



Interim 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.

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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 2008 to the shareholders of the Company.

Financial Highlights

	Three months ended 30th June		Six months ended 30th June	
	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Turnover	85,285	78,278	148,593	135,633
Gross Profit	47,336	46,681	81,082	77,086
EBITDA	9,420	4,828	17,588	(2,592)
Profit/(loss) attributable to equity holders	(75)	396	3,002	(12,119)

Key Financial Figures for the First Half of 2008

- Turnover of the Group for the six months ended 30th June 2008 was approximately RMB148.59 million as compared to approximately RMB135.63 million for the corresponding period in the previous financial year.
- Gross profit ratio of the Group for the six months ended 30th June 2008 was approximately 54.6% as compared to approximately 56.8% for the corresponding period in the previous financial year.
- EBITDA of the Group for the six months ended 30th June 2008 was a profit of approximately RMB17.59 million as compared to a loss of approximately RMB2.59 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 based payments.
- Profit/(loss) attributable to equity holders of the Group for the six months ended 30th June 2008 was approximate RMB3.00 million as compared to approximately RMB(12.12) million for the corresponding period in the previous financial year.

Financial and Business Review

During the six months ended 30th June 2008, the Group recorded a turnover of approximately RMB148.59 million from the operations (2007: RMB135.63 million).

During the reporting period, the Group achieved a turnover of approximately RMB66.31 million (2007: RMB59.32 million) from its trade catalogues and yellow page directories business segment, which amounted to about 44.6% of the Group's total revenue during the period under review, representing an increase of about 11.78% when compared with the corresponding period last year.

The gross profit margin of the Group's decreased by about 2.2 percentage points from approximately 56.8% last year to approximately 54.6% during the period under review. The gross margin of Group's on-line business segment remained relatively stable at about 75.6% while the gross margin of the trade catalogues and yellow page directories business segment of the Group increased by about 1.74 percentage point to 46.74% when compared with the corresponding period last year.

During the six months ended 30th June 2008, a net profit/(loss) attributable to equity holders of approximately RMB3.00 million was recorded by the Group (2007: RMB(12.12) 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 8.4 million as at 30th June 2008.

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.

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 Jiang

Executive Director and Chief Executive Officer

Beijing, PRC, 11th August 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

As at 30th June 2008, the Group had cash at bank balance of RMB127,161,000 and net current assets of RMB72,844,000. The Group maintained a strong working capital position during the six months ended 30th June 2008.

Short-term loans amounted to approximately RMB3,001,000 as at 30th June 2008. Gearing ratio of the Group decreased to about 1.4% as at 30th June 2008 from about 1.5% as at 31st December 2007, calculated with reference to its short-term loans of approximately RMB3,001,000 (31st December 2007: RMB3,001,000) and capital and reserves attributable to equity holders of approximately RMB208,459,000 (31st December 2007: RMB205,051,000).

The capital and reserves attributable to equity holders increased by approximately RMB3,408,000 from approximately RMB205,051,000 as at 31st December 2007 to approximately RMB208,459,000 as at 30th June 2008.

Significant Investment

The Group had no significant investment during the six months ended 30th June 2008.

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 of subsidiaries and affiliated companies during the six months ended 30th June 2008.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2008, the Group has approximately 2,400 employees.

Remuneration of employees is 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

During the six months ended 30th June 2008, no shares of the Company were issued upon the exercise of share options granted under the pre-IPO share option scheme of the Company. The total number of issued shares of the Company was 492,836,960 as at 30th June 2008.

Charges on Group Assets

As at 30th June 2008, no asset was pledged to secure any of the Group's loan.

Exchange Risk

As the Group's operations are principally in the PRC, and majority assets and liabilities are denominated in Renminbi, the Directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent Liabilities

As at 30th June 2008, the Group had no material contingent liabilities (31st December 2007: Nil).

