

Interim Report 2009



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”)

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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 Company and all its subsidiaries (together the "Group") for the six months ended 30th June 2009 to the shareholders of the Company.

Financial Highlights

	Three months ended 30th June		Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Turnover	77,649	85,285	144,505	148,593
Gross Profit	43,154	47,336	79,663	81,082
EBITDA	8,296	9,420	10,871	17,588
(Loss)/profit attributable to equity holders	(1,739)	(75)	(4,762)	3,002

Key Financial Figures for the First Half of 2009

- Turnover of the Group for the six months ended 30th June 2009 was approximately RMB144.51 million as compared to approximately RMB148.59 million for the corresponding period in the previous financial year.
- Gross profit ratio of the Group for the six months ended 30th June 2009 was approximately 55.1% as compared to approximately 54.6% for the corresponding period in the previous financial year.
- EBITDA of the Group for the six months ended 30th June 2009 was a profit of approximately RMB10.87 million as compared to a profit of approximately RMB17.59 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.
- Loss attributable to equity holders of the Group for the six months ended 30th June 2009 was approximately RMB4.76 million as compared to approximately profit of RMB3.00 million for the corresponding period in the previous financial year.

Financial and Business Review

During the six months ended 30th June 2009, the Group recorded revenue of approximately RMB144.51 million from the operations (2008: RMB148.59 million).

During the reporting period, the Group achieved a turnover of approximately RMB51.53 million (2008: RMB66.31 million) from its trade catalogues and yellow page directories business segment, which amounted to about 35.7% of the Group's total revenue during the period under review. The Group achieved a turnover of approximately RMB65.26 million (2008: RMB55.27 million) from its On-line services business segment, which amounted to about 45.2% of the Group's total revenue during the period under review. The Group achieved a turnover of approximately RMB18.46 million (2008: RMB23.37 million) from its Market research and analysis business segment, which amounted to about 12.8% of the Group's total revenue during the period under review. The Group's Market research and analysis revenue is generated from an associated company of the Group which is charged at 66.7% on the net annual revenue of the counterparty.

The loss before income tax of the Group for the six months ended 30th June 2009 is approximately RMB3.00 million (2008: profit of RMB3.97 million).

The net cash inflow from operating activities for the six months ended 30th June 2009 is approximately RMB14.44 million (2008: outflow of RMB9.05 million).

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

“Mai-Mai-Tong – 買賣通” is an innovative and user-friendly e-commerce platform launched by hc360.com in October 2004. The platform allows users of the business-to-business community to access business information in a timely and reliable manner. With “Mai-Mai-Tong – 買賣通”, 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 People’s Republic of China (“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 and agency etc., many of whom have also completed the initial stage of the transaction preparations on-line, and obtained long term orders from purchasers.

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 (the “Board”), 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 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30th June 2009, the Group had cash at bank balance of approximately RMB165,319,000 and net current assets of RMB120,067,000. The Group maintained a strong working capital position during the six months ended 30th June 2009.

The Group had no short-term loans as at 30th June 2009. Gearing ratio of the Group remained as 0% as at 30th June 2009 which is the same as at 31st December 2008, calculated with reference to its nil short-term loans as at 30th June 2009 (31st December 2008: RMB nil) and capital and reserves attributable to equity holders of approximately RMB205,538,000 (31st December 2008: RMB206,877,000).

The capital and reserves attributable to equity holders decreased by approximately RMB1,339,000 from approximately RMB206,877,000 as at 31st December 2008 to approximately RMB205,538,000 as at 30th June 2009.

Significant investment

The Group had no significant investment during the six months ended 30th June 2009.

Future plans for material investments

The Group has no plan for material investment by the year ended 30th June 2009.

Material acquisitions and disposals

The Group had no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30th June 2009.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2009, the Group has 2,224 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 2009, no shares of the Company were issued upon the exercise of share options. The total number of issued shares of the Company was 488,178,960 as at 30th June 2009.

Charges on group assets

As at 30th June 2009, 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 2009, the Group had no material contingent liabilities (31st December 2008: Nil).

