
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of shares in issue	488,554	478,566	487,582	477,170
Incremental shares from assumed exercise of share options granted	7,605	17,145	8,203	17,264
Diluted weighted average number of shares	<u>496,159</u>	<u>495,711</u>	<u>495,785</u>	<u>494,434</u>
Basic earnings/(loss) per share from continuing operations	<u>RMB0.0008</u>	<u>RMB(0.0173)</u>	<u>RMB(0.0249)</u>	<u>RMB(0.0487)</u>
Diluted earnings/(loss) per share from continuing operations	<u>RMB0.0008</u>	<u>RMB(0.0173)</u>	<u>RMB(0.0249)</u>	<u>RMB(0.0487)</u>

The calculation of basic earnings/(loss) per share from continuing operations for the three months and six months ended 30th June 2007 is based on the respective unaudited continuing operation's profit/(loss) attributable to the equity holders of approximately RMB396,000 and RMB(12,119,000) (2006: RMB(8,263,000) and RMB(23,222,000)) and the weighted average of approximately 488,554,000 and 487,582,000 (2006: 478,566,000 and 477,170,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 30th June 2007 is based on the unaudited continuing operation's profit attributable to the equity holders of approximately RMB396,000 and the weighted average of approximately 496,159,000 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 (2006: anti-dilutive). Diluted loss per share from continuing operations for the six months ended 30th June 2007 and its comparative is the same as basic loss per share since all potential ordinary shares are anti-dilutive.

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to equity holders from discontinued operations	-	(7,566)	-	(12,912)
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of shares in issue	488,554	478,566	487,582	477,170
Incremental shares from assumed exercise of share options granted	7,605	17,145	8,203	17,264
Diluted weighted average number of shares	496,159	495,711	495,785	494,434
Basic loss per share from discontinued operations	N/A	RMB(0.0158)	N/A	RMB(0.0271)
Diluted loss per share from discontinued operations	N/A	RMB(0.0158)	N/A	RMB(0.0271)

There are no basic or diluted earnings/(loss) per share for the three months and six months ended 30th June 2007 since there were no discontinued operation during the period.

The calculation of basic loss per share from discontinued operations for the three months and six months ended 30th June 2006 is based on the respective unaudited discontinued operation's loss attributable to the equity holders of approximately RMB7,566,000 and RMB12,912,000 and the weighted average of approximately 478,566,000 and 477,170,000 ordinary shares in issue during the period. Diluted loss per share from discontinued operations for the three months and six months ended 30th June 2006 is the same as basic loss per share since all potential ordinary shares are anti-dilutive.

9. Dividends

No dividends was paid or declared by the Company during the period (2006: Nil).

10. Capital expenditure

	Software development costs <i>RMB'000</i>	Data library <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total intangible assets <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Properties, plants and equipment <i>RMB'000</i>
Opening net book amount as at 1st January 2007	14,863	14,290	-	29,153	19,860	85,867
Additions	-	-	-	-	-	2,098
Disposals	-	-	-	-	-	(404)
Currency translation difference	(71)	-	-	(71)	-	-
Depreciation/amortisation charge	(1,366)	(1,099)	-	(2,465)	(213)	(9,078)
Closing net book amount as at 30th June 2007	13,426	13,191	-	26,617	19,647	78,483
Opening net book amount as at 1st January 2006	17,594	16,489	4,628	38,711	20,287	88,895
Additions	-	-	-	-	-	8,499
Disposals	-	-	-	-	-	(1,184)
Impairment	-	-	(2,314)	(2,314)	-	-
Depreciation/amortisation charge	(1,366)	(1,099)	-	(2,465)	(213)	(8,762)
Closing net book amount as at 30th June 2006	16,228	15,390	2,314	33,932	20,074	87,448
Additions	-	-	-	-	-	8,563
Disposals	-	-	-	-	-	(1,474)
Impairment	-	-	(2,314)	(2,314)	-	-
Depreciation/amortisation charge	(1,365)	(1,100)	-	(2,465)	(214)	(8,670)
Closing net book amount as at 31st December 2006	14,863	14,290	-	29,153	19,860	85,867