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH JUNE 2008**

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Sales	3	85,285	78,278	148,593	135,633
Cost of sales	4	(37,949)	(31,597)	(67,511)	(58,547)
Gross profit		47,336	46,681	81,082	77,086
Other income		929	522	9,655	947
Selling and marketing expenses	4	(22,449)	(25,345)	(41,422)	(46,928)
Administrative expenses	4	(22,264)	(20,510)	(45,346)	(44,278)
Finance costs	5	-	(537)	-	(1,068)
Profit/(loss) before income tax		3,552	811	3,969	(14,241)
Income tax	6	(1,993)	(540)	260	(376)
Profit/(loss) for the periods		1,559	271	4,229	(14,617)
Attributable to:					
Equity holders of the Company		(75)	396	3,002	(12,119)
Minority interest		1,634	(125)	1,227	(2,498)
		1,559	271	4,229	(14,617)
Earnings/(loss) per share attributable to the equity holders of the Company during the period (expressed in RMB per share)					
Basic	7	RMB(0.0002)	RMB0.0008	RMB0.0061	RMB(0.0249)
Diluted	7	RMB(0.0002)	RMB0.0008	RMB0.0061	RMB(0.0249)
Dividends	8	-	-	-	-

The notes on pages 11 to 27 form an integral part of this condensed financial information.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2008

		Unaudited	Audited
		30th June	31st December
		2008	2007
	<i>Note</i>	RMB'000	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9	68,467	74,135
Land use rights	9	19,220	19,433
Intangible assets	9	23,760	26,985
Deferred income tax assets		19,738	17,065
Available-for-sale financial assets	10	8,945	–
		140,130	137,618
Current assets			
Trade receivables	11	32,566	25,996
Deposits, prepayments and other receivables		7,638	61,714
Amount due from a related party	18	5,578	2,568
Cash and cash equivalents		127,161	85,278
		172,943	175,556
Total assets		313,073	313,174

The notes on pages 11 to 27 form an integral part of this condensed financial information.

		Unaudited 30th June 2008 RMB'000	Audited 31st December 2007 RMB'000
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	52,551	52,551
Other reserves	17	262,291	261,885
Accumulated losses		(106,383)	(109,385)
		208,459	205,051
Minority interest		3,788	2,561
Total equity		212,247	207,612
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		727	1,053
Current liabilities			
Trade payables	12	6,811	6,033
Deferred revenue		59,091	53,703
Amount due to a related party	18	1,128	604
Accrued expenses and other payables		10,979	22,531
Accruals for statutory benefit funds	13	124	101
Short-term loan	14	3,001	3,001
Other taxes payable	15	14,315	13,721
Income tax payable	15	4,650	4,815
		100,099	104,509
Total liabilities		100,826	105,562
Total equity and liabilities		313,073	313,174
Net current assets		72,844	71,047
Total assets less current liabilities		212,974	208,665

The notes on pages 11 to 27 form an integral part of this condensed financial information.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2008**

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 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
Balance at 1st January 2008		52,551	261,885	(109,385)	2,561	207,612
Profit for the period		-	-	3,002	1,227	4,229
Currency translation difference	17	-	(1,407)	-	-	(1,407)
Share option scheme-value of employee services	17	-	1,813	-	-	1,813
Balance at 30th June 2008		52,551	262,291	(106,383)	3,788	212,247

The notes on pages 11 to 27 form an integral part of this condensed financial information.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2008**

	Unaudited	
	Six months ended 30 June	
	2008	2007
	RMB'000	<i>RMB'000</i>
Net cash outflow from operating activities	(9,047)	(3,810)
Net cash inflow/(outflow) from investing activities	51,721	(2,071)
Net cash inflow from financing activities	–	4,819
Increase/(decrease) in cash and cash equivalents	42,674	(1,062)
Cash and cash equivalents at 1st January	85,278	164,364
Exchange losses on cash and cash equivalents	(791)	(940)
Cash and cash equivalents at 30th June	127,161	162,362
Analysis of balances of cash and cash equivalents		
Bank balances and cash	127,161	162,362

The notes on pages 11 to 27 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 11th August 2008.

Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2008 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 2007.

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 2007, as described in the annual report for the year ended 31st December 2007.

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 interpretation is mandatory for the first time for the financial year ending 31st December 2008 and are relevant to the Group's operations.

- HK (IFRIC)-Int 11, "Group and treasury share transactions", effective for annual periods beginning on or after 1st March 2007. 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 2007.

The following new interpretations are mandatory for the first time for the financial year beginning 1st January 2008 but are not relevant for the Group.

- HK (IFRIC)-Int 12, 'service concession arrangements'
- HK (IFRIC)-Int 14, 'HKAS19-the limit on a defined benefit asset, minimum funding requirements and their interaction'

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2008 and have not been early adopted:

- HKFRS 8, "Operating segments", effective for annual periods beginning on or after 1st January 2009. HKFRS 8 replaces HKAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.
- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1st January 2009.
- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1st January 2009.
- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.
- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2009.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2009.
- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1st July 2008.

Management is assessing the impact of the above new standards, amendments to standards and interpretations, which have been issued but are not effective for 2008, on the Group's operations.

This unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

3. Segment information

(a) *Primary reporting format – business segments*

At 30th June 2008, 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) On-line services – provision of a reliable platform to customers to do business and meet business partners on-line.
- (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 2008.

**Unaudited
6 months ended 30th June 2008**

	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Printed periodicals, seminars and other PR services RMB'000	Total RMB'000
Sales	<u>66,306</u>	<u>55,269</u>	<u>23,366</u>	<u>3,652</u>	<u>148,593</u>
Segment results	<u>30,994</u>	<u>41,788</u>	<u>7,186</u>	<u>1,114</u>	<u>81,082</u>
Other income					9,655
Allocated costs	<u>(23,857)</u>	<u>(32,264)</u>	<u>(462)</u>	<u>(595)</u>	<u>(57,178)</u>
Unallocated costs					<u>(29,590)</u>
Profit before income tax					3,969
Income tax					<u>260</u>
Profit for the period					<u>4,229</u>
Attributable to:					
Equity holders of the Company					3,002
Minority interest					<u>1,227</u>
					<u>4,229</u>

Unaudited
6 months ended 30th June 2007

	Trade catalogues and yellow page directories <i>RMB'000</i>	On-line 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	59,319	60,738	14,001	1,575	135,633
Segment results	26,696	45,956	3,636	798	77,086
Other income					947
Allocated costs	(20,737)	(36,046)	(2,542)	(295)	(59,620)
Unallocated costs					(31,586)
Finance costs					(1,068)
Loss before income tax					(14,241)
Income tax					(376)
Loss for the period					(14,617)
Attributable to:					
Equity holders of the Company					(12,119)
Minority interest					(2,498)
					(14,617)

(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 2007 and 2008, individually. Accordingly, no segmental information analysed by geographical segment is presented.

4. 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	
	2008	2007
	RMB'000	RMB'000
Direct cost of trade catalogues and yellow page directories	21,672	18,309
Direct cost of on-line services	3,551	1,019
Direct cost of market research and analysis	7,937	5,065
Direct cost of print periodicals, seminars and other PR services	457	442
Marketing expenses	8,420	12,237
Network and telephone expenses	7,004	7,530
Auditors' remuneration	1,429	1,100
Staff costs, including directors' emoluments	71,244	68,933
Amortisation of land use right	213	213
Amortisation of intangible assets	2,679	2,465
Depreciation of property, plant and equipment	8,914	9,078
Write-off of trade and other receivables	3,275	5,435
Reversal of provision for impairment of trade and other receivables	(77)	(805)
Loss on disposal of property, plant and equipment	32	241
Operating lease payments in respect of land and buildings	7,585	7,937
Other expenses	9,944	10,554
	<hr/>	<hr/>
Total cost of sales, selling and marketing expenses and administrative expenses	154,279	149,753

5. Finance costs

	Unaudited Six months ended 30th June	
	2008	2007
	RMB'000	RMB'000
Interest expense on short-term loans	-	(1,068)
	<hr/>	<hr/>

6. Income tax

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

	Unaudited	
	Six months ended	
	30th June	
	2008	2007
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax (i)	–	–
– The PRC enterprise income tax ("EIT") (ii)	(2,741)	(1,084)
Deferred income tax	3,001	708
	<hr/>	<hr/>
	260	(376)
	<hr/>	<hr/>

- (i) No Hong Kong profits tax has been provided as there is 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 0% to 18% during the period.

7. Earnings/(loss) per share

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Profit/(loss) attributable to equity holders	(75)	396	3,002	(12,119)
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of shares in issue	492,837	488,554	492,837	487,582
Incremental shares from assumed exercise of share options granted	2,023	7,605	2,714	8,203
Diluted weighted average number of shares	<u>494,860</u>	<u>496,159</u>	<u>495,551</u>	<u>495,785</u>
Basic earnings/(loss) per share	<u>RMB(0.0002)</u>	<u>RMB0.0008</u>	<u>RMB0.0061</u>	<u>RMB(0.0249)</u>
Diluted earnings/(loss) per share	<u>RMB(0.0002)</u>	<u>RMB0.0008</u>	<u>RMB0.0061</u>	<u>RMB(0.0249)</u>

The calculation of basic earnings/(loss) per share for the three months and six months ended 30th June 2008 is based on the respective unaudited (loss)/profit attributable to the equity holders of approximately RMB(75,000) and RMB3,002,000 (2007: RMB396,000 and RMB(12,119,000)) and the weighted average of approximately 492,837,000 and 492,837,000 (2007: 488,554,000 and 487,582,000) ordinary shares in issue during the period.

