



20 years, young HC!



HC INTERNATIONAL, INC.
慧聪网有限公司

Stock Code 股票代码 : HK8292

INTERIM REPORT

2013

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of HC International, Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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 announces 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 2013, respectively, together with the comparative figures for the corresponding periods ended 30th June 2012 to the shareholders of the Company.

Financial Highlights

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	196,350	130,437	357,606	243,289
Gross profit	185,613	115,815	336,060	216,337
EBITDA*	51,754	20,586	82,685	31,769
Profit attributable to equity holders of the Company	32,037	15,181	52,314	20,492
Diluted EPS	0.0527	0.0255	0.0865	0.0348

Key financial figures for the six months ended 30th June 2013

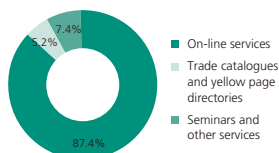
- **Revenue** was approximately **RMB357.6 million**, increased by approximately RMB114.3 million, or **up 47%**, when compared to approximately RMB243.3 million recorded for the corresponding period in 2012.
- **Gross Profit Ratio** was approximately **94%**, a further improvement by approximately 5 percentage points over the same period last year.
- The Group’s **EBITDA*** was approximately **RMB82.7 million**, significantly higher than that achieved in previous year of approximately RMB31.8 million, indicating **a surge of approximately 160%**.
- **Profit Attributable to Equity Holders** of the Company was approximately **RMB52.3 million** during this period, while it was approximately RMB20.5 million for the same period in 2012.
- The **Diluted Earnings Per Share** was **RMB0.0865**, up by nearly **1.5 folds**, when compared to RMB0.0348, on a period-on-period basis.

Note: *Profit before interest, income tax, depreciation, amortisation of intangible assets, land use rights and share based payment

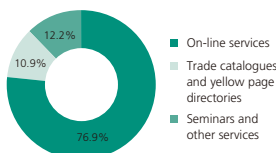
Financial and Business Review

Revenue Analysis	On-line services	Trade catalogues and yellow page directories	Seminars and other services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
First Half of 2013	312,452	18,717	26,437	357,606
First Half of 2012	186,988	26,551	29,750	243,289
Variance (approximate %)	67.1%	(29.5%)	(11.1%)	47.0%

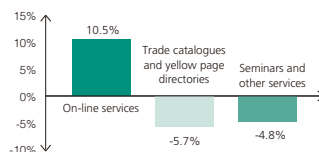
2013 First Half Revenue



2012 First Half Revenue



Changes in Percentage Points



During the period, the Group recorded a revenue of approximately RMB357.6 million (2012: RMB243.3 million).

The revenue was derived from the segments of on-line services, trade catalogues and yellow page directories, and seminars and other services, of which breakdowns are stated above through table and charts. As a consequence of the increment in the contribution of on-line services segment, overall gross profit ratio of the Group has further improved by approximately 5 percentage points to a satisfied level of 94% (2012: 89%).

The Group continued to increase its selling and marketing expenses from approximately RMB151.8 million for the six months ended 30th June 2012 to approximately RMB223.0 million in the same period of 2013 which was mainly due to the increase of sales staff salaries and commissions, marketing expenses and agency costs.

The profit before income tax of the Group for the six months ended 30th June 2013 was approximately RMB65.7 million (2012: RMB21.7 million).

We are also delighted to report that the Group's profit attributable to equity holders had increased to approximately RMB52.3 million for the six months ended 30th June 2013, up approximately 155% from the same period last year, as a result of improvement in on-line services revenue (attributable to among other things, the increasing number of fee-paying users/subscribers and expansion of coverage of customer base of the Group), migration of cost structure and better control of expenses on a period-over-period basis.

As one of the key domestic B2B e-commerce operators, trailing the past and during the period, the Group has been emphasizing on matching the SMEs focusing on domestic trades, deepening the in-depth of vertical services, and exploring the online-to-offline (O2O) business model, with all efforts aiming to provide customers value-for-marketing products and services. Inevitably, to some extent we are benefiting from the firm growth of domestic trades in China. The recent released of 2013 first half GDP growth of 7.6% by the National Bureau of Statistics of China indicates that 45.2% of the growth rate was contributed by domestic demands, and a numbers of economists and researchers have anticipated such trend to continue in the foreseeable next couple of years.