11. Trade receivables

The Group generally grants a credit period of 30 days to 90 days to customers. The aging analysis of the trade receivables as at 30th June 2007 and 31st December 2006 are as follows:

	Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
Current to 90 days	17,802	14,843
91 to 180 days	4,615	4,635
181 to 365 days	4,280	3,787
Over 1 year	4,050	6,733
	30,747	29,998
Less: provision for impairment of trade receivables	(1,215)	(2,020)
	29,532	27,978

12. Trade payables

The aging analysis of the trade payables as at 30th June 2007 and 31st December 2006 are as follows:

	Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
Current to 90 days	3,678	4,265
91 to 180 days	344	81
181 to 365 days	83	499
Over 1 year	34	204
	4,139	5,049

13. Accruals for statutory benefits funds

	Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
Retirement benefit	75	10
Medical benefit	46	47
Housing benefit	28	7
	149	64

In accordance with the PRC regulations, the Group is required to make contributions to the retirement benefit fund, medical benefit fund and housing benefit fund, calculated at 20%, 10% and 8% of the basic salaries of the employees, respectively.

14. Short-term loans

		Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
	Notes		
Bank loan, secured	(a)	32,000	32,000
Other short-term loan	(b)	2,748	3,001
		34,748	35,001

(a) Bank loan of RMB32,000,000 (2006: RMB32,000,000) is interest-bearing at 6.73%, repayable within one year and secured by the land use rights and a building of the Group.

(b) This represented a loan of RMB2,748,000 (2006: RMB3,001,000) provided by an independent third party to the Group. It is unsecured, interest-bearing at LIBOR plus 1% and repayable on demand.

15. Income tax payable and other taxes payable

		Unaudited 30th June 2007 RMB'000	Audited 31st December 2006 RMB'000
Income tax payable:			
Enterprise income tax		3,661	2,862
Other taxes payable:			
Business tax		11,910	10,802
Cultural and development tax		1,862	1,789
Other taxes		3,557	3,156
		17,329	15,747

16. Share capital

	Number of shares	Ordinary shares RMB'000
At 1st January 2006	465,934,345	49,839
Exercise of share options	12,631,528	1,314
At 31st December 2006	478,565,873	51,153
Exercise of share options	11,085,767	1,095
At 30th June 2007	489,651,640	52,248

The total authorised number of ordinary shares is 1,000 million shares (2006: 1,000 million shares) with a par value of HK\$0.1 per share (2006: HK\$0.1 per share). All issued shares are fully paid.

Share options

- (i) Pursuant to a written resolution of the shareholders of the Company dated 30th November 2003, a Pre-IPO Share Option Scheme was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the board of Directors is authorised to grant options to any Directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the board of Directors in accordance with the terms of the Pre-IPO Share Option Scheme. No additional share options were granted pursuant to the Pre-IPO Share Option Scheme during the period.

Each option under the Pre-IPO Share Option Scheme has a 10-year exercised 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, 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.

- (ii) Pursuant to a written resolution of the shareholders of the Company dated 30th November 2003, a share option scheme (the "Share Option Scheme") was adopted by the Company. Pursuant to the Share Option Scheme, the board of Directors is authorised to grant options to any Directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the board of Directors in accordance with the terms of the Share Option Scheme.

During the year ended 31st December 2004, a total of 26,000,000 share options were granted to two executive Directors and certain employees pursuant to the Share Option Scheme, of which 7,850,000 share options lapsed during the year ended 31st December 2005 and 4,200,000 share options lapsed during the six months ended 30th June 2007. The grantees can exercise these options at an exercise price of HK\$2.40 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 18th February 2004. Commencing from the first, second and third anniversaries of the Offer Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively.

During the year ended 31st December 2006, a total of 10,000,000 share options were granted to an executive Director and certain employees pursuant to the Share Option Scheme (of which 1,850,000 share options lapsed during the six months ended 30th June 2007). The grantees can exercise 100% of these options granted on 23rd June 2006 and 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.

- (iii) The fair value of options granted on 18th February 2004, determined using the Binomial Model valuation model, was approximately RMB20,193,000. The significant inputs into the model were 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 cut 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.
- (iv) The fair value of options granted on 23rd June 2006, determined using the Binomial Model valuation model, was approximately 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.