8. Dividends

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

9. Capital expenditure

	Software development costs <i>RMB'000</i>	Data library <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 2008	14,894	12,091	26,985	19,433	74,135
Additions	-	-	-	-	3,314
Disposals	(546)	-	(546)	-	(68)
Depreciation/amortisation charge	(1,580)	(1,099)	(2,679)	(213)	(8,914)
Closing net book amount as at 30th June 2008	12,768	10,992	23,760	19,220	68,467
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
Additions	3,000	-	3,000	-	4,990
Disposals	-	-	-	-	(106)
Termination of subsidiaries and branches	-	-	-	-	(289)
Currency translation difference	(17)	-	(17)	-	-
Depreciation/amortisation charge	(1,515)	(1,100)	(2,615)	(214)	(8,943)
Closing net book amount as at 31st December 2007	14,894	12,091	26,985	19,433	74,135

10. Available-for-sale financial assets

On 22nd October 2007, 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 sell an internet software and a domain name to Madeinchina, Inc. ("Madeinchina") and it was settled by 19% of the enlarged issued share capital of Madeinchina after the completion of the transaction. Upon completion of the sales and purchase agreement the Group has recognised Madeinchina as an available-for-sale financial asset. This transaction is completed in March 2008.

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 2008 and 31st December 2007 are as follows:

	Unaudited 30th June 2008 RMB'000	Audited 31st December 2007 RMB'000
Current to 90 days	21,946	17,233
91 to 180 days	5,216	3,583
181 to 365 days	4,614	4,211
Over 1 year	1,129	1,384
	32,905	26,411
Less: provision for impairment of trade receivables	(339)	(415)
	32,566	25,996

12. Trade payables

The aging analysis of the trade payables as at 30th June 2008 and 31st December 2007 are as follows:

	Unaudited 30th June 2008 RMB'000	Audited 31st December 2007 RMB'000
Current to 90 days	4,638	5,192
91 to 180 days	1,380	759
181 to 365 days	729	43
Over 1 year	64	39
	6,811	6,033

13. Accruals for statutory benefits funds

	Unaudited 30th June 2008 RMB'000	Audited 31st December 2007 RMB'000
Retirement benefit	43	46
Medical benefit	27	20
Housing benefit	54	35
	124	101

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 12% of the basic salaries of the employees, respectively.

14. Short-term loan

	Unaudited 30th June 2008 RMB'000	Audited 31st December 2007 RMB'000
Other short-term loan	(a) 3,001	3,001

(a) This represented a loan of RMB3,001,000 (2007: RMB3,001,000) is unsecured, interest-bearing at LIBOR plus 1% and repayable on demand.

15. Income tax payable and other taxes payable

	Unaudited 30th June 2008 RMB'000	Audited 31st December 2007 RMB'000
Income tax payable:		
Enterprise income tax	4,650	4,815
Other taxes payable:		
Business tax	8,948	8,774
Cultural and development tax	1,808	1,721
Other taxes	3,559	3,226
	14,315	13,721

16. Share capital

	Number of shares	Ordinary shares RMB'000
At 1st January 2007	478,565,873	51,153
Exercise of share options	14,271,087	1,398
At 31st December 2007, 30th June 2008	492,836,960	52,551

The total authorised number of ordinary shares is 1,000 million shares (2007: 1,000 million shares) with a par value of HK\$0.1 per share (2007: 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 year.

Each option under the Pre-IPO Share Option Scheme has a 10-year exercisable 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 ("Listing Date"). 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 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 and 9,350,000 share options were lapsed during the year ended 31st December 2005 and 2007, respectively. 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 2,460,000 and 1,502,000 share options were lapsed during the year ended 31st December 2007 and the six months ended 30th June 2008, respectively. The grantees can exercise 100% of 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.

During the year ended 31st December 2007, a total of 23,000,000 share options were granted to two executive Directors and certain employees pursuant to Share Option Scheme of which 5,431,000 shares options were lapsed during the six months ended 30th June 2008. The grantees can exercise these options at an exercise price of HK\$1.24 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 11th July 2007. Commencing from the first and second anniversaries of the Offer Date, the relevant grantee may exercise options up to 50% and 100% respectively.

- (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 yield 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 RMB3,919,000. 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 yield rate of 0% and annual risk-free interest rate of 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.
- (v) 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 yield 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.