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Revenue	3	77,649	85,285	144,505	148,593
Cost of revenue	4	(34,495)	(37,949)	(64,842)	(67,511)
Gross profit		43,154	47,336	79,663	81,082
Other income		625	929	1,423	9,655
Selling and marketing expenses	4	(24,717)	(22,449)	(42,647)	(41,422)
Administrative expenses	4	(18,196)	(22,264)	(41,525)	(45,346)
Share of profit of an associated company		66	–	87	–
Profit/(loss) before income tax		932	3,552	(2,999)	3,969
Income tax (expense)/credit	5	(1,856)	(1,993)	(1,326)	260
(Loss)/profit for the periods		(924)	1,559	(4,325)	4,229
Other comprehensive loss:					
Currency translation difference		(288)	(655)	(8)	(1,407)
Total comprehensive (loss)/income for the period		(1,212)	904	(4,333)	2,822
(Loss)/profit attributable to:					
– equity holders of the Company		(1,739)	(75)	(4,762)	3,002
– minority interest		815	1,634	437	1,227
		(924)	1,559	(4,325)	4,229
Total comprehensive (loss)/income attributable to:					
– equity holders of the Company		(2,027)	(730)	(4,770)	1,595
– minority interest		815	1,634	437	1,227
		(1,212)	904	(4,333)	2,822
(Loss)/earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)					
Basic	6	(0.0036)	(0.0002)	(0.0098)	0.0061
Diluted	6	(0.0036)	(0.0002)	(0.0098)	0.0061
Dividends	7	–	–	–	–

The notes on pages 11 to 28 form an integral part of this condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	Unaudited 30th June 2009 RMB'000	Audited 31st December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	57,000	62,803
Land use rights	8	18,793	19,006
Intangible assets	8	11,289	13,443
Investment in an associated company		1,324	1,237
Interests in a jointly controlled entity		–	–
Deferred income tax assets		2,061	1,907
Long term deposit		1,656	1,629
		92,123	100,025
Current assets			
Trade receivables	9	16,923	29,599
Deposits, prepayments and other receivables	10	21,120	9,591
Amount due from a related party	15	939	175
Amount due from an associated company	15	12,385	4,626
Cash and cash equivalents		165,319	162,602
		216,686	206,593
Total assets		308,809	306,618
EQUITY			
Capital and reserves attributable to the equity holders of the company			
Share capital	13	52,055	52,055
Other reserves	14	263,391	259,968
Accumulated losses		(109,908)	(105,146)
		205,538	206,877
Minority interest		6,595	5,958
Total equity		212,133	212,835

The notes on pages 11 to 28 form an integral part of this condensed consolidated interim financial information.

	<i>Note</i>	Unaudited 30th June 2009 RMB'000	Audited 31st December 2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		57	170
Current liabilities			
Trade payables	11	3,268	3,760
Deferred revenue		52,648	48,567
Accrued expenses and other payables		21,368	23,413
Other taxes payable	12	14,967	14,078
Income tax payable	12	4,368	3,795
		96,619	93,613
Total liabilities		96,676	93,783
Total equity and liabilities		308,809	306,618
Net current assets		120,067	112,980
Total assets less current liabilities		212,190	213,005

The notes on pages 11 to 28 form an integral part of this condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Minority interest RMB'000	
Balance as at 1st January 2008		52,551	261,885	(109,385)	2,561	207,612
Profit for the period		-	-	3,002	1,227	4,229
Other comprehensive loss:						
Currency translation difference	14	-	(1,407)	-	-	(1,407)
Total comprehensive (loss)/income for the period ended 30th June 2008		-	(1,407)	3,002	1,227	2,822
Share option scheme-value of employee services	14	-	1,813	-	-	1,813
Balance as at 30th June 2008		52,551	262,291	(106,383)	3,788	212,247
Balance as at 1st January 2009		52,055	259,968	(105,146)	5,958	212,835
(Loss)/profit for the period		-	-	(4,762)	437	(4,325)
Other comprehensive loss:						
Currency translation difference	14	-	(8)	-	-	(8)
Total comprehensive (loss)/income for the period ended 30th June 2009		-	(8)	(4,762)	437	(4,333)
Share option scheme-value of employee services	14	-	3,431	-	-	3,431
Investment in a subsidiary		-	-	-	200	200
Balance as at 30th June 2009		52,055	263,391	(109,908)	6,595	212,133