Movements in the number of share options outstanding and their exercise prices are as follows:

(a) *Pre-IPO Share Option Scheme*

	2007		2006	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
At 1st January	0.44	23,418,207	0.44	36,049,735
Exercised	0.44	(11,085,767)	0.44	(12,631,528)
At 30th June	0.44	12,332,440	0.44	23,418,207

(b) *Share Option Scheme*

	2007		2006	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
At 1st January	2.40	18,150,000	2.40	18,150,000
Lapsed	2.40	(4,200,000)	2.40	–
At 30th June	2.40	13,950,000	2.40	18,150,000
At 1st January	1.49	10,000,000	1.49	–
Granted	1.49	–	1.49	10,000,000
Lapsed	1.49	(1,850,000)	1.49	–
At 30th June	1.49	8,150,000	1.49	10,000,000

Share options outstanding at the end of the period have the following expiry date and exercise prices:

(a) *Pre-IPO Share Option Scheme*

Expiry date	Exercise price HK\$ per share	Share options	
		30th June 2007	31st December 2006
17th December 2013	0.44	<u>12,332,440</u>	<u>23,418,207</u>

(b) *Share Option Scheme*

Expiry date	Exercise price HK\$ per share	Share options	
		30th June 2007	31st December 2006
18th February 2014	2.40	<u>13,950,000</u>	18,150,000
23rd June 2016	1.49	<u>8,150,000</u>	<u>10,000,000</u>

17. Other reserves

	Capital reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Total RMB'000
At 1st January 2006	987	108,830	12,677	128,426	-	250,920
Exercise of share options	-	-	-	4,467	-	4,467
Share option scheme-value of employee services	-	-	1,027	-	-	1,027
At 30th June 2006	<u>987</u>	<u>108,830</u>	<u>13,704</u>	<u>132,893</u>	<u>-</u>	<u>256,414</u>
At 1st January 2007	987	108,830	16,621	132,893	(4,322)	255,009
Exercise of share options	-	-	-	3,724	-	3,724
Currency translation difference	-	-	-	-	(1,403)	(1,403)
Share option scheme-value of employee services	-	-	(1,175)	-	-	(1,175)
At 30th June 2007	<u>987</u>	<u>108,830</u>	<u>15,446</u>	<u>136,617</u>	<u>(5,725)</u>	<u>256,155</u>

18. Related-party transactions

The following significant transactions were carried out with related parties:

(a) *Sales of services*

	Unaudited Six months ended 30th June	
	2007 RMB'000	2006 RMB'000
Sales of services		
- 北京慧聰建設信息諮詢有限公司 (technology services) (i)	106	106
- 北京慧聰建設信息諮詢有限公司 (be granted the right to use the domain names and trademark) (ii)	120	120
- 北京慧美印刷有限公司 (rental services) (iii)	365	329
	<u>591</u>	<u>555</u>

- (i) 北京慧聰建設信息諮詢有限公司, a company owned as to 80% by Mr. Guo Fansheng, the chief executive officer and an executive director of the Company, entered into a three-year Technology Services Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the Technology Services Agreement to 31st December 2007.

Pursuant to the agreement, the Group received technical service income from 北京慧聰建設信息諮詢有限公司 based on the working hours devoted to the service and support.

- (ii) 北京慧聰建設信息諮詢有限公司 entered into a three-year Domain Names and Trademark Licence Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the Domain Names and Trademark Licence Agreement to 31st December 2007.

Pursuant to the agreement, 北京慧聰建設信息諮詢有限公司 was granted the right to use the domain names and trademark owned or attained by the Group during the agreement period for a fixed fee.

- (iii) Rental income of RMB365,000 were received from 北京慧美印刷有限公司 a company owned as to 65% by 北京慧聰建設信息諮詢有限公司 and as to 35% by Mr. Fan Yousheng, an independent third party for the six months ended 30th June 2007 and the fee was payable at market price no less favorable than as charged by independent third parties on a monthly basis.