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

(a) *Pre-IPO Share Option Scheme*

	2008		2007	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
At 1st January	0.44	9,147,120	0.44	23,418,207
Exercised	0.44	-	0.44	(11,085,767)
At 30th June	0.44	9,147,120	0.44	12,332,440

(b) *Share Option Scheme*

	2008		2007	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
At 1st January	2.40	8,800,000	2.40	18,150,000
Lapsed	2.40	-	2.40	(4,200,000)
At 30th June	2.40	8,800,000	2.40	13,950,000
At 1st January	1.49	7,540,000	1.49	10,000,000
Lapsed	1.49	(1,502,000)	1.49	(1,850,000)
At 30th June	1.49	6,038,000	1.49	8,150,000
At 1st January	1.24	23,000,000	1.24	-
Lapsed	1.24	(5,431,000)	1.24	-
At 30th June	1.24	17,569,000	1.24	-

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 2008	31st December 2007
17th December 2013	0.44	9,147,120	9,147,120

(b) *Share Option Scheme*

Expiry date	Exercise price HK\$ per share	Share options	
		30th June 2008	31st December 2007
18th February 2014	2.40	8,800,000	8,800,000
23rd June 2016	1.49	6,038,000	7,540,000
11th July 2017	1.24	17,569,000	23,000,000

17. **Other reserves**

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Share-based compensation reserves <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Total <i>RMB'000</i>
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	-	-	-	-	(1,403)	(1,403)
Share option scheme-value of employee services	-	-	-	(1,175)	-	(1,175)
At 30th June 2007	136,617	987	108,830	15,446	(5,725)	256,155
At 1st January 2008	137,647	987	108,830	20,399	(5,978)	261,885
Currency translation difference	-	-	-	-	(1,407)	(1,407)
Share option scheme-value of employee services	-	-	-	1,813	-	1,813
At 30th June 2008	137,647	987	108,830	22,212	(7,385)	262,291

18. Related-party transactions

The following significant transactions were carried out with related parties:

(a) Sales of services

	Unaudited	
	Six months ended	
	30th June	
	2008	2007
	RMB'000	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	365
	591	591

- (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, an executive director of the Company, entered into a three-year Technology Services Agreement with the Group in 2002, and on 31st December 2004 and 30th December 2007, the parties separately entered into two supplemental agreements which extended the term of the Technology Services Agreement to 31st December 2009.

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 and 30th December 2007, the parties separately entered into two supplemental agreements which extended the term of the Domain names and Trademark Licence to 31st December 2009.

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 was 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, for the six months ended 30th June 2008 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	
	2008	2007
	RMB'000	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)	13,001	12,119
	13,171	12,289

- (i) 北京慧聰建設諮詢有限公司 entered into a three-year Online Information Distribution Agreement with the Group in 2002, and on 31st December 2004 and 30th December 2007, the parties separately entered into two supplemental agreements which extended the term of the Online Information Distribution Agreement to 31st December 2009.

Pursuant to the agreement, 北京慧聰建設諮詢有限公司 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 Online Advertisement Publication Agreement with the Group in 2002, and on 31st December 2004 and 30th December 2007, the parties separately entered into two supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2009.

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 website 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 printing agreement (the "Printing Agreement") for a term of three years, and on 31st December 2004, 1st September 2005 and 19th May 2008, the parties separately have entered into three supplemental agreements which extended the term of the Printing Agreement to 31st December 2010.

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.

(c) *Key management compensation*

	Unaudited Six months ended 30th June	
	2008	2007
	RMB'000	RMB'000
Salaries and other short-term employee benefits	3,274	2,759
Share-based payments	1,022	536
	4,296	3,295

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

	30th June 2008	31st December 2007
	RMB'000	RMB'000
Amount due from a related company	5,578	2,568
Amount due to a related company	1,128	604

19. Contingent liabilities

At 30th June 2008, there were no material contingent liabilities to the Group (31st December 2007: Nil).

20. Events after the balance sheet date

On 3rd July 2008, Mr. Guo Fansheng, Chairman of the board of Directors of the Company, and Mr. Guo Jiang, Chief Executive Officer of the Company entered into a deed of gift. Pursuant to the deed, Mr. Guo Fansheng agreed to transfer 24,641,848 shares of the Company (representing 5% of the entire issued share capital of the Company) beneficially held by him to Mr. Guo Jiang at nil consideration. The value of the shares as at 3rd July 2008 was approximately RMB14,940,000. The above share transfer was completed on 4th July 2008.