The notes on pages 11 to 28 form an integral part of this condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2009	2008
	RMB'000	<i>RMB'000</i>
Net cash inflow/(outflow) from operating activities	14,443	(9,047)
Net cash (outflow)/inflow from investing activities	(11,918)	51,721
Net cash inflow from financing activities	200	–
Increase in cash and cash equivalents	2,725	42,674
Cash and cash equivalents at start of period	162,602	85,278
Exchange losses on cash and cash equivalents	(8)	(791)
Cash and cash equivalents at end of period	165,319	127,161
Analysis of balances of cash and cash equivalents		
Bank balances and cash	165,319	127,161

The notes on pages 11 to 28 form an integral part of this condensed consolidated interim 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 and domiciled in the PRC. The registered office is situated at 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 "Stock Exchange").

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 has been approved for issue by the Board on 11th August 2009.

Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 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 2008, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

2 Accounting policies

Except as described below, 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 2008, as described in the annual report for the year ended 31st December 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one performance statement: a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The interim financial information has been prepared under the new requirement.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements ending 31st December 2009.
- Amendment to HKFRS 2, 'Share-based payment'. The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amended standard does not have a material impact on the Group's financial statements.

All 'non-vesting conditions' and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted.

All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009, but are not currently relevant for the Group.

- HKAS 23 (amendment), 'Borrowing costs'.
- HKAS 32 (amendment), 'Financial instruments: presentation'.
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HK(IFRIC) 13, 'Customer loyalty programmes'.
- HK(IFRIC) 15, 'Agreements for the construction of real estate'.
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2009 and have not been early adopted:

Amendment to HKAS 39	'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1st July 2009
IFRS/HKFRS 3 (revised)	'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 for annual periods beginning on or after 1st July 2009
IFRIC/HK(IFRIC) 17	'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1st July 2009
IFRIC/HK(IFRIC) 18	'Transfers of assets from customers', effective for annual periods beginning on or after 1st July 2009

HKICPA's improvements to HKFRS published in May 2009:

Amendment to HKFRS 2	'Share-based payments', effective for periods beginning on or after 1st July 2009
Amendment to IHKFRS 5	'Non-current Assets held for sale and discontinued operations', effective for annual periods beginning on or after 1st January 2010
Amendment to HKFRS 8	'Operating segments', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 1	'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 7	'Statement of cash flows', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 17	'Leases', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 36	'Impairment of assets', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 38	'Intangible assets', effective for annual periods beginning on or after 1st July 2009
Amendment to HKAS 39	'Financial instruments: recognition and measurement', effective for annual periods beginning on or after 1st January 2010
Amendment to HK(IFRIC) 9	'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1st July 2009
Amendment to HK(IFRIC) 16	'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1st July 2009

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not effective for 2009, on the Group's operations.

3 Segment information

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors reviews the Group's internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors considers the business from product perspective. From a product perspective, the Executive Directors assesses the performance of trade catalogues and yellow page directories, on-line services, market research and analysis and printed periodicals, seminars and other PR services.

The Executive Directors assesses the performance of the operating segments based on a measure of profit/(loss) before tax. This measurement basis excludes the efforts of non-recurring expenditure from the operating segments.

(a) *Primary reporting format – business segments*

As at 30th June 2009, 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 2009.

Unaudited					
6 months ended 30th June 2009					
	Trade catalogues and yellow page directories	On-line services	Market research and analysis	Printed periodicals, seminars and other PR services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	51,530	65,261	18,457	9,257	144,505
(Loss)/profit before tax	(2,686)	56	3,098	(3,467)	(2,999)
Depreciation and amortisation (including share option expense)	(2,288)	(9,719)	(1,498)	(362)	(13,867)
Finance income	–	–	–	1,423	1,423
Finance costs	–	–	–	–	–
Share of profit from an associated company	–	–	–	87	87
Income tax (expense)/credit	(986)	124	(464)	–	(1,326)
As at 30th June 2009					
Total assets	23,155	80,729	21,761	183,164	308,809
Total assets include:	–	–	–	–	–
Investment in an associated company	–	–	1,324	–	1,324
Additions to non-current assets (other than financial instruments and deferred tax assets)	339	2,366	–	–	2,705