(b) Purchases of services

	Unaudited Six months ended 30th June	
	2007 RMB'000	2006 RMB'000
Purchases of services:		
- 北京慧聰建設信息諮詢有限公司 (on-line information distribution services) (i)	120	120
- 北京慧聰建設信息諮詢有限公司 (on-line advertisement publication services) (ii)	50	50
- 北京慧美印刷有限公司 (printing services) (iii)	12,119	13,189
- 北京中搜在線軟件有限公司 (search engine services) (iv)	-	756
	<u>12,289</u>	<u>14,115</u>

- (i) 北京慧聰建設信息諮詢有限公司 entered into a three-year On-line Information Distribution Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the On-line Information Distribution Agreement to 31st December 2007.

Pursuant to the agreement, 北京慧聰建設信息諮詢有限公司 received distribution income from the Group at a fixed fee. It disseminated the Group's business information and research reports on its web-site and on those as stipulated by the Group.

- (ii) 北京慧聰建設信息諮詢有限公司 entered into a three-year On-line Advertisement Publication Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of On-line Advertisement Publication Agreement to 31st December 2007.

Pursuant to the agreement, 北京慧聰建設信息諮詢有限公司 received publication income from the Group at a fixed fee. It published the Group's advertisements on its web-site and on those as stipulated by the Group.

- (iii) On 1st September 2002, 北京慧美印刷有限公司 and 慧聰商情廣告(北京)有限公司 (formerly known as 北京慧聰商情廣告有限公司) ("HC Advertising"), a subsidiary of the Company, entered into a three-year printing agreement (the "Printing Agreement"), and on 31st December 2004 and 1st September 2005, the parties separately entered into two supplemental agreements which extended the term of the Printing Agreement to 31st December 2007.

Pursuant to the Printing Agreement, 北京慧美印刷有限公司 was appointed by HC Advertising to print various publications published by 慧聰商情廣告(北京)有限公司, including but not limited to Huicong Trade Catalogues 《慧聰商情廣告》 (the "Printing Services"). The fee payable by 慧聰商情廣告(北京)有限公司 shall be the actual amount for the provision of the Printing Services by 北京慧美印刷有限公司 at market price no less favourable than as charged by independent third parties on a monthly basis.

- (iv) 北京中搜在線軟件有限公司, a jointly controlled entity of the Group, entered into a "Search Engine Sale Agency Framework Agreement" with the Group in 2004, pursuant to the agreement, Beijing Huicong International and its subsidiaries are charged by 北京中搜在線軟件有限公司 for its technical support on the search engine services provided to the customers.

(c) *Key management compensation*

	Unaudited Six months ended 30th June	
	2007	2006
	RMB'000	RMB'000
Salaries and other short-term employee benefits	2,759	2,382
Share-based payments	536	315
	3,295	2,697

(d) *Year end balance from sales of services*

	30th June 2007	31st December 2006
	RMB'000	RMB'000
Amounts due from related companies	5,476	1,233

(e) *Loan to a related party*

Amount due from a jointly controlled entity	14,238	14,102
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19. Events occurring after the balance sheet date

On 11th July 2007, 23,000,000 share options were granted under the Share Option Scheme of the Company adopted on 30th November 2003 to an executive Director and certain employees at an exercise price of HK\$1.24 per share.

20. Contingent liabilities

At 30th June 2007, there were no material contingent liabilities to the Group (31st December 2006: Nil).

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

As at 30th June 2007, the interests of the Directors and the chief executives 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	Approximate percentage of share capital
GUO Fansheng	Beneficial owner	64,088,863	-	-	-	64,088,863	13.09%
LI Jianguang	Beneficial owner	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.17%
GUO Jiang	Beneficial owner	6,309,923 (Note 2)	-	-	-	6,309,923 (Note 2)	1.29%

(b) Directors' Short Positions

There was no Directors' short position as at 30th June 2007.

Notes:

- 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.
- Such interest in the Company comprises:
 - 3,575,923 shares of the Company of which 1,074,625 shares of the Company are held by Mr. Guo's spouse; and
 - 2,734,000 underlying shares derived from the share options granted under the Share Option Scheme of which 734,000 underlying shares derived from the share options granted to Mr. Guo's spouse under 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 June 2007, options to subscribe for an aggregate of 12,332,440 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 June 2007 (Note 1)
			As at 1st January 2007	Granted during the period	Exercised during the period (Note 3)	Lapsed during the period	
<i>Directors</i>							
GUO Jiang	2nd December 2003	0.44	338,692	-	(338,692)	-	-
<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>							
YEN Earl Ching-Hwa	2nd December 2003	0.44	402,196	-	(402,196)	-	-
<i>Other employees</i>							
In aggregate (Note 2)	2nd December 2003	0.44	11,788,441	-	(10,344,879)	-	1,443,562
Total			23,418,207	-	(11,085,767)	-	12,332,440

(a) Pre-IPO Share Option Scheme (continued)

Notes:

1. 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).
2. As at 30th June 2007, 5 employees who had been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 1,443,562 shares of the Company.
3. During the six months ended 30th June 2007, 11,085,767 options granted to employees under the Pre-IPO Share Option Scheme were exercised. At the date before the options were exercised, the weighted average closing price per share of the Company was HK\$1.50.

(b) Share Option Scheme

As at 30th June 2007, options to subscribe for an aggregate of 22,100,000 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 June 2007 (Note 1)
			As at 1st January 2007	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
GUO Jiang	23rd June 2006	1.49	1,000,000	-	-	-	1,000,000
<i>Senior management</i>							
YAO Jianjiang	23rd June 2006	1.49	270,000	-	-	-	270,000
LÜ Tong	23rd June 2006	1.49	166,000	-	-	-	166,000
ZHANG Chuanjun	18th February 2004	2.40	50,000	-	-	-	50,000
ZHANG Chuanjun	23rd June 2006	1.49	200,000	-	-	-	200,000
WANG Lijie	18th February 2004	2.40	175,000	-	-	-	175,000
WANG Lijie	23rd June 2006	1.49	266,000	-	-	-	266,000
SUN Wei	23rd June 2006	1.49	332,000	-	-	-	332,000
<i>Other employees</i>							
In aggregate (Note 2)	18th February 2004	2.40	16,925,000	-	-	(4,200,000)	12,725,000
In aggregate (Note 3)	23rd June 2006	1.49	7,766,000	-	-	(1,850,000)	5,916,000
Total			28,150,000	-	-	(6,050,000)	22,100,000

(b) Share Option Scheme *(continued)*

Notes:

1. 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 (the "Offer Date").

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

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.

2. 103 employees have been granted options under the Share Option Scheme to acquire an aggregate of 12,725,000 shares of the Company at HK\$2.40 per share.
3. 73 employees have been granted options under the Share Option Scheme to acquire an aggregate of 5,916,000 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 approximately 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 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.

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

As at 30th June 2007, the interests of substantial shareholders (not being Directors and chief executives 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/Holdings capacity	Approximate percentage of share capital
McCARTHY Kent C.	115,573,850 (Note 1)	–	Interest in controlled corporation	23.60%
HINRICHS Merle Allan	62,652,000 (Note 2)	–	Interest in controlled corporation	12.80%
MCGOVERN Patrick J.	25,473,954 (Note 3)	–	Interest in controlled corporation	5.20%
PMA Capital Management Ltd.	24,540,000	–	Investment manager	5.01%

Note:

- Such interest in the Company comprises 69,531,850 shares, 38,737,977 shares, 4,865,000 shares and 2,439,023 shares owned by Jayhawk China Fund (Cayman), Ltd, 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. McCarthy.
- Such interest in the Company comprises 5,916,000 shares and 56,736,000 shares owned 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.
- Such interest in the Company is owned 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms not less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules on 20th March 2006. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by directors during the six months ended 30th June 2007.

AUDIT COMMITTEE

Pursuant to GEM Listing Rules 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 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 management of the Company the accounting principles and practices adopted by the Group, and the interim results of the Group for the six months ended 30th June 2007.

DIRECTORS INTERESTS IN COMPETING BUSINESS

Mr. John Craig Pepples, a non-executive Director, 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. 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.

Save as disclosed above, 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 six months ended 30th June 2007.

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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The board of Directors had reviewed the Company's corporate governance practices and was satisfied that the Company had been in compliance with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules during the six months ended 30th June 2007.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June 2007.

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*)

Mr. Guo Jiang (*Executive Director*)

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

Mr. Pepples John Craig (*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, 13th August 2007