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

As at 30th June 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	64,088,863	-	-	-	64,088,863	13.00%
Li Jianguang	Interest in controlled corporation	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.12%
Guo Jiang	Beneficial owner	8,509,923 (Note 2)	-	-	-	8,509,923 (Note 2)	1.73%
Wu Hui	Beneficial owner	1,300,000 (Note 3)	-	-	-	1,300,000 (Note 3)	0.26%

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
 - 4,934,000 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.
- Such interest in the Company comprises:
 - 500,000 shares of the Company; and
 - 800,000 underlying shares derived from the share options granted under the Share Option Scheme.

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

There was no Directors' short position as at 30th June 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 June 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 June 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 June, 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 June 2008, options to subscribe for an aggregate of 32,407,000 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 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
WU Hui	11th July 2007	1.24	800,000	-	-	-	800,000
<i>Senior management</i>							
GENG Yi	18th February 2004	2.40	300,000	-	-	-	300,000
	23rd June 2006	1.49	434,000	-	-	-	434,000
WANG Lijie	18th February 2004	2.40	175,000	-	-	-	175,000
	23rd June 2006	1.49	266,000	-	-	-	266,000
	11th July 2007	1.24	1,460,000	-	-	-	1,460,000
<i>Other employees</i>							
In aggregate (Note 2)	18th February 2004	2.40	7,325,000	-	-	-	7,325,000
In aggregate (Note 3)	23rd June 2006	1.49	5,840,000	-	-	(1,502,000)	4,338,000
In aggregate (Note 4)	11th July 2007	1.24	18,540,000	-	-	(5,431,000)	13,109,000
Total			39,340,000	-	-	(6,933,000)	32,407,000

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.

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.

2. 88 employees have been granted options under the Share Option Scheme to acquire an aggregate of 7,325,000 shares of the Company at HK\$2.40 per share.
3. 54 employees have been granted options under the Share Option Scheme to acquire an aggregate of 4,338,000 shares of the Company at HK\$1.49 per share.
4. 70 employees have been granted options under the Share Option Scheme to acquire an aggregate of 13,109,000 shares of the Company at HK\$1.24 per share.
5. 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.
6. 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.
7. 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.
8. 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 June 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
McGovern Patrick J.	Ordinary	104,790,697 <i>(Note 1)</i>	-	Interest in controlled corporation	21.26%
McCarthy Kent C.	Ordinary	103,210,000 <i>(Note 2)</i>	-	Interest in controlled corporation	20.94%
Zhou Quan	Ordinary	79,316,743 <i>(Note 3)</i>	-	Interest in controlled corporation	16.09%

Notes:

- 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.
- Such interest in the Company comprises 772,000 shares, 88,026,659 shares, 8,869,000 shares and 5,542,341 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. Kent C. McCarthy.
- 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.

CHANGE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Li Jianguang resigned as the Chairman of the board of Directors but remained as the non-executive Director with effect from 31st March 2008, and Mr. Guo Fansheng, an existing executive Director, was appointed as the Chairman of the board of Directors in his place with effect from 31st March 2008.

Mr. Guo Fansheng resigned as the Chief Executive Officer but remained as an executive Director with effect from 31st March 2008, and Mr. Guo Jiang, an existing executive Director, was appointed as the Chief Executive Officer of the Company in his place with effect from 31st March 2008.

CHANGE OF COMPANY SECRETARY, QUALIFIED ACCOUNTANT, AUTHORISED REPRESENTATIVE AND AGENT FOR THE ACCEPTANCE OF SERVICE OF PROCESS

Mr. Cheng Yik, Eric ("Mr. Cheng") resigned as the company secretary, the qualified accountant, the authorised representative and the agent for the acceptance of service of process of the Company with effect from 1st April 2008.

Ms. Leung Pui Ki was appointed as the company secretary and the agent for the acceptance of service of process of the Company in place of Mr. Cheng with effect from 1st April 2008.

Mr. Li Lulu was appointed as the qualified accountant of the Company in place of Mr. Cheng with effect from 1st April 2008.

Mr. Wu Hui, an executive Director and the chief financial officer of the Company, was appointed as the authorised representative of the Company in place of Mr. Cheng with effect from 1st April 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms not less exacting 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 the required standard of dealings and its guidelines regarding securities transactions by directors during the six months ended 30th June 2008.

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 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 management of the Company the accounting principles and practices adopted by the Group, this report and the interim results of the Group for the six months ended 30th June 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 six months ended 30th June 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.

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 2008.

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 2008.

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. Wu Hui (*Executive Director*)

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 August 2008