

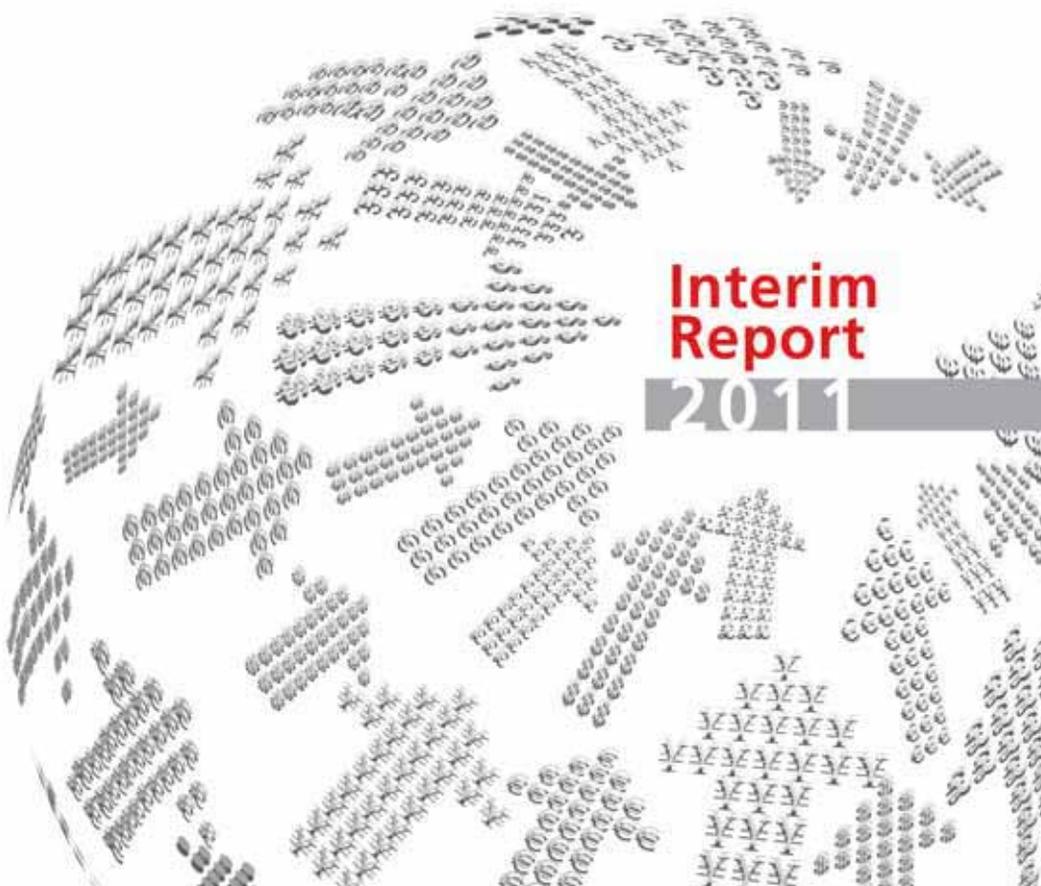


慧聰網有限公司

HC INTERNATIONAL, INC.

股票代碼:HK8292

Stock code:HK8292

A large, stylized world map is formed by a dense arrangement of various symbols, including dollar signs, yen signs, and other currency-related icons. The map is centered on the Atlantic Ocean and shows the outlines of the continents.

Interim  
Report

2011

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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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 (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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The board of Directors (the “Board”) hereby announce the unaudited financial results of the Company and all its subsidiaries (collectively, the “Group”) for the three months and the six months ended 30th June 2011, respectively, together with the comparative figures for the corresponding periods ended 30th June 2010 to the shareholders of the Company.

### Financial Highlights

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000 (Restated)
<b>Continuing operations</b>				
Revenue	108,618	83,554	193,403	144,399
Gross Profit	92,834	65,073	163,985	112,840
Adjusted EBITDA/(LBITDA)	7,359	4,531	10,042	(3,196)
<b>Profit/(loss) attributable to equity holders from continuing and discontinued operations</b>	<b>4,349</b>	<b>(2,173)</b>	<b>2,403</b>	<b>(11,171)</b>

#### Key Financial Figures for the First Half of 2011

- Revenue of the Group from continuing operations for the six months ended 30th June 2011 was approximately RMB193.40 million as compared to approximately RMB144.40 million for the corresponding period in the previous financial year.
- Gross profit ratio of the Group from continuing operations for the six months ended 30th June 2011 was approximately 85% as compared to approximately 78% for the corresponding period in the previous financial year.
- The Group incurred an adjusted earning before interest, income tax, depreciation, amortisation of intangible assets, land use rights and share based payments (“EBITDA”) of approximately RMB10.04 million for the six months ended 30th June 2011 as compared to an adjusted loss before interest, income tax, depreciation and amortisation (“LBITDA”) of approximately RMB3.20 million for the corresponding period in the previous financial year.
- Profit attributable to equity holders of the Group for the six months ended 30th June 2011 was approximately RMB2.40 million as compared to loss of approximately RMB11.17 million for the corresponding period in the previous financial year.

## **Financial and Business Review**

During the six months ended 30th June 2011, the Group recorded a revenue of approximately RMB193.40 million from continuing operations (2010: RMB144.40 million).

During the six months ended 30th June 2011, the Group achieved a revenue of approximately RMB37.93 million (2010: RMB43.25 million) from its trade catalogues and yellow page directories business segment. The Group achieved a revenue of approximately RMB120.25 million (2010: RMB69.57 million) from its on-line services business segment. The Group achieved a revenue of approximately RMB35.22 million (2010: RMB31.58 million) from seminars and other services business segment.

The loss before income tax of the Group from continuing operations for the six months ended 30th June 2011 was approximately RMB199,000 (2010: loss of RMB11,837,000).

The net cash inflow from operating activities from continuing and discontinued operations for the six months ended 30th June 2011 was approximately RMB39.01 million (2010: inflow of RMB27.02 million).

As one of the core e-commerce operators, the Group has been upgrading its e-commerce products in 2010 and launched new value-added services with an aim to enhance quality of service, which has optimised the marketing performance of SMEs e-commerce business, procured completion of transactions and expanded the brand effect of the enterprise.

The Group has formed a multi-facet matrix of product and resources, comprising both on-line and off-line products, which successfully builds up an unique B2B marketing pattern named “on-line + yellow + Top 10”, it provides the best product or commercial solution for customers in full scale.

The management of the Group (“Management”) considers that the provision of market research solutions services to be a non-core business of the Group, and the Group entered into two share transfer agreements (the “Disposal Agreements”) to dispose of, in aggregate, 70% of the equity interests in 北京慧聰博信信息諮詢有限公司 (“Fulfillment JV Co”), and 40% of the equity interests in 北京鄧白氏慧聰市場信息諮詢有限公司 (“Sales JV Co”) on 30th May 2011.

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

**Guo Jiang**

*Executive Director and Chief Executive Officer*

Beijing, PRC, 10th August 2011

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and financial resources

As at 30th June 2011, the Group had cash and bank balance of approximately RMB256.79 million and net current assets of approximately RMB73.91 million. The Group maintained a strong working capital position during the six months ended 30th June 2011.

The Group had no short-term loans as at 30th June 2011. Gearing ratio of the Group remained at 0% as at 30th June 2011, which is the same as at 31st December 2010, calculated with reference to its nil short-term loans as at 30th June 2011 (31st December 2010: Nil).

The capital and reserves attributable to equity holders of the Company increased by approximately RMB72.85 million from approximately RMB180.43 million as at 31st December 2010 to approximately RMB253.28 million as at 30th June 2011.

### Significant investments

The Group had no significant investments during the six months ended 30th June 2011.

### Future plans for material investments

The Group has no plan for material investments during the six months ended 30th June 2011.

### Material acquisitions and disposals

On 30th May 2011, 北京慧聰國際資訊有限公司 (“HC PRC”), an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreements with 慧聰投資管理(北京)有限公司 (Huicong Investment Management (Beijing) Co., Ltd.) (the “Purchaser”). Pursuant to the Disposal Agreements, HC PRC has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire, in aggregate, 70% of the equity interests in Fulfilment JV Co at a consideration of RMB7,979,000 and 40% of the equity interest in Sales JV Co at a consideration of RMB13,569,000. As the relevant applicable ratios calculated pursuant to the GEM Listing Rules in respect of above disposal transactions (the “Disposals”), in aggregate, are less than 25%, the Disposals constitute discloseable transactions of the Company under Chapter 19 of the GEM Listing Rules.

As the Purchaser is owned as to 50% by Mr. Guo Fansheng, an executive Director and the Chairman of the Company, and as to 50% by Mr. Guo Jiang, an executive Director and Chief Executive Officer of the Company, the Purchaser is an associate of each of Mr. Guo Fansheng and Mr. Guo Jiang, and thus a connected person of the Company. Accordingly, the Disposals constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. It is expected that completion of the Disposals would take place in August 2011. Further details of the Disposals are set out in the announcements of the Company dated 30th May 2011, 6th July 2011 and the circular of the Company dated 20th June 2011 respectively.

The market research and analysis segment information relating to the Disposals for the period ended 30th June 2011 distinguishes discontinued operations from continuing operations. Comparative figures have been restated.

### **Staff**

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2011, the Group had 3,176 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. Share options are granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programs and educational subsidies.

### **Capital structure**

During the six months ended 30th June 2011, 1,140,000 shares of the Company ("Shares") were issued upon the exercise of share options, and an additional 53,809,685 Shares were issued pursuant to the subscription agreement (the "Subscription Agreement") detailed in the paragraph headed "Subscription for New Shares" below. The total number of issued Shares was 543,828,645 as at 30th June 2011.

### **Charges on Group assets**

As at 30th June 2011, there were no charges on any of the Group's assets.

### **Exchange risk**

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

### **Contingent liabilities**

As at 30th June 2011, the Group had no material contingent liabilities.

## **OTHER EVENTS**

### **Refreshment of Scheme Mandate Limited**

In the extraordinary general meeting of the Company held on 13th May 2011, an ordinary resolution was passed by the shareholders of the Company to refresh the scheme mandate limit under the share option scheme of the Company adopted on 30th November 2003 (the "Share Option Scheme"). Further details of the said refreshment of the Share Option Scheme are set out in the circular of the Company dated 24th April 2011 and the announcement of the Company dated 13th May 2011, respectively.

### **Subscription for New Shares**

On 10th June 2011, the Company entered into the Subscription Agreement (the "Subscription Agreement") with Talent Gain Developments Limited (the "Subscriber"), who is an indirect wholly-owned subsidiary of Digital China Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. Pursuant to the Subscription Agreement, the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 53,809,685 new Shares at the subscription price of HK\$1.50 each to the Subscriber.

The transactions contemplated under the Subscription Agreement completed on 24th June 2011, and a total of 53,809,685 Shares were allotted and issued to the Subscriber under the general mandate granted to the Directors at the annual general meeting of the Company held on 13th May 2011.

Further details of the Subscription Agreement are set out in the announcements of the Company dated 10th June 2011 and 24th June 2011, respectively.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000 (Restated)
<b>Continuing operations</b>					
Revenue	4	108,618	83,554	193,403	144,399
Cost of revenue	5	(15,784)	(18,481)	(29,418)	(31,559)
<b>Gross profit</b>		<b>92,834</b>	65,073	<b>163,985</b>	112,840
Other income		818	596	1,338	1,204
Selling and marketing expenses	5	(66,051)	(44,904)	(121,475)	(84,996)
Administrative expenses	5	(24,653)	(21,550)	(44,047)	(40,885)
<b>Profit/(loss) before income tax</b>		<b>2,948</b>	(785)	<b>(199)</b>	(11,837)
Income tax (expense)/credit	6	(646)	104	386	2,996
Profit/(loss) for the period from continuing operations		<b>2,302</b>	(681)	<b>187</b>	(8,841)
<b>Discontinued operations</b>					
Profit/(loss) for the period from discontinued operations	16	<b>2,571</b>	(1,693)	<b>2,656</b>	(4,678)
<b>Profit/(loss) for the period</b>		<b>4,873</b>	(2,374)	<b>2,843</b>	(13,519)
<b>Other comprehensive loss:</b>					
Currency translation difference		(171)	(165)	(348)	(196)
<b>Total comprehensive profit/ (loss) for the period</b>		<b>4,702</b>	(2,539)	<b>2,495</b>	(13,715)
<b>Profit/(loss) attributable to:</b>					
– equity holders of the Company		<b>4,349</b>	(2,173)	<b>2,403</b>	(11,171)
– non-controlling interests		<b>524</b>	(201)	<b>440</b>	(2,348)
		<b>4,873</b>	(2,374)	<b>2,843</b>	(13,519)

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000 (Restated)
<b>Total comprehensive profit/ (loss) attributable to:</b>					
– equity holders of the Company		4,178	(2,338)	2,055	(11,367)
– non-controlling interests		524	(201)	440	(2,348)
		<b>4,702</b>	<b>(2,539)</b>	<b>2,495</b>	<b>(13,715)</b>
<b>Earnings/(loss) per share from continuing and discontinued operations attributable to the equity holders of the Company during the period (expressed in RMB per share)</b>					
Basic earnings/(loss) per share:					
From continuing operations	7	0.0047	(0.0020)	0.0004	(0.0150)
From discontinued operations	7	0.0041	(0.0025)	0.0045	(0.0078)
Diluted earnings/(loss) per share:					
From continuing operations	7	0.0044	(0.0020)	0.0004	(0.0150)
From discontinued operations	7	0.0039	(0.0025)	0.0043	(0.0078)
Dividends	8	–	–	–	–

The notes on pages 12 to 30 form an integral part of this unaudited condensed consolidated interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2011 RMB'000	Audited 31st December 2010 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	147,546	140,468
Land use rights	9	17,938	18,152
Intangible assets	9	5,162	6,731
Investment in an associated company		–	2,795
Deferred income tax assets		2,168	1,735
Long term deposit		1,780	1,749
Prepayments		8,014	–
		<b>182,608</b>	171,630
<b>Current assets</b>			
Trade receivables	10	21,755	18,848
Deposits, prepayments and other receivables		22,536	7,214
Direct selling costs	11	59,859	39,248
Amount due from a related party	17	1,504	981
Amount due from an associated company	17	5,217	23,390
Cash and cash equivalents		256,785	188,424
		<b>367,656</b>	278,105
Assets of disposal group classified as held for sale	16	31,177	–
		<b>398,833</b>	278,105
<b>Total assets</b>		<b>581,441</b>	449,735
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	14	56,683	52,116
Other reserves	15	290,276	224,395
Accumulated losses		(93,678)	(96,081)
		<b>253,281</b>	180,430
Non-controlling interests		3,235	2,795
<b>Total equity</b>		<b>256,516</b>	183,225

		<b>Unaudited 30th June 2011 RMB'000</b>	Audited 31st December 2010 RMB'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	12	2,216	2,262
Deferred revenue		259,029	195,965
Accrued expenses and other payables		27,795	50,311
Other taxes payable	13	15,686	12,548
Income tax payable	13	5,139	5,424
		<b>309,865</b>	266,510
Liabilities of disposal group classified as held for sale	16	15,060	–
<b>Total liabilities</b>		<b>324,925</b>	266,510
<b>Total equity and liabilities</b>		<b>581,441</b>	449,735
<b>Net current assets</b>		<b>73,908</b>	11,595
<b>Total assets less current liabilities</b>		<b>256,516</b>	183,225

The notes on pages 12 to 30 form an integral part of this unaudited condensed consolidated interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to equity holders of the Company					Total RMB'000
	Note	Share capital RMB'000	Other reserves RMB'000	Accumulated (losses)/ profit RMB'000	Non- controlling interests RMB'000	
Balance as at 1st January 2010		52,055	265,273	(103,016)	8,999	223,311
Loss for the period		-	-	(11,171)	(2,348)	(13,519)
Other comprehensive loss:						
Currency translation difference	15	-	(196)	-	-	(196)
Total comprehensive loss for the period ended 30th June 2010		-	(196)	(11,171)	(2,348)	(13,715)
Transactions with owners:						
Share option scheme-value of employee services	15	-	3,298	-	-	3,298
Exercise of share options	15	52	266	-	-	318
Balance as at 30th June 2010		52,107	268,641	(114,187)	6,651	213,212
Balance as at 1st January 2011		52,116	224,395	(96,081)	2,795	183,225
Profit for the period		-	-	2,403	440	2,843
Other comprehensive loss:						
Currency translation difference	15	-	(348)	-	-	(348)
Total comprehensive income/(loss) for the period ended 30th June 2011		-	(348)	2,403	440	2,495
Transactions with owners:						
Proceeds from new share issued		4,472	62,475	-	-	66,947
Share option scheme-value of employee services	15	-	3,200	-	-	3,200
Exercise of share options	14, 15	95	554	-	-	649
Balance as at 30th June 2011		56,683	290,276	(93,678)	3,235	256,516

The notes on pages 12 to 30 form an integral part of this unaudited condensed consolidated interim financial information.

## UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	<i>Note</i>	Unaudited Six months ended 30th June	
		2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Net cash inflow from operating activities		39,005	27,016
Net cash outflow from investing activities		(28,474)	(25,977)
Net cash inflow from financing activities		67,596	318
Increase in cash and cash equivalents		78,127	1,357
Cash and cash equivalents at beginning of period		188,424	201,119
Exchange losses on cash and cash equivalents		(348)	(196)
Cash and cash equivalents at end of period		266,203	202,280
Analysis of balances of cash and cash equivalents			
Bank balances and cash		256,785	202,280
Bank balances and cash classified under assets held for sale	16	9,418	–
		266,203	202,280

The notes on pages 12 to 30 form an integral part of this unaudited condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information and basis of preparation

#### (a) General information

HC International, Inc. (the “Company”) and its subsidiaries (collectively referred as the “Group”) organise a business-to-business community across China by providing business information through both on-line and off-line channels. The Group operates an on-line marketplace and provides industrial search result prioritising services through its business-to-business website “hc360.com”. The Group also publishes its own trade catalogues and yellow page directories and generates 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 Renminbi (RMB'000), unless otherwise stated. The unaudited condensed consolidated interim financial information has been approved for issue by the Board on 10th August 2011.

#### (b) Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2011 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 of Hong Kong Limited (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 2010, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). Certain comparative figures have been reclassified to conform to the current’s period presentation. These reclassifications have no impact on the Group’s total equity as at both 30th June 2011 and 31st December 2010 or on the Group’s profit/(loss) for the periods ended 30th June 2011 and 2010.

On 30th May 2011, 北京慧聰國際資訊有限公司 (“HC PRC”), an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreements with 慧聰投資管理(北京)有限公司 (“the Purchaser”). Pursuant to the Disposal Agreements, HC PRC has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire, in aggregate, 70% and 40% of the equity interests in 北京慧聰博信信息諮詢有限公司 (“Fulfilment JV Co”) and 北京鄧白氏慧聰市場信息諮詢有限公司 (“Sales JV Co”), respectively. The statement of comprehensive income relating to Fulfilment JV Co and Sales JV Co (the “Disposal Group”) for the period ended 30th June 2011 distinguishes discontinued operations from continuing operations and its comparative figures have been restated.

The classification of certain items on the unaudited condensed consolidated statement of comprehensive income for the periods ended 30th June 2011 and 2010 has been changed, primarily as a result of continued expansion of on-line services. In prior periods, the Group can be regarded as a conglomerate, which included on-line services, trade catalogues, market research and other services business. Payroll costs of salesmen and agents’ commission costs were classified as part of cost of revenue. In the current periods, such costs were classified as selling and marketing expenses and administrative expenses in the unaudited condensed consolidated

statement of comprehensive income. Management considers the change in classification can provide more relevant financial information to the users about the business performance and operations of the Group as the Group continues to focus on its on-line business. The revised classification is consistent with common industry practice for on-line service business. The reclassification is applied retrospectively, and hence, the comparative figures in the unaudited condensed consolidated statement of comprehensive income for the three months and six months ended 30th June 2010 are restated.

The following is the effect of the reclassification:

	<b>Unaudited</b>	
	Three months ended 30th June 2010 RMB'000	Six months ended 30th June 2010 RMB'000
<b>Continuing operations</b>		
Increase in selling and marketing expenses	20,801	36,658
Increase in administrative expense	3,199	3,522
Decrease in cost of revenue	(24,000)	(40,180)

## 2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2011.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

See note 17 for disclosures of transactions among related entities.

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1st January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2011, but are not currently relevant to the Group.

HKAS 32 (Amendment)	Classification of Right Issue
HK(IFRIC) – Int 19	Extinguishing financial Liabilities with Equity Instruments
HKFRS 1 (Amendment)	Limited exemption from comparative IFRS/HKFRS 7 disclosure for first-time adopters.
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HKFRS 1	First time Adoption of Hong Kong Financial Reporting Standards
HKFRS 7	Financial instruments: Disclosures
HKAS 1	Presentation of financial statements
HKAS 27	Consolidated and separate financial statements
HK(IFRIC) – Int 13	Customer loyalty programmes

The following new standards, amendments to standards and interpretations have been issued but yet effective for the financial year beginning 1st January 2011 and have not been early adopted:

HKFRS 1 (Amendment)	“Sever Hyperinflation and Removal of Fixed Dates for First-time Adopters”, Effective for annual period beginning on or after 1st July 2011
HKFRS 7 (Amendment)	“Disclosure – Transfers of Financial Assets”, Effective for annual period beginning on or after 1st July 2011
HKFRS 9	“Financial Instruments”, Effective for annual period beginning on or after 1st January 2013
HKFRS 10	“Consolidated financial statements”, Effective for annual period beginning on or after 1st January 2013
HKFRS 11	“Joint arrangements”, Effective for annual period beginning on or after 1st January 2013
HKFRS 12	“Disclosure of interests in other entities”, Effective for annual period beginning on or after 1st January 2013
HKFRS 13	“Fair value measurements”, Effective for annual period beginning on or after 1st January 2013
HKAS 12 (Amendment)	“Deferred Tax: Recovery of Underlying Assets”, Effective for annual period beginning on or after 1st January 2013
HKAS 19 (Amendment)	“Employee benefits”, Effective for annual period beginning on or after 1st January 2013

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2011, on the Group’s operations, and is yet in the position to conclude the impact.

### 3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies were the same as those that applied to the audited consolidated financial statements for the year ended 31st December 2010.

#### 4 Segment information

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review 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 consider the business from product perspective. From a product perspective, the Executive Directors assess the performance of trade catalogues and yellow page directories, on-line services, and seminars and other services.

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

As at 30th June 2011, 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) Seminars and other services – services for hosting of seminars.

There were no sales or other transactions between the business segments in 2011 and 2010.

The market research and analysis segment information relating to the Disposal Group for the period ended 30th June 2011 distinguishes discontinued operations from continuing operations. Comparative figures have been restated.

	Unaudited Six months ended 30th June 2011				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Seminars and other services RMB'000	Total RMB'000	Discontinued operations RMB'000
Revenue	37,928	120,253	35,222	193,403	28,027
Segment results	(17,240)	8,892	6,811	(1,537)	2,656
Other income	-	-	-	1,338	-
(Loss)/profit before income tax	-	-	-	(199)	2,656
Depreciation and amortisation, and share based compensation expense	1,447	8,468	1,664	11,579	463
Share of profit of an associated company	-	-	-	-	1,514

	Unaudited Six months ended 30th June 2010				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Seminars and other services RMB'000	Total RMB'000	Discontinued operations RMB'000
Revenue	43,252	69,570	31,577	144,399	24,051
Segment results	(13,851)	(3,146)	3,956	(13,041)	(4,818)
Other income	-	-	-	1,204	-
Loss before income tax	-	-	-	(11,837)	(4,818)
Depreciation and amortisation, and share based compensation expense	1,192	7,282	1,371	9,845	1,713
Share of profit of an associated company	-	-	-	-	489

The Group is domiciled in the PRC. All revenues for the six months ended 30th June 2011 are from external customers in the PRC (six months ended 30th June 2010: same).

## 5 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Continuing operations</b>				
Direct cost of trade catalogues and yellow page directories	7,337	7,531	14,690	15,048
Direct cost of on-line services	12,692	4,746	20,164	8,701
Direct cost of seminars and other services	7,357	10,315	12,664	14,961
Marketing expenses	6,454	2,843	10,582	6,103
Network and telephone expenses	3,423	3,421	6,458	6,522
Auditor's remuneration	481	791	962	1,717
Staff costs, including directors' emoluments	52,747	40,778	97,505	79,259
Amortisation of land use rights	107	107	214	213
Amortisation of intangible assets	701	651	1,402	1,400
Share based compensation expenses	827	2,008	2,875	2,008
Depreciation of property, plant and equipment	3,594	3,146	7,088	6,224
Write-off of trade and other receivables	-	-	-	481
Provision/(reversal provision) for impairment of trade and other receivables	599	551	599	163
Loss/(profit) on disposal of property, plant and equipment	(18)	-	(47)	(19)
Operating lease payments in respect of land and buildings	3,389	3,317	7,025	6,484
Other expenses	6,798	4,730	12,759	8,175
<b>Total cost of revenue, selling and marketing expenses and administrative expenses</b>	<b>106,488</b>	<b>84,935</b>	<b>194,940</b>	<b>157,440</b>

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Discontinued operations</b>				
Direct cost of market research and analysis	6,618	9,527	14,284	15,036
Marketing expenses	–	256	–	493
Network and telephone expenses	129	123	264	229
Staff costs, including directors' emoluments	4,469	4,400	9,015	8,766
Amortisation of intangible assets	–	65	–	130
Share based compensation expenses	111	210	325	1,290
Depreciation of property, plant and equipment	69	146	138	293
Operating lease payments in respect of land and buildings	448	486	869	1,011
Other expenses	1,047	1,050	1,990	2,110
<b>Total cost of revenue, selling and marketing expenses and administrative expenses</b>	<b>12,891</b>	<b>16,263</b>	<b>26,885</b>	<b>29,358</b>

## 6 Income tax (expense)/credit

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Continuing operations:</b>				
Current income tax				
– Hong Kong profits tax (i)	–	–	–	–
– The PRC corporate income tax ("CIT") (ii)	34	(967)	(47)	(1,721)
Deferred income tax	(680)	1,071	433	4,717
	(646)	104	386	2,996
<b>Discontinued operations:</b>				
Current income tax				
– The PRC corporate income tax ("CIT") (ii)	–	–	–	–
Deferred income tax	–	–	–	140
	–	–	–	140

(i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2010: 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 treatment and subject to a tax rate of 15% to 20% for the period.

## 7 Earnings/(loss) per share

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Profit/(loss) from continuing operations attributable to equity holders	2,302	(971)	187	(7,339)
Profit/(loss) from discontinued operations attributable to equity holders	2,047	(1,202)	2,216	(3,832)
	4,349	(2,173)	2,403	(11,171)

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 No. of shares '000	2010 No. of shares '000	2011 No. of shares '000	2010 No. of shares '000
Weighted average number of shares in issue	493,378	488,779	491,252	488,479
Incremental shares from assumed exercise of share options granted	32,434	–	27,400	–
Diluted weighted average number of shares	525,812	488,779	518,652	488,479

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB	2010 RMB	2011 RMB	2010 RMB
Basic earnings/(loss) per share from continuing operations (in RMB)	0.0047	(0.0020)	0.0004	(0.0150)
Basic earnings/(loss) per share from discontinued operations (in RMB)	0.0041	(0.0025)	0.0045	(0.0078)
Diluted earnings/(loss) per share from continuing operations (in RMB)	0.0044	(0.0020)	0.0004	(0.0150)
Diluted earnings/(loss) per share from discontinued operations (in RMB)	0.0039	(0.0025)	0.0043	(0.0078)

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options, the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The weighted average number of issued shares as at 30th June 2011 is compared with the number of shares that would have been issued assuming the exercise of the share options.

The conversion of all potential ordinary shares arising from share options granted by the Company would have either an anti-dilutive effect or no dilutive effect on the loss per share for the periods ended 30th June 2010. As a result, the basic loss per share and diluted loss per share are the same for the period ended 30th June 2010.

## 8 Dividends

No dividends was paid or declared by the Company during the period (2010: Nil).

## 9 Capital expenditures

	Goodwill	Software development	Data library	Total intangible assets	Land use rights	Properties plant and equipment
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount as at 1st January 2011	167	1,068	5,496	6,731	18,152	140,468
Additions	-	-	-	-	-	14,728
Disposals	-	-	-	-	-	(5)
Depreciation and amortisation	-	(303)	(1,099)	(1,402)	(214)	(7,226)
Property, plant and equipment and intangible assets classified as held for sale	(167)	-	-	(167)	-	(419)
Closing net book amount as at 30th June 2011	-	765	4,397	5,162	17,938	147,546
Opening net book amount as at 1st January 2010	167	2,945	7,695	10,807	18,579	64,429
Additions	-	20	-	20	-	25,977
Disposals	-	-	-	-	-	(1)
Depreciation and amortisation	-	(431)	(1,099)	(1,530)	(213)	(6,517)
Closing net book amount as at 30th June 2010	167	2,534	6,596	9,297	18,366	83,888

## 10 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 2011 and 31st December 2010 are as follows:

	Unaudited 30th June 2011 RMB'000	Audited 31st December 2010 RMB'000
0 to 90 days	17,702	14,741
91 to 180 days	2,368	2,912
181 to 365 days	3,371	2,388
1 to 2 years	930	824
Less: provision for impairment of trade receivables	24,371 (2,616)	20,865 (2,017)
	21,755	18,848

## 11 Direct selling costs

Upon the receipt of subscription revenue from third party customers, the Group is obligated to pay sales commissions and agency fees to the salespersons and agents. The subscription revenue is initially deferred and recognised in the consolidated statement of comprehensive income in the period in which the services are rendered. Accordingly, the commissions and agency fees, which are directly attributable to earn such subscription revenue during the service period, are deferred and recognised in the consolidated statement of comprehensive income in the same period.

## 12 Trade payables

The aging analysis of the trade payables as at 30th June 2011 and 31st December 2010 are as follows:

	<b>Unaudited 30th June 2011 RMB'000</b>	Audited 31st December 2010 RMB'000
0 to 90 days	<b>1,906</b>	1,083
91 to 180 days	<b>130</b>	898
181 to 365 days	<b>150</b>	279
Over 1 year	<b>30</b>	2
	<b>2,216</b>	2,262

## 13 Income tax payable and other taxes payable

	<b>Unaudited 30th June 2011 RMB'000</b>	Audited 31st December 2010 RMB'000
Income tax payable:		
Corporate income tax	<b>5,139</b>	5,424
Other taxes payable:		
Business tax	<b>10,316</b>	6,405
Cultural and development tax	<b>1,726</b>	1,872
Other taxes	<b>3,644</b>	4,271
	<b>15,686</b>	12,548

## 14 Share capital

	Number of shares	Ordinary shares <i>RMB'000</i>
As at 1st January 2011	488,878,960	52,116
Subscription	53,809,685	4,472
Exercise of share options	1,140,000	95
As at 30th June 2011	543,828,645	56,683

The total authorised number of ordinary shares is 1,000 million shares (2010: 1,000 million shares) with a par value of HK\$0.1 per share (2010: HK\$0.1 per share). All issued shares are fully paid.

During the six months ended 30th June 2011, 1,140,000 shares of the Company were issued upon the exercise of share options at exercise price of HK\$1.24 and HK\$0.604, and resulting in approximately RMB554,000 share premium.

On 24th June 2011, 53,809,685 shares of the Company are issued at considerations after deducting the issuance cost amounted to approximately RMB66,947,000 (equivalent to approximately HK\$80,510,000), resulting in approximately RMB62,475,000 share premium. The total number of issued shares of the Company was 543,828,645 as at 30th June 2011.

### *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.

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. No additional share options were granted pursuant to the Pre-IPO Share Option Scheme during the period.

- (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, 581,000, 265,000 and 130,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008, 2009, 2010 and the six months ended 30th June 2011, 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, 346,000, 644,000 and 84,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009, 2010 and the six months ended 30th June 2011, 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, 1,035,000, 2,403,000 and 316,000 share options were lapsed and exercised during the year ended 31st December 2008, 2009, 2010 and the six months ended 30th June 2011, 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 500,000, 1,880,000 and 1,000,000 share options were lapsed and exercised during the year ended 31st December 2009, 2010 and the six months ended 30th June 2011, 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.

During the year ended 31st December 2010, a total of 33,800,000 share options were granted to one Executive Director and certain employees pursuant to Share Option Scheme, of which 700,000 and 400,000 share options were lapsed during the year ended 31st December 2010 and the six months ended 30th June 2011. The grantees can exercise these options at an exercise price of HK\$0.82 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 7th April 2010. 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 six months ended 30th June 2011, a total of 3,000,000 share options were granted to certain employees pursuant to Share Option Scheme. The grantees can exercise these options at an exercise price of HK\$1.108 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 28th March 2011. Commencing from the first and second anniversaries of the date of grant, 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.
- (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.
- (vii) The fair value of options granted under the Share Option Scheme on 7th April 2010, determined using the Binomial Model valuation model, was approximately RMB12,527,000. The significant inputs into the model were exercise price of HK\$0.82, standard deviation of expected share price returns of 79.8%, expected life of options ranging from 3.4 to 5.9 years, expected dividend yield rate of 0% and annual risk-free interest rate 2.865%. 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.
- (viii) The fair value of options granted under the Share Option Scheme on 28th March 2011, determined using the Binomial Model valuation model, was approximately RMB1,377,000. The significant inputs into the model were exercise price of HK\$1.108 standard deviation of expected share price returns of 77.4%, expected life of options ranging from 3.8 to 4.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.82%. 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*

	2011		2010	
	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	-	-	-	-
As at 30th June	0.44	9,147,120	0.44	9,147,120

(b) *Share Option Scheme*

	2011		2010	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options
As at 1st January	2.40	6,874,000	2.40	7,139,000
Lapsed	2.40	(130,000)	2.40	(245,000)
As at 30th June	2.40	6,744,000	2.40	6,894,000
As at 1st January	1.49	3,642,000	1.49	4,286,000
Lapsed	1.49	(84,000)	1.49	(524,000)
As at 30th June	1.49	3,558,000	1.49	3,762,000
As at 1st January	1.24	9,295,000	1.24	11,698,000
Lapsed	1.24	(176,000)	1.24	(2,167,000)
Exercised	1.24	(140,000)	1.24	-
As at 30th June	1.24	8,979,000	1.24	9,531,000
As at 1st January	0.604	12,220,000	0.604	14,100,000
Lapsed	0.604	-	0.604	(1,000,000)
Exercised	0.604	(1,000,000)	0.604	(600,000)
As at 30th June	0.604	11,220,000	0.604	12,500,000
As at 1st January	0.82	33,100,000	0.82	-
Granted	0.82	-	0.82	33,800,000
Lapsed	0.82	(400,000)	0.82	-
As at 30th June	0.82	32,700,000	0.82	33,800,000
As at 1st January	-	-	-	-
Granted	1.108	3,000,000	-	-
As at 30th June	1.108	3,000,000	-	-

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

(a) *Pre-IPO Share Option Scheme*

Expiry date	Exercise price HK\$ per share	Share options	
		30th June 2011	31st December 2010
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 2011	31st December 2010
18th February 2014	2.40	6,744,000	6,874,000
23rd June 2016	1.49	3,558,000	3,642,000
11th July 2017	1.24	8,979,000	9,295,000
29th September 2018	0.604	11,220,000	12,220,000
7th April 2020	0.82	32,700,000	33,100,000
28th March 2021	1.108	3,000,000	–

15 **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	Others reserve RMB'000	Total RMB'000
As at 1st January 2010	132,734	987	108,830	496	29,071	(6,845)	–	265,273
Currency translation difference	–	–	–	–	–	(196)	–	(196)
Share option scheme-value of employee services	–	–	–	–	3,298	–	–	3,298
Exercise of share options	266	–	–	–	–	–	–	266
As at 30th June 2010	133,000	987	108,830	496	32,369	(7,041)	–	268,641
As at 1st January 2011	133,044	987	108,830	496	37,002	(7,490)	(48,474)	224,395
Currency translation difference	–	–	–	–	–	(348)	–	(348)
Share option scheme-value of employee services	–	–	–	–	3,200	–	–	3,200
Proceeds from shares issued	62,475	–	–	–	–	–	–	62,475
Exercise of share options	554	–	–	–	–	–	–	554
As at 30th June 2011	196,073	987	108,830	496	40,202	(7,838)	(48,474)	290,276

## 16 Discontinued operations and disposal group

### (a) Discontinued operations

On 27th August 2010, the Group disposed of its 60% equity interest in 北京花開富貴信息技術有限公司.

On 30th May 2011, the Group and the Purchaser entered into the Disposal Agreements, pursuant to which the Group has conditionally agreed to dispose of, and the Purchaser has conditionally agree to acquire, in aggregate, 70% of the equity interests in Fulfilment JV Co, a subsidiary of the Group at a consideration of RMB7,979,000 and 40% of the equity interest in Sales JV Co, an associate of the Group, at a consideration of RMB13,569,000. Management expects the transactions to be completed in August 2011.

Financial information relating to the Disposal Group for the period ended 30th June 2011 are set out below. The statement of comprehensive income and cash flow statement distinguish discontinued operations from continuing operations. Comparative figures have been restated.

An analysis of the result of the discontinued operations is included in the below comparative figures.

### Income statement information

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	14,527	13,965	28,027	24,051
Share of profit of an associated company	935	605	1,514	489
Expenses	(12,891)	(16,263)	(26,885)	(29,358)
Profit/(loss) before income tax	2,571	(1,693)	2,656	(4,818)
Income tax	–	–	–	140
<b>Profit/(loss) from discontinued operations</b>	<b>2,571</b>	<b>(1,693)</b>	<b>2,656</b>	<b>(4,678)</b>
Profit/(loss) from discontinued operations attributable to:				
– Owners of the Company	2,047	(1,202)	2,216	(3,832)
– Non-controlling interests	524	(491)	440	(846)
	<b>2,571</b>	<b>(1,693)</b>	<b>2,656</b>	<b>(4,678)</b>

## Cash flow information

	<b>Unaudited Six months ended 30th June</b>	
	<b>2011 RMB'000</b>	2010 RMB'000
The cash flows for the discontinued operations are as follows:		
– Operating cash flow	581	(2,407)
– Investing cash flow	6	311
– Financing cash flow	–	2,700
	<b>587</b>	604

(b) *Disposal Group*

The assets and liabilities related to the Disposal Group, which represent the market research and analysis segment, have been presented as held for sale. The completion date for the transaction is expected to be in August 2011 following shareholders' approval of the decision to dispose of this operations.

The Disposal Group's assets and liabilities were remeasured at the lower of carrying amount and fair value less cost to sell at the date of held-for-sale classification.

The major classes of assets and liabilities of the Disposal Group are as follows:

	<b>Unaudited As at 30th June 2011 RMB'000</b>
Assets classified as held for sale:	
– property, plant and equipment	419
– cash and cash equivalents	9,418
– trade receivables	15,880
– other receivables	984
– goodwill	167
– investment in an associated company	4,309
Total assets of the Disposal Group	<b>31,177</b>
Liabilities directly associated with assets classified as held for sale:	
– trade and other payable	13,290
– other tax payable	1,770
Total liabilities of the Disposal Group	<b>15,060</b>
Total net assets of the Disposal Group	<b>16,117</b>

## 17 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	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Sales of services				
– Huicong Construction (technology services) (i)	53	54	106	106
– Huicong Construction (granted the right to use the domain names and trademark) (ii)	60	60	120	120
– Sales JV Co (iii)	17,925	16,452	34,696	29,081
	18,038	16,566	34,922	29,307

- (i) Huicong Construction, 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 and 2009, the parties entered into another supplemental agreement which extended the term of the Technology Services Agreement to 31st December 2009 and 2011 respectively.

Pursuant to the agreement, the Group received technical service income from Huicong Construction based on the working hours devoted to the service and support.

- (ii) Huicong Construction 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 and 2009, the parties entered into another supplemental agreement which extended the term of the Domain Names and Trademark Licence to 31st December 2009 and 2011 respectively.

Pursuant to the agreement, Huicong Construction 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) In November 2008, Fulfilment JV Co, a subsidiary of the Group, entered into a Fulfilment Service Agreement with Sales JV Co, an associated company, for a period of 3 years, under which Fulfilment JV Co will provide fulfilment service to Sales JV Co in relation to market research fulfilment 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 fulfilment charge for the six months ended 30th June 2011 amounted to RMB29,658,000 (Three months ended 30th June 2011: RMB15,372,000).

Another subsidiary of the Group entered into another Fulfilment 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 fulfilment charge for the six months ended 30th June 2011 amounted to RMB5,038,000 (Three months ended 30th June 2011: RMB2,553,000).

The Group has entered into the Disposal Agreements to dispose of its entire interest in Fulfilment JV Co and Sales JV Co on 30th May 2011. It is expected that completion of the Disposals would take place in August 2011.

(b) *Purchases of services*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Purchases of services:				
– Huicong Construction (on-line information distribution services) (i)	60	60	120	120
– Huicong Construction (on-line advertisement publication services) (ii)	25	25	50	50
	85	85	170	170

- (i) Huicong Construction entered into a three-year Online Information Distribution Agreement with the Group in 2002, and on 31st December 2004, 30th December 2007 and 30th December 2009, the parties entered into a supplemental agreement which extended the term of the Online Information Distribution Agreement to 31st December 2007, 31st December 2009 and 31st December 2011, respectively. Pursuant to the Online Information Distribution Agreement, Huicong Construction received distribution income from the Group at a fixed rate per annum. It disseminated the Group's business information and research reports on its web-site and on those as stipulated by the Group.
- (ii) Huicong Construction entered into a three-year Online Advertisement Publication Agreement with the Group in 2002, and on 31st December 2004, 30th December 2007 and 30th December 2009, the parties entered into supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2007 and 31st December 2009 and 31st December 2011 respectively.

Pursuant to the Online Advertisement Publication Agreement, Huicong Construction 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.

(c) *Key management compensation*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Salaries and other short-term employee benefits	1,509	1,362	2,998	2,724
Share-based payments	594	1,431	2,053	1,431
	<b>2,103</b>	2,793	<b>5,051</b>	4,155

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

	Unaudited 30th June 2011 RMB'000	Audited 31st December 2010 RMB'000
Amount due from a related company	1,504	981
Amount due from an associated company		
– continuing operations	5,217	23,390
– discontinued operations	15,880	–

## 18 Contingent liabilities

As at 30th June 2011, there were no material contingent liabilities to the Group (31st December 2010: Nil).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30th June 2011, the interests and short positions of the Directors and chief executive of the Company 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 the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

### Directors' long positions in the Shares

Name of Director	Class of Shares	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
Guo Jiang	Ordinary	Beneficial owner/family interest	60,179,146 (Note 1)	10,646,625 (Note 1)	-	-	70,825,771 (Note 1)	13.02%
Guo Fansheng	Ordinary	Beneficial owner	69,647,015	-	-	-	69,647,015	12.81%
Li Jianguang	Ordinary	Interest of controlled corporation	-	-	40,000,384 (Note 2)	-	40,000,384 (Note 2)	7.36%
Guo Bingbing	Ordinary	Beneficial owner	4,000,000 (Note 3)	-	-	-	4,000,000 (Note 3)	0.74%

#### Notes:

- Such interest in the Company comprises:
  - 53,891,771 Shares of which 4,712,625 Shares are held by Ms. Geng Yi, who is Mr. Guo Jiang's spouse; and
  - 16,934,000 underlying Shares derived from the share options granted under the Share Option Scheme of which 5,934,000 underlying Shares derived from the Share options granted to Ms. Geng Yi under the Share Option Scheme.

Mr. Guo is deemed, or taken to have, interested in the Shares and underlying Shares held by Ms. Geng Yi pursuant to the SFO.
- The references to 40,000,384 Shares 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 Jianguang. Accordingly, Mr. Li Jianguang is deemed, or taken to have, interested in the said 40,000,384 Shares pursuant to the SFO.
- Such interest in the Company comprises 4,000,000 underlying Shares derived from the share options granted to Ms. Guo Bingbing under the Share Option Scheme.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 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 the required standard of dealings by the Directors as referred to in Rules 5.46 of the GEM Listing Rules.

## SHARE OPTION SCHEMES

Pursuant to written resolutions of the shareholders of the Company dated 30th November 2003, two share option schemes, which comprises a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and 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 2011, options to subscribe for an aggregate of 9,147,120 Shares 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 2011 (Note 1)
			As at 1st January 2011	Granted during the period	Exercised during the period	Lapsed during the period	
Ex-employees							
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
Other employees							
In aggregate (Note 2)	2nd December 2003	0.44	258,242	-	-	-	258,242
			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 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 comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised).
- As at 30th June 2011, 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.

## (b) Share Option Scheme

As at 30th June 2011, options to subscribe for an aggregate of 66,201,000 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\$	As at 1st January 2011	Granted during the period	Exercised during the period (Note 17)	Lapsed during the period	As at 30th June 2011 (Note 1)
<b>Directors</b>							
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
	7th April 2010	0.82	4,800,000	-	-	-	4,800,000
Guo Bingbing	29th September 2008	0.604	800,000	-	-	-	800,000
	7th April 2010	0.82	3,200,000	-	-	-	3,200,000
<b>Senior management</b>							
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
	7th April 2010	0.82	4,200,000	-	-	-	4,200,000
	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
John Hong	7th April 2010	0.82	3,200,000	-	-	-	3,200,000
	29th September 2008	0.604	800,000	-	-	-	800,000
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
	7th April 2010	0.82	3,200,000	-	-	-	3,200,000
Gao Xin	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
	7th April 2010	0.82	3,200,000	-	-	-	3,200,000

Name of grantee	Date of grant	Exercise price per Share HK\$	As at 1st January 2011	Granted during the period	Exercised during the period (Note 17)	Lapsed during the period	As at 30th June 2011 (Note 1)
<b>Other employees</b>							
In aggregate (Note 2)	18th February 2004	2.40	5,544,000	–	–	(130,000)	5,414,000
In aggregate (Note 3)	23rd June 2006	1.49	2,142,000	–	–	(84,000)	2,058,000
In aggregate (Note 4)	11th July 2007	1.24	6,950,000	–	(140,000)	(176,000)	6,634,000
In aggregate (Note 5)	29th September 2008	0.604	5,620,000	–	(1,000,000)	–	4,620,000
In aggregate (Note 6)	7th April 2010	0.82	11,300,000	–	–	(400,000)	10,900,000
In aggregate (Note 7)	28th March 2011	1.108	–	3,000,000	–	–	3,000,000
Total			65,131,000	3,000,000	(1,140,000)	(790,000)	66,201,000

Notes:

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

For the options exercisable at HK\$2.40 granted on 18th February 2004, the relevant grantees may exercise options up to 33.3%, 66.6% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares 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 comprised in his or her option (less any number of Shares 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.

For the options exercisable at HK\$0.82 granted on 7th April 2010, the relevant grantees may exercise options up to 50% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares 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\$1.108 granted on 28th March 2011, the relevant grantees may exercise options up to 50% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares 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. 47 employees have been granted options under the Share Option Scheme to acquire an aggregate of 5,414,000 Shares at HK\$2.40 per Share.
3. 26 employees have been granted options under the Share Option Scheme to acquire an aggregate of 2,058,000 Shares at HK\$1.49 per Share.
4. 32 employees have been granted options under the Share Option Scheme to acquire an aggregate of 6,634,000 Shares at HK\$1.24 per Share.
5. 23 employees have been granted options under the Share Option Scheme to acquire an aggregate of 4,620,000 Shares at HK\$0.604 per Share.
6. 13 employees have been granted options under the Share Option Scheme to acquire an aggregate of 10,900,000 Shares at HK\$0.82 per Share.
7. 22 employees have been granted options under the Share Option Scheme to acquire an aggregate of 3,000,000 Shares at HK\$1.108 per share. The closing price of the Shares immediately before the date on which the options were granted was HK\$1.1 per Share.
8. 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.
9. 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.

10. 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 out 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.
11. 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 out 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.
12. The fair value of options granted under the Share Option Scheme on 7th April 2010, determined using the Binomial Model valuation model, was approximately RMB12,527,000. The significant inputs into the model were exercise price of HK\$0.82 standard deviation of expected share price returns of 79.8%, expected life of options ranging from 3.4 to 5.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.865%. 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.
13. The fair value of options granted under the Share Option Scheme on 28th March 2011, determined using the Binomial Model valuation model, was approximately RMB1,377,000. The significant inputs into the model were exercise price of HK\$1.108 standard deviation of expected share price returns of 77.4%, expected life of options ranging from 3.8 to 4.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.82%. 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.
14. In the extraordinary general meeting of the Company held on 13th May 2011, 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 24th April 2011 and 13th May 2011 respectively.
15. In respect of employees resigned during the period whose share options have not been vested, such share options are lapsed, and the share compensation costs recognised previously are credited to condensed consolidated interim statement of comprehensive income.
16. 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.
17. The weighted average closing price of the Shares immediately before the date on which these options were exercised was HK\$1.5796 per Share.

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

As at 30th June 2011, the interest of persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or 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	Capacity	Percentage of shareholding (approximate)
<b>Substantial shareholders</b>					
McCarthy Kent C.	Ordinary	89,740,000 (Note 1)	–	– Interest in controlled corporations	16.50%
McGovern Patrick J	Ordinary	78,730,697 (Note 2)	–	– Interest in controlled corporations	14.48%
Geng Yi	Ordinary	70,825,771 (Note 3)	–	– Beneficial owner/ Family interests	13.02%

Notes:

- The reference to 89,740,000 Shares comprises 84,533,055 Shares and 5,206,945 Shares held 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 entities is owned by Mr. McCarthy Kent C..
- The reference to 78,730,697 Shares comprises 25,473,954 Shares, 16,664,743 Shares and 36,592,000 Shares owned by IDG Technology Venture Investment, Inc., a wholly-owned subsidiary of International Data Group, Inc., whose majority shareholder is Mr. Patrick J. McGovern, 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. Zhou Quan, and IDG Technology Venture Investment III, L.P., a limited partnership controlled by IDG Technology Venture Investment III, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Zhou Quan, respectively.
- Such interest in the Company comprises: (a) 53,891,771 Shares of which 49,179,146 Shares are held by Mr. Guo Jiang, who is Ms. Geng Yi's spouse; and (b) 16,934,000 underlying Shares derived from the share options granted under the Share Option Scheme of which 11,000,000 underlying Shares derived from the Share options granted to Mr. Guo Jiang under the Share Option Scheme.

Ms. Geng is deemed, or taken to have, interested in the Shares and underlying Shares held by Mr. Guo Jiang pursuant to the SFO.

Save as disclosed above, as at 30th June 2011, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted written guidelines regarding Directors' securities transactions on terms no 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 confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the six months ended 30th June 2011.

### **AUDIT COMMITTEE**

Pursuant to Rule 5.28 of the GEM Listing Rules, 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 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 2011.

## **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 had or may have any other conflict of interests with the Group that are required to be disclosed pursuant to the GEM Listing Rules during the six months ended 30th June 2011.

## **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 a pro-rata basis to existing shareholders of the Company.

## **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 code 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 2011.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the six months ended 30th June 2011.

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 and Chairman*)

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

Ms. Guo Bingbing (*Executive Director*)

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

Mr. Guo Wei (*Non-executive Director*)

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

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

Beijing, PRC, 10th August 2011