Unaudited 6 months ended 30th June 2008					
	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>
Revenue	66,306	55,269	23,366	3,652	148,593
Profit/(loss) before tax	307	123	5,400	(1,861)	3,969
Depreciation and amortisation (including share option expense)	(1,965)	(9,569)	(1,686)	(399)	(13,619)
Finance income	-	-	-	1,256	1,256
Finance costs	-	-	-	-	-
Share of profit from an associated company	-	-	-	-	-
Income tax (expense)/credit	608	(348)	-	-	260
As at 31st Dec 2008					
Total assets	23,050	95,017	16,471	172,080	306,618
Total assets include:	-	-	-	-	-
Investment in an associated company	-	-	1,237	-	1,237
Additions to non-current assets (other than financial instruments and deferred tax assets)	939	8,008	167	-	9,114

The Group is domiciled in PRC. The revenue from external customers in PRC for the six months ended 30th June 2009 is RMB144,505,000 (for the six months ended 30th June 2008: RMB148,593,000), and the total revenue from external customers from other countries is Nil (2008: Nil).

As at 30th June 2009, the total non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in PRC is RMB90,062,000 (As at 31st December 2008: RMB98,118,000), and the total of these non-current assets located in other countries is Nil (As at 31st December 2008: Nil).

4 Expenses by nature

Expenses including cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Direct cost of trade catalogues and yellow page directories	10,654	11,929	18,755	21,672
Direct cost of on-line services	4,984	3,108	8,629	3,551
Direct cost of market research and analysis	1,967	4,327	6,210	7,937
Direct cost of print periodicals, seminars and other PR services	1,857	234	2,632	457
Marketing expenses	3,740	5,220	6,436	8,420
Network and telephone expenses	2,685	3,482	5,476	7,004
Auditor's remuneration	550	714	1,100	1,429
Staff costs, including directors' emoluments	34,394	38,598	66,185	69,431
Amortisation of land use rights	107	106	213	213
Amortisation of intangible assets	1,077	1,297	2,154	2,679
Amortisation of share option expenses	1,937	128	3,431	1,813
Depreciation of property, plant and equipment	4,034	4,339	8,069	8,914
Write-off of trade and other receivables	2,084	465	1,921	3,275
(Reversal on provision)/provision for impairment of trade and other receivables	(292)	150	1,242	(77)
Loss on disposal of property, plant and equipment	270	26	329	32
Operating lease payments in respect of land and buildings	2,349	4,061	6,568	7,585
Other expenses	5,011	4,478	9,664	9,944
Total cost of revenue selling and marketing expenses and administrative expenses	77,408	82,662	149,014	154,279

5 Income tax (expense)/credit

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Current income tax				
– Hong Kong profits tax (i)	–	–	–	–
– The PRC corporate income tax ("CIT") (ii)	(1,385)	(2,662)	(1,593)	(2,741)
Deferred income tax	(471)	669	267	3,001
	(1,856)	(1,993)	(1,326)	260

- (i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2008: Nil).
- (ii) The PRC corporate 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 20% during the period.

6 (Loss)/earnings per share

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
(Loss)/profit attributable to equity holders	(1,739)	(75)	(4,762)	3,002
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of shares in issue	488,179	492,837	488,179	492,837
Incremental shares from assumed exercise of share options granted	–	2,023	–	2,714
Diluted weighted average number of shares	488,179	494,860	488,179	495,551
Basic (loss)/earnings per share (in RMB)	(0.0036)	(0.0002)	(0.0098)	0.0061
Diluted (loss)/earnings per share (in RMB)	(0.0036)	(0.0002)	(0.0098)	0.0061

7 Dividends

No dividends was paid or declared by the Company during the period (2008: Nil).

8 Capital expenditures

	Goodwill	Software development	Data library	Total intangible assets	Land use rights	Properties plant and equipment
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount as at 1st January 2009	167	3,383	9,893	13,443	19,006	62,803
Additions	-	-	-	-	-	2,705
Disposals	-	-	-	-	-	(439)
Depreciation and amortisation	-	(1,055)	(1,099)	(2,154)	(213)	(8,069)
Closing net book amount as at 30th June 2009	167	2,328	8,794	11,289	18,793	57,000
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 and amortisation	-	(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

9 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 2009 and 31st December 2008 are as follows:

	Unaudited 30th June 2009 RMB'000	Audited 31st December 2008 RMB'000
Current to 90 days	11,837	19,717
91 to 180 days	2,183	6,647
181 to 365 days	5,806	6,469
1 to 2 years	3,188	1,615
	23,014	34,448
Less: provision for impairment of trade receivables	(6,091)	(4,849)
	16,923	29,599

10 Deposits, prepayments and other receivables

The balance as at 30 June 2009 includes two deposits with commercial banks in the PRC totalling RMB11,000,000 (As at 31 December 2008: Nil). The deposits bear a variable interest, ranging from 0% to 2.6%. One of the deposits amounted to RMB1,000,000 has been settled in July 2009. Another deposit amounted to RMB10,000,000 will be settled in February 2010.

11 Trade payables

The aging analysis of the trade payables as at 30th June 2009 and 31st December 2008 are as follows:

	Unaudited 30th June 2009 RMB'000	Audited 31st December 2008 RMB'000
Current to 90 days	2,870	3,245
91 to 180 days	187	274
181 to 365 days	46	129
Over 1 year	165	112
	3,268	3,760

12 Income tax payable and other taxes payable

	Unaudited 30th June 2009 RMB'000	Audited 31st December 2008 RMB'000
Income tax payable:		
Corporate income tax	4,368	3,795
Other taxes payable:		
Business tax	9,603	8,999
Cultural and development tax	1,695	1,843
Other taxes	3,669	3,236
	19,335	17,873

13 Share capital

	Number of shares	Ordinary shares RMB'000
As at 1st January 2008	492,836,960	52,551
Cancellation upon repurchase of own shares	(4,658,000)	(496)
As at 31st December 2008, 30th June 2009	488,178,960	52,055

The total authorised number of ordinary shares is 1,000 million shares (2008: 1,000 million shares) with a par value of HK\$0.1 per share (2008: 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 (the "Pre-IPO Share Option Scheme") was adopted by the Company. Pursuant to the Pre-IPO Share Option Scheme, the Board 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 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 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 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, 9,350,000, 1,080,000 and 261,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008 and the six months ended 30th June 2009, 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 date of grant, 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 one executive Director and certain employees pursuant to the Share Option Scheme, of which 2,460,000, 2,908,000 and 180,000 share options were lapsed during the year ended 31st December 2007, 2008 and the six months ended 30th June 2009, 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 grant 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 10,267,000 and 546,000 share options were lapsed during the year ended 31st December 2008 and the six months ended 30th June 2009, respectively. 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 date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2008, a total of 14,600,000 share options were granted to one executive Director and certain employees pursuant to Share Option Scheme, of which 400,000 share options were lapsed during the six months ended 30th June 2009, respectively. The grantees can exercise these options at an exercise price of HK\$0.604 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 29th September 2008. Commencing from the first anniversary of the date of grant, the relevant grantee may exercise options in full.

- (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 riskfree 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.
- (vi) The fair value of options granted under the Share Option Scheme on 29th September 2008, determined using the Binomial Model valuation model, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK\$0.604, standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years, expected dividend yield rate of 0% and annual risk-free interest rate 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

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

(a) *Pre-IPO Share Option Scheme*

	2009		2008	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
As at 1st January	0.44	9,147,120	0.44	9,147,120
Exercised	0.44	–	0.44	–
As at 30th June	0.44	9,147,120	0.44	9,147,120

(b) *Share Option Scheme*

	2009		2008	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
As at 1st January	2.40	7,720,000	2.40	8,800,000
Lapsed	2.40	(261,000)	2.40	–
As at 30th June	2.40	7,459,000	2.40	8,800,000
As at 1st January	1.49	4,632,000	1.49	7,540,000
Lapsed	1.49	(180,000)	1.49	(1,502,000)
As at 30th June	1.49	4,452,000	1.49	6,038,000
As at 1st January	1.24	12,733,000	1.24	23,000,000
Lapsed	1.24	(546,000)	1.24	(5,431,000)
As at 30th June	1.24	12,187,000	1.24	17,569,000
As at 1st January	0.604	14,600,000	0.604	–
Lapsed	0.604	(400,000)	0.604	–
As at 30th June	0.604	14,200,000	0.604	–

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 2009	31st December 2008
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 2009	31st December 2008
18th February 2014	2.40	7,459,000	7,720,000
23rd June 2016	1.49	4,452,000	4,632,000
11th July 2017	1.24	12,187,000	12,733,000
29th September 2018	0.604	14,200,000	14,600,000

14 Other reserves

	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Share redemption reserve RMB'000	Share-based compensation reserves RMB'000	Exchange reserve RMB'000	Total RMB'000
As 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
As at 30th June 2008	137,647	987	108,830	-	22,212	(7,385)	262,291
As at 1st January 2009	132,734	987	108,830	496	23,733	(6,812)	259,968
Currency translation difference	-	-	-	-	-	(8)	(8)
Share option scheme-value of employee services	-	-	-	-	3,431	-	3,431
As at 30th June 2009	132,734	987	108,830	496	27,164	(6,820)	263,391

15 Related-party transactions

The following significant transactions were carried out with related parties:

(a) Sales of services

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Sales of services				
- 北京慧聰建設信息諮詢有限公司 (technology services) (i)	54	54	106	106
- 北京慧聰建設信息諮詢有限公司 (granted the right to use the domain names and trademark) (ii)	60	60	120	120
- 北京慧美印刷有限公司 (rental services) (iii)	-	183	-	365
- 北京鄧白氏慧聰市場信息諮詢 有限公司 ("Sales JV Co") (iv)	12,254	-	22,457	-
	12,368	297	22,683	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, the chairman of the Board 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 and on 30th December 2007, the parties entered into another supplemental agreement 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, the parties entered into a supplemental agreement which extended the term of the Domain Names and Trademark Licence Agreement to 31st December 2007 and on 30th December 2007, the parties entered into another supplemental agreement 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. On 24th November 2008, 北京慧聰建設信息諮詢有限公司 transferred its 65% equity interest in 北京慧美印刷有限公司 to independent third parties. As a result, 北京慧美印刷有限公司 ceased to be a related party of the Group since then. Therefore, the rental income represents rental income prior to its cessation as a related party of the Group.

- (iv) Beijing Huicong Market Research Co. Ltd ("Fulfillment JV Co"), a subsidiary of the Group, entered into a Fulfillment service agreement with Sales JV Co for a period of 3 years, under which Fulfillment JV Co will provide fulfillment service to Sales JV Co in relation to market research fulfillment services, at a price charged at 66.7%, 67.3% and 66.2%, for the 3 years respectively, on the net annual revenue of Sales JV Co. The fulfillment charge for the six months ended 30th June 2009 amounted to RMB18,604,000 (Three months ended 30th June 2009: RMB10,151,000).

A subsidiary of the Group entered into another fulfillment service agreement with Sales JV Co, under which the Group would sell e-Eyes products, at a charge of actual costs plus 12% mark-up. The fulfillment charge for the six months ended 30th June 2009 amounted to RMB3,853,000 (Three months ended 30th June 2009: RMB2,103,000).

(b) Purchases of services

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 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)	60	60	120	120
- 北京慧聰建設信息諮詢有限公司 (on-line advertisement publication services) (ii)	25	25	50	50
- 北京慧美印刷有限公司 (printing services) (iii)	-	5,095	-	13,001
	85	5,180	170	13,171

- (i) 北京慧聰建設信息諮詢有限公司 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 entered into a supplemental Agreement which extended the term of the Online Information Distribution Agreement to 31st December 2007 and 31st December 2009, respectively. Pursuant to the Online Information Distribution 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 Online Advertisement Publication Agreement with the Group in 2002, and on 31st December 2004 and 30th December 2007, the parties entered into supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2007 and 31st December 2009. Pursuant to the Online Advertisement Publication 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 ("Huimei") and 慧聰商情廣告(北京)有限公司 (formally 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 18th November 2003 and on 1st September 2005, the parties separately have entered into two supplemental agreements which extended the term of the Printing Agreement to 31st December 2007. On 19th May 2008, Huimei and HC Advertising entered into a new printing supplemental agreement, pursuant to which the term was extended 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.

北京慧美印刷有限公司 ceased to be a related party of the Group since 24th November 2008. Therefore, the printing service cost represents printing service cost prior to its cessation as a related party of the Group.

(c) *Key management compensation*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Salaries and other short-term employee benefits	1,410	1,637	2,820	3,274
Share-based payments	631	511	1,262	1,022
	2,041	2,148	4,082	4,296

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

	Unaudited 30th June 2009 RMB'000	Audited 31st December 2008 RMB'000
Amount due from a related company	939	175
Amount due from an associated company	12,385	4,626

16 **Contingent liabilities**

As at 30th June 2009, there were no material contingent liabilities to the Group (31st December 2008: Nil).

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

As at 30th June 2009, the interests and short positions of the Directors and the chief executives in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

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

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
Guo Fansheng	Beneficial owner	39,447,015	-	-	-	39,447,015	8.08%
Li Jianguang	Interest in controlled corporation	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.19%
Guo Jiang	Beneficial owner/ Family interest	34,349,146	2,808,625	-	-	37,157,771 (Note 2)	7.61%

Notes:

1. The references to 40,000,384 shares of the Company relate to the same block of shares of the Company held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li.
2. Such interest in the Company comprises:
 - (a) 29,223,771 shares of the Company of which 1,074,625 shares of the Company are held by Ms. Gengyi, Mr. Guo's spouse; and
 - (b) 7,934,000 underlying shares derived from the share options granted under the Share Option Scheme of which 1,734,000 underlying shares derived from the share options granted to Ms. Gengyi 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 2009.

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 2009, 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 2009 (Note 1)
			As at 1st January 2009	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 2009, 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 2009, options to subscribe for an aggregate of 38,298,000 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 2009 (Note 1)
			As at 1st January 2009	Granted during the period	Exercised during the period	Lapsed during the period	
<i>Directors</i>							
GUO Jiang	18th February 2004	2.40	1,000,000	-	-	-	1,000,000
	23rd June 2006	1.49	1,000,000	-	-	-	1,000,000
	11th July 2007	1.24	2,200,000	-	-	-	2,200,000
	29th September 2008	0.604	2,000,000	-	-	-	2,000,000
<i>Senior management</i>							
GENG Yi	18th February 2004	2.40	300,000	-	-	-	300,000
	23rd June 2006	1.49	434,000	-	-	-	434,000
	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
Guo Bingbing	29th September 2008	0.604	800,000	-	-	-	800,000
Hong Guangzhi	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
Zhao Long	18th February 2004	2.40	30,000	-	-	-	30,000
	23rd June 2006	1.49	66,000	-	-	-	66,000
	11th July 2007	1.24	145,000	-	-	-	145,000
	29th September 2008	0.604	800,000	-	-	-	800,000
Wu Xiaorong	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
Gao Xin	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
<i>Other employees</i>							
In aggregate (Note 2)	18th February 2004	2.40	6,390,000	-	-	(261,000)	6,129,000
In aggregate (Note 3)	23rd June 2006	1.49	3,132,000	-	-	(180,000)	2,952,000
In aggregate (Note 4)	11th July 2007	1.24	10,388,000	-	-	(546,000)	9,842,000
In aggregate (Note 5)	29th September 2008	0.604	7,000,000	-	-	(400,000)	6,600,000
Total			39,685,000	-	-	(1,387,000)	38,298,000

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.

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

2. 57 employees have been granted options under the Share Option Scheme to acquire an aggregate of 6,129,000 shares of the Company at HK\$2.40 per share.
3. 38 employees have been granted options under the Share Option Scheme to acquire an aggregate of 2,952,000 shares of the Company at HK\$1.49 per share.
4. 47 employees have been granted options under the Share Option Scheme to acquire an aggregate of 9,842,000 shares of the Company at HK\$1.24 per share.
5. 30 employees have been granted options under the Share Option Scheme to acquire an aggregate of 6,600,000 shares of the Company at HK\$0.604 per share.
6. The fair value of options granted under the Share Option Scheme on 18th February 2004, determined using the Binomial Model value model, was approximately RMB20,193,000. The significant inputs into the model were the exercise price of HK\$2.4, standard deviation of expected share price returns of 32%, expected life of options ranging from 5.4 to 6.6 years, expected dividend paid out rate of 0% and annual risk-free interest rate ranging from 1.34% to 4.43%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
7. The fair value of options granted under the Share Option Scheme on 23rd June 2006, determined using the Binomial Model valuation model, was approximately RMB3,919,000. The significant inputs into the model were exercise price of HK\$1.49, standard deviation of expected share price returns of 34.8%, expected life of options ranging from 3.2 to 5.5 years expected dividend paid out rate of 0% and annual risk free interest rate 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

8. The fair value of options granted under the Share Option Scheme on 11th July 2007, determined using the Binomial Model valuation model, was approximately RMB9,390,000. The significant inputs into the model were exercise price of HK\$1.24 standard deviation of expected share price returns of 49.0%, expected life of options ranging from 2.4 to 6.2 years expected dividend paid cut rate of 0% and annual risk-free interest rate 4.757%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
9. The fair value of options granted under the Share Option Scheme on 29th September 2008, determined using the Binomial Model valuation model, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK\$0.604 standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years expected dividend paid cut rate of 0% and annual risk-free interest rate 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
10. In the Extraordinary general meeting of the Company held on 20th June, 2008, an ordinary resolution was passed by the shareholders of the Company to refresh the scheme mandate limit under the Share Option Scheme. For details, Please refer to the Company's circular and announcement dated 5th June, 2008 and 20th June, 2008 respectively.
11. In respect of employees resigned during the period whose share options have not been vested, such share options are forfeited, and the share compensation costs recognised previously are credited to condensed consolidated interim statement of comprehensive income.
12. The values of share options recognised in share-based compensation reserves are subject to a number of assumptions and with regard to the limitation of the valuation model.

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

As at 30th June 2009, 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 shareholder	Class of shares	Long position	Nature of Short position	Approximate interests/ Holding capacity	Percentage of share capital
<i>Substantial shareholders</i>					
McGovern Patrick J	Ordinary	104,790,697 (Note 1)	–	Interest in controlled corporation	21.47%
McCarthy Kent C.	Ordinary	103,585,009 (Note 2)	–	Interest in controlled corporation	21.22%
Zhou Quan	Ordinary	79,316,743 (Note 3)	–	Interest in controlled corporation	16.25%
<i>Other person</i>					
Geng Yi	Ordinary	37,157,771 (Note 4)	–	Beneficial owner/ Family interests	7.61%

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 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 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 McGovern and Mr. Quan Zhou, respectively.
- Such interest in the Company comprises 97,651,674 shares, and 5,933,335 shares owned by Jayhawk Private Equity Fund, L.P. 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 Kent.
- 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 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 McGovern and Mr. Quan Zhou, respectively.

4. Such interest in the Company comprises:

- (a) 29,223,771 shares of the Company of which 28,149,146 shares of the Company are held by Mr. Guo Jiang, Ms. Geng's spouse; and
- (b) 7,934,000 underlying shares derived from the share options granted under the Share Option Scheme of which 6,200,000 underlying shares derived from the share options granted to Mr. Guo Jiang, Ms. Geng's spouse, under the Share Option Scheme.

Save as disclosed above, as at 30th June 2009, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares of the Company which are required to be kept under Section 336 of the SFO.

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 the said guidelines regarding securities transactions by directors during the six months ended 30th June 2009.

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 Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this report, the audit committee comprises two independent non-executive Directors, Mr. Zhang Ke and Mr. Xiang Bing and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the chairman of the audit committee.

The audit committee has reviewed with the management 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 2009.

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 2009.

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 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 2009.

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 2009.

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 comprises:

Mr. Guo Fansheng (*Executive Director*)

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

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

Mr. Zhang Ke (*Independent non-executive Director*)

Mr. Xiang Bing (*Independent non-executive Director*)

Mr. Guo Wei (*Independent non-executive Director*)

Beijing, PRC, 11th August 2009