During the six months ended 30th June 2013, the Group has successfully acquired a piece of land with size of 43,965 m², located at Shunde of Guangzhou, alongside the State Road 105 for a total consideration of approximately RMB334.5 million (excluding relevant registration fees). Such land will be utilised to build a household appliances centre in order to enhance the integration of online to offline operations which shall further fasten both ends of online and offline businesses of the sector.

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2013.

The Group has formulated a multi-facet matrix of products and services, by means of both on-line and off-line, which successfully builds up a unique B2B marketing solutions, namely "on-line + yellow page + Top 10", with that, we believe it provides the best products or commercial solutions for our customers in fullest scale.

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, People's Republic of China, 12th August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30th June 2013 the Group had cash and bank balance of approximately RMB344.0 million and net current assets of approximately RMB83.2 million. The Group maintained a strong working capital position during the six months ended 30th June 2013.

The group had short-term loans amounted to approximately RMB60,342,000 as at 30th June 2013 (including financial lease obligations). The gearing ratio of the group was 16% as at 30th June 2013, calculated with reference to short-term loans (including finance lease obligations) and capital and reserves attributable to the Company's equity holders of approximately RMB368,683,000.

The capital and reserves attributable to equity holders of the Company increased by approximately RMB22.9 million from approximately RMB345.8 million as at 31st December 2012 to approximately RMB368.7 million as at 30th June 2013.

Significant investments

Save as disclosed in this report, the Group had no significant investments during the six months ended 30th June 2013.

Future plans for material investments

Save as disclosed in this report, the Group had no plan for material investments during the six months ended 30th June 2013.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2013, the Group had 3,006 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. Share options and share awarded 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 2013, 17,396,095 shares of the Company ("Shares") were issued upon the exercise of share options. The total number of issued Shares was 579,447,844 as at 30th June 2013.

Charges on Group assets

As at 30th June 2013, 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 2013, the Group had no material contingent liabilities.

Material acquisition and Disposal

On 5th February 2013, 廣東慧聰家電城投資有限公司 (the “Shunde Subsidiary”), an indirectly non-wholly owned subsidiary of the Company whose equity interest was owned as to 59% by Huicong (Tianjin) E-Commerce Industry Investment Co., Ltd.* (慧聰(天津)電子商務產業投資有限公司), as to 16.5% by Foshan Shunde Bo Shi Investment Co., Ltd.* (佛山市順德區博時投資有限公司) and as to 24.5% by Foshan Shunde Cheng Shun Assets Management Co., Ltd.* (佛山市順德區誠順資產管理有限公司) won the public tender for the sale of the land use rights of a land with a planned land area of 43,964.82 square meters and located at No.8, East of State Road 105, Beijiao Town, Shunde, Foshan, Guangdong Province (廣東省佛山市順德北滘鎮105國道東側8號) of PRC (the “Land”) at the consideration of RMB334,480,000 (excluding relevant registration fees).

The Shunde Subsidiary and the Foshan Shunde Land and Property Transactions Centre (佛山市順德區土地房產交易中心) have signed a Confirmation on Completion of the Sale of Land Used Rights (國有建設用地使用權掛牌出讓成交確認書) on 5th February 2013. The Shunde Subsidiary has entered into the transfer contract for land use rights of state-owned land (國有土地使用權出讓合同書) in respect of the Land with The Land Construction and Water Conservancy Bureau of Shunde, Foshan, and the consideration was fully paid by the Shunde Subsidiary on 4th March 2013.

The said land acquisition constituted a major transaction for the Company and is subject to, among other things, the approval by the Shareholders under Chapter 19 of the GEM Listing Rules. Shareholders’ advanced approval and authorities were granted to the Directors for the said land acquisition in advance by the Shareholders at the extraordinary general meeting of the Company held on 4th February 2013. Please also refer to the circular of the Company dated 18th January 2013, and the announcements of the Company dated 4th February 2013 and 5th February 2013, respectively, for further details of the said land acquisition.

Change of principal share registrar and transfer agent in the Cayman Islands

With effect from 26th January 2013, the Company’s principal share registrar and transfer agent in the Cayman Islands has been changed to Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

Proposed Transfer of Listing

On 20th May 2013, the Company submitted a formal application to the Stock Exchange for the transfer of listing of the shares of the Company (the “Shares”) from GEM to the Main Board under the transfer of listing arrangement pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange (“Proposed Transfer”). The Company has withdrawn the application as currently the Company is not able to meet the ownership continuity and control requirement. Subject to circumstances then prevailing, the Company is considering re-activating the Proposed Transfer after conclusion of the year ending 31st December 2013. Please refer to the announcements of the Company dated 20th May and 8th August 2013 for details.

* For identification only.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	4	196,350	130,437	357,606	243,289
Cost of revenue	5	(10,737)	(14,622)	(21,546)	(26,952)
Gross profit		185,613	115,815	336,060	216,337
Other income		510	49	1,210	353
Selling and marketing expenses	5	(120,398)	(76,933)	(223,028)	(151,781)
Administrative expenses	5	(26,723)	(25,208)	(52,870)	(47,072)
Operating profit		39,002	13,723	61,372	17,837
Finance income		1,808	2,618	4,607	4,151
Finance cost		95	(159)	(230)	(292)
Finance income, net		1,903	2,459	4,377	3,859
Profit before income tax		40,905	16,182	65,749	21,696
Income tax expense	6	(9,245)	(1,346)	(14,077)	(1,919)
Profit for the period		31,660	14,836	51,672	19,777
Other comprehensive (loss)/income and item that may be reclassified to profit or loss:					
Fair value gain on available for sale financial assets	21	1,067	737	1,863	737
Currency translation difference	21	(1,265)	263	(1,601)	220
Total comprehensive profit for the period		31,462	15,836	51,934	20,734

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Profit attributable to:					
– equity holders of the Company		32,037	15,181	52,314	20,492
– non-controlling interests		(377)	(345)	(642)	(715)
		31,660	14,836	51,672	19,777
Total comprehensive income attributable to:					
– equity holders of the Company		31,839	16,181	52,576	21,449
– non-controlling interests		(377)	(345)	(642)	(715)
		31,462	15,836	51,934	20,734
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)					
Basic earnings per share:	7	0.0559	0.0274	0.0920	0.0373
Diluted earnings per share:	7	0.0527	0.0255	0.0865	0.0348
Dividends	8	–	–	–	–

The notes on pages 13 to 34 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	209,152	207,915
Land use rights	9	187,987	17,298
Intangible assets	9	7	9
Investment properties	9	6,971	–
Properties under development	10	177,875	–
Deferred income tax assets		3,445	4,373
Long term deposit, prepayments and other receivables	11	56,058	54,510
Total non-current assets		641,495	284,105
Current assets			
Trade receivables	12	14,793	19,168
Deposits, prepayments and other receivables		51,348	42,668
Direct selling costs	13	112,316	85,102
Amount due from a related party	22	1,610	1,604
Cash and cash equivalents		343,990	422,552
Available-for-sale financial assets	14	81,863	–
Total current assets		605,920	571,094
Total assets		1,247,415	855,199
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	59,562	58,167
Other reserves	21	244,959	275,769
Retained earnings		64,162	11,848
		368,683	345,784
Non-controlling interests		96,266	96,908
Total equity		464,949	442,692

	Note	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		15,459	10,260
Non-current portion of finance lease obligations	15	536	2,491
Borrowings	17	37,444	–
Deferred government grants	19	206,300	–
Total non-current liabilities		259,739	12,751
Current liabilities			
Trade payables	16	1,717	2,825
Accrued expenses and other payables		39,005	33,663
Current portion of finance lease obligations	15	417	1,671
Deferred revenue		402,885	337,417
Borrowings	17	59,925	–
Other taxes payable	18	8,404	8,366
Income tax payable	18	10,374	15,814
Total current liabilities		522,727	399,756
Total liabilities		782,466	412,507
Total equity and liabilities		1,247,415	855,199
Net current assets		83,193	171,338
Total assets less current liabilities		724,688	455,443

The notes on pages 13 to 34 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						
		Share capital	Other reserves	(Accumulated losses)/ retained earnings	Non- controlling interests	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1st January 2012		56,884	270,485	(54,876)	14	272,507
Profit/(loss) for the period		-	-	20,492	(715)	19,777
Other comprehensive income:	21					
Fair value gain on available for sale financial assets	21	-	737	-	-	737
Currency translation difference	21	-	220	-	-	220
<hr/>						
Total comprehensive income/(loss) for the period ended 30th June 2012		-	957	20,492	(715)	20,734
<hr style="border-top: 1px dashed black;"/>						
Transactions with owners:						
Share purchase for share-award scheme	21	-	(10,447)	-	-	(10,447)
Share based compensation-value of employee services	21	-	4,129	-	-	4,129
Contribution from non-controlling interests on set up of a subsidiary		-	-	-	31,200	31,200
Acquisition of additional interest in a subsidiary	21	-	(144)	-	(4)	(148)
Exercise of share options	20, 21	847	4,769	-	-	5,616
<hr/>						
Balance as at 30th June 2012		57,731	269,749	(34,384)	30,495	323,591
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Balance as at 1st January 2013		58,167	275,769	11,848	96,908	442,692
Profit/(loss) for the period		-	-	52,314	(642)	51,672
Other comprehensive income/(loss):						
Fair value gain on available for sale financial assets	21	-	1,863	-	-	1,863
Currency translation difference	21	-	(1,601)	-	-	(1,601)
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Total comprehensive (loss)/income for the period ended 30th June 2013		-	262	52,314	(642)	51,934
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**Unaudited
Attributable to equity holders
of the Company**

	<i>Note</i>	Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	(Accumulated losses)/ retained earnings <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
Transactions with owners:						
Share purchase for share-award scheme	21	–	(55,809)	–	–	(55,809)
Share based compensation-value of employee services	21	–	9,507	–	–	9,507
Exercise of share options	20, 21	1,395	15,230	–	–	16,625
Balance as at 30th June 2013		59,562	244,959	64,162	96,266	464,949

PRC companies are required to allocate 10% of the companies' net profit to a subsidiary reserve fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised upon approval of relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 30th June 2013, retained earnings comprised statutory reserve fund amounted to approximately RMB11,899,000 (30th June 2012: Nil).

The notes on pages 13 to 34 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 30th June	
Note	2013 RMB'000	2012 RMB'000
Net cash inflow from operating activities	150,774	48,291
Net cash outflow from investing activities*	(271,797)	(187,007)
Net cash inflow from financing activities	44,062	26,219
Decrease in cash and cash equivalents	(76,961)	(112,497)
Cash and cash equivalents at beginning of period	422,552	254,982
Exchange (losses)/gains on cash and cash equivalents	(1,601)	220
Cash and cash equivalents at end of period	343,990	142,705
Analysis of balances of cash and cash equivalents		
Bank balances and cash	343,990	142,705

Note: *The net cash outflow from investing activities for the six months ended 30th June 2013 includes approximately RMB80 million investments in banking products and approximately RMB178 million investment in Shunde's land use right and investment properties.

The notes on pages 13 to 34 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 condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on 12th August 2013.

These condensed consolidated interim financial information have not been audited.

(b) *Basis of preparation*

This condensed consolidated interim financial information for the six months ended 30th June 2013 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”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2012, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”).

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 2012, 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 standard, amendment to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2013, but have no significant impact to the Group.

HKAS 1 (Amendment)	Presentation of financial statements
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurements
HKAS 19 (Amendment)	Employee benefits
HKFRS 1 (Amendment)	Government loans
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine

The following new standards, amendments to standards and interpretations have been issued but yet effective for the financial year beginning 1st January 2013 and have not been early adopted:

HKAS 32 (Amendment)	“Financial instruments: Presentation – Offsetting financial assets and financial liabilities”, Effective for annual periods beginning on or after 1st January 2014
Amendments to HKFRS 10	“Investment entities”, Effective for annual periods beginning on or after 1st January 2014
Amendments to HKAS 36	“Recoverable amount disclosures for non-financial assets”, Effective for annual period beginning on or after 1st January 2014
HK(IFRIC) – Int 21	“Levies”, Effective for annual period beginning on or after 1st January 2014
HKFRS 9	“Financial Instruments”, Effective for annual period beginning on or after 1st January 2015
HKFRS 7 and HKFRS 9	“Mandatory effective date and transition disclosures”, Effective for annual period beginning on or after 1st January 2015

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2013, on the Group's operations, and is yet in the position to conclude the impact.

3 Estimates

The preparation of interim financial information 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 and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2012.

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 on-line services, trade catalogues and yellow page directories, 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 2013, the Group is organised in the following business segments:

- (i) On-line services – provision of a reliable platform to customers to do business and meet business partners on-line.
- (ii) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.
- (iii) Seminars and other services – services for hosting of seminars.

There were no sales or other transactions between the business segments in the six months ended 30th June 2013 and in 2012.

	Unaudited Six months ended 30th June 2013			
	On-line services <i>RMB'000</i>	Trade catalogues and yellow page directories <i>RMB'000</i>	Seminars and other services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	312,452	18,717	26,437	357,606
Segment results	87,143	(28,412)	1,431	60,162
Other income				1,210
Finance income, net				4,377
Profit before income tax				65,749
Depreciation and amortisation	10,075	1,071	660	11,806
Share based compensation expense	7,307	1,498	702	9,507

	Unaudited Six months ended 30th June 2012			
	On-line services <i>RMB'000</i>	Trade catalogues and yellow page directories <i>RMB'000</i>	Seminars and other services <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue	186,988	26,551	29,750	243,289
Segment results	37,252	(21,414)	1,646	17,484
Other income				353
Finance income, net				3,859
Profit before income tax				21,696
Depreciation and amortisation	9,205	344	554	10,103
Share based compensation expense	2,207	1,251	671	4,129

The Group is domiciled in the PRC. All revenues for the six months ended 30th June 2013 are from external customers in the PRC (six months ended 30th June 2012: 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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Direct cost of trade catalogues and yellow page directories	4,243	6,621	9,124	12,877
Direct cost of on-line services	37,934	16,575	65,907	30,824
Direct cost of seminars and other services	4,983	7,351	9,704	12,987
Marketing expenses	12,036	7,436	20,784	13,034
Network and telephone expenses	2,772	3,163	5,147	6,050
Auditor's remuneration	577	546	1,154	1,092
Staff costs, including directors' emoluments	66,883	57,209	136,803	111,862
Amortisation of land use rights	108	107	216	215
Amortisation of intangible assets	1	151	2	302
Share based compensation expenses	6,346	1,609	9,507	4,129
Depreciation of property, plant and equipment	5,730	5,164	11,588	9,586
Provision/(reversal of provision) for impairment and direct write-off of trade and other receivables	1,399	(157)	1,462	(157)
Gain/(loss) on disposal of property, plant and equipment	159	(16)	221	(27)
Operating lease payments in respect of land and buildings	3,356	3,578	7,285	7,019
Other expenses	11,331	7,426	18,540	16,012
Total cost of revenue, selling and marketing expenses and administrative expenses	157,858	116,763	297,444	225,805

6 Income tax expense

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Current income tax				
– Hong Kong profits tax (i)	–	–	–	–
– The PRC corporate income tax ("CIT") (ii)	(5,104)	905	(7,950)	(1,273)
Deferred income tax	(4,141)	(2,251)	(6,127)	(646)
	(9,245)	(1,346)	(14,077)	(1,919)

- (i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2012: 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% for the period.

7 Earnings per share

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Profit attributable to equity holders of the Company	32,037	15,181	52,314	20,492

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2013 No. of Shares '000	2012 No. of Shares '000	2013 No. of Shares '000	2012 No. of Shares '000
Weighted average number of shares in issue	572,870	553,617	568,691	549,963
Incremental shares from assumed exercise of share options granted	34,738	40,826	36,222	39,295
Diluted weighted average number of shares	607,608	594,443	604,913	589,258
Basic earnings per share (in RMB)	0.0559	0.0274	0.0920	0.0373
Diluted earnings per share (in RMB)	0.0527	0.0255	0.0865	0.0348

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares (the "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 Shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The weighted average number of Shares as at 30th June 2013 is compared with the number of Shares that would have been issued assuming the exercise of the share options.

8 Dividends

No dividends was paid or declared by the Company during the period (2012: Nil).

9 Property, plant and equipment, land use rights, intangible assets and investment properties

	Property, plant and equipment <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Investment properties <i>RMB'000</i>
Opening net book amount				
as at 1st January 2012	178,353	17,725	463	–
Additions	33,153	–	–	–
Disposals	(26)	–	–	–
Depreciation and amortisation (unaudited)	(9,586)	(215)	(302)	–
Closing net book amount as at 30th June 2012 (unaudited)	201,894	17,510	161	–
Opening net book amount				
as at 1st January 2013	207,915	17,298	9	–
Additions	15,799	172,341	–	5,535
Disposals	(2,974)	–	–	–
Depreciation and amortisation	(11,588)	(216)	(2)	–
Amortisation charge capitalised in investment properties	–	(1,436)	–	1,436
Closing net book amount as at 30th June 2013 (unaudited)	209,152	187,987	7	6,971

The investment properties are measured by cost model. They are under construction in progress as at 30th June 2013.

10 Properties under development

	Unaudited 30th June 2013 <i>RMB'000</i>
Properties under development comprise:	
– Construction cost and other capitalised expenditure	3,470
– Interests capitalised	2,064
– Land use rights	172,341
	177,875

The properties under development include cost of acquiring rights to use certain lands, which are located in the People's Republic of China (the "PRC"), for property development over a fixed periods. Land use rights are held on leases of 40 years.

11 Long term deposit, prepayments and other receivables

The balance is mainly composed of the loans amounting to approximately RMB34,000,000 granted to several employees under the employees' share scheme adopted by the Company in December 2012 for their sole purpose of purchase of shares of the Group at market price. It also includes the prepayment for an acquisition of land use rights, amounting to RMB21,600,000 which is subject to final approval from the related government authorities.

12 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 2013 and 31st December 2012 are as follows:

	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
Current to 90 days	11,485	14,498
91 to 180 days	1,695	3,166
181 to 365 days	3,227	3,009
Over 1 year	1,714	1,564
	18,121	22,237
Less: provision for impairment of trade receivables	(3,328)	(3,069)
	14,793	19,168

13 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.

14 Available-for-sale financial assets

The amount represented investments in bank products with no fixed and determinable repayment amounts. The maturity of such investments were from 6 months to 12 months.

15 Finance lease obligations

	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
Finance lease liabilities:		
Non-current	536	2,491
Current	417	1,671
Total finance lease obligations	953	4,162

	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	456	1,814
Later than 1 year and no later than 5 years	702	3,246
Future finance charges on finance leases	(205)	(898)
Present value of finance lease liabilities	953	4,162
The present value of finance lease liabilities is as follows:		
No later than 1 year	417	1,671
Later than 1 year and no later than 5 years	536	2,491
	953	4,162

The effective interest rates for the finance lease obligations ranges from 1.20% to 1.43% monthly.

16 Trade payables

The aging analysis of the trade payables as at 30th June 2013 and 31st December 2012 are as follows:

	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
Current to 90 days	459	952
91 to 180 days	546	1,126
181 to 365 days	492	313
Over 1 year	220	434
	1,717	2,825

17 Borrowings

	Unaudited 30th June 2013 RMB'000
Non-current	37,444
Current	59,925
	97,369

Movements in borrowings is analysed as follows:

	<i>RMB'000</i>
Six months ended 30th June 2013	
Opening amount 1st January 2013	–
Additions of borrowings	165,583
Repayments of borrowings	(68,214)
Closing amount as at 30th June 2013	97,369

The borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the funding of the development of a B2B household electrical appliances business exhibition centre in Shunde of Guangzhou. The borrowings are non-secured, and bear average interest of 7.8% per annum.

As at 30th June 2013, the Group's borrowings were repayable as follows:

	<i>RMB'000</i>
Within 1 year	59,925
Between 1 and 2 years	18,240
Between 2 and 5 years	19,204
	97,369

18 Income tax payable and other taxes payable

	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
Income tax payable:		
Corporate income tax	10,374	15,814
Other taxes payable:		
Value added tax	4,240	4,839
Cultural and development tax	337	590
Other taxes	3,827	2,937
	8,404	8,366

19 Deferred government grants

The deferred government grants represented government grants received for the period ended 30th June 2013.

The grants are to subsidise the Group for the rental discount that the Group will provide to its prospective tenants of the B2B household electrical appliances business exhibition centre in Shunde of Guangzhou, which is still under construction, and to subsidise the Group's purchase of property, plant and equipment for the Group's expansion in Beijing.

The conditions attached to these grants would be satisfied after 30th June 2014.

20 Share capital

	Number of Shares	Ordinary Shares RMB'000
As at 1st January 2013	562,051,749	58,167
Exercise of share options	17,396,095	1,395
As at 30th June 2013	579,447,844	59,562

The total authorised number of ordinary shares is 1,000 million Shares (2012: 1,000 million Shares) with a par value of HK\$0.1 per Share (2012: HK\$0.1 per Share). All issued Shares are fully paid.

During the six months ended 30th June 2013, 17,396,095 Shares were issued upon the exercise of share options (including options granted under the pre-IPO share option scheme and the share option scheme of the Company) at exercise price of HK\$0.44, HK\$2.40, HK\$1.49, HK\$1.24, HK\$0.604, HK\$0.82 and HK\$1.108, and resulting in approximately RMB15,230,000 increase in share premium.

The total number of issued Shares was 579,447,844 as at 30th June 2013.

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 of directors is authorised to grant options to any directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the board of directors in accordance with the terms of the Pre-IPO Share Option Scheme.

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 of directors is authorised to grant options to any directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the board of directors in accordance with the terms of the Share Option Scheme.

During the year ended 31st December 2004, a total of 26,000,000 share options were granted to two Executive Directors and certain employees pursuant to the Share Option Scheme, of which 7,850,000, 9,350,000, 1,080,000, 581,000, 265,000, 245,000, 286,000 and 32,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008, 2009, 2010, 2011, 2012 and the six months ended 30th June 2013, respectively. During the six months ended 30th June 2013, 3,986,000 share options were exercised. 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, 274,000 and 134,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009, 2010, 2011 and 2012, respectively. During the year ended 31st December 2012 and the six months ended 30th June 2013, 366,000 and 334,000 share options were exercised. 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 668,000 share options were lapsed during the year ended 31st December 2008, 2009, 2010, and 2011, respectively. During the year ended 31st December 2011, 2012 and the six months ended 30th June 2013, 260,000, 1,376,000 and 588,000 share options were exercised. 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, 1,180,000 and 1,120,000 share options were lapsed during the year ended 31st December 2009, 2010 and 2011, respectively. During the year ended 31st December 2010, 2011, 2012 and the six months ended 30th June 2013, 700,000, 2,300,000, 2,600,000 and 2,300,000 share options were exercised. 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, 400,000 and 800,000 share options were lapsed during the year ended 31st December 2010, 2011 and 2012, respectively. During the year ended 31st December 2011, 2012 and the six months ended 30th June 2013, 1,000,000, 5,550,000 and 8,200,000 share options were exercised. 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 year ended 31st December 2011, a total of 3,000,000 share options were granted to certain employees pursuant to Share Option Scheme, of which 100,000, 100,000 and 50,000 share options were lapsed during the year ended 31st December 2011, 2012 and the six months ended 30th June 2013, respectively. During the year ended 31st December 2012 and the six months ended 30th June 2013, 800,000 and 1,250,000 share options among such share options granted were exercised. 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.

During the period ended 30th June 2013, a total of 1,500,000 share options were granted to an director pursuant to Share Option Scheme. During the period ended 30th June 2013, nil of such share options were exercised. The grantee can exercise these options at an exercise price of HK\$4.402 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 3rd April 2013.

- (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.
- (ix) The fair value of options granted under the Share Option Scheme on 3rd April 2013 determined using the Binomial Model valuation model, was approximately RMB3,754,000. The significant inputs into the model were exercise price of HK\$4.25 standard deviation of expected share price returns of 75%, expected life of options ranging from 9.1 to 9.6 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.111%. 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*

	2013		2012	
	Exercise price in HK\$ per Share	Share options	Exercise price in HK\$ per Share	Share options
As at 1st January	0.44	4,036,016	0.44	9,147,120
Exercised	0.44	(738,095)	0.44	(5,111,104)
As at 30th June	0.44	3,297,921	0.44	4,036,016

(b) *Share Option Scheme*

	2013		2012	
	Exercise price in HK\$ per Share	Share options	Exercise price in HK\$ per Share	Share options
As at 1st January	2.40	6,343,000	2.40	6,629,000
Lapsed	2.40	(32,000)	2.40	–
Exercised	2.40	(3,986,000)	2.40	–
As at 30th June	2.40	2,325,000	2.40	6,629,000
As at 1st January	1.49	2,868,000	1.49	3,368,000
Lapsed	1.49	–	1.49	–
Exercised	1.49	(334,000)	1.49	(252,000)
As at 30th June	1.49	2,534,000	1.49	3,116,000
As at 1st January	1.24	6,991,000	1.24	8,367,000
Lapsed	1.24	–	1.24	–
Exercised	1.24	(588,000)	1.24	(769,000)
As at 30th June	1.24	6,403,000	1.24	7,598,000
As at 1st January	0.604	7,200,000	0.604	9,800,000
Lapsed	0.604	–	0.604	–
Exercised	0.604	(2,300,000)	0.604	(1,000,000)
As at 30th June	0.604	4,900,000	0.604	8,800,000

	2013		2012	
	Exercise price in HK\$ per Share	Share options	Exercise price in HK\$ per Share	Share options
As at 1st January	0.82	25,350,000	0.82	31,700,000
Lapsed	0.82	–	0.82	(800,000)
Exercised	0.82	(8,200,000)	0.82	(3,200,000)
As at 30th June	0.82	17,150,000	0.82	27,700,000
As at 1st January	1.108	2,000,000	1.108	2,900,000
Lapsed	1.108	(50,000)	1.108	–
Exercised	1.108	(1,250,000)	1.108	(100,000)
As at 30th June	1.108	700,000	1.108	2,800,000
As at 1st January	4.402	–	–	–
Granted	4.402	1,500,000	–	–
Lapsed	4.402	–	–	–
Exercise	4.402	–	–	–
As at 30th June	4.402	1,500,000	–	–

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 2013	31st December 2012
17th December 2013	0.44	3,297,921	4,036,016

(b) *Share Option Scheme*

Expiry date	Exercise price HK\$ per Share	Share options	
		30th June 2013	31st December 2012
18th February 2014	2.40	2,325,000	6,343,000
23rd June 2016	1.49	2,534,000	2,868,000
11th July 2017	1.24	6,403,000	6,991,000
29th September 2018	0.604	4,900,000	7,200,000
7th April 2020	0.82	17,150,000	25,350,000
28th March 2021	1.108	700,000	2,000,000
3rd April 2023	4.402	1,500,000	–

Share Award Scheme

On 23rd November 2011 and pursuant to the employees' share award scheme (the "Share Award Scheme") adopted by the Board on 17th November 2011, the Board resolved to grant an aggregate of 24,181,000 Shares to 72 selected employees (including an executive Director). The awarded Shares are subject to vesting periods from 6 months to 72 months.

On 14th June 2012, the Board resolved to grant Mr. Lee Wee Ong, an executive Director, 3,000,000 Shares, subject to a vesting period of up to 36 months.

On 20th August 2012, it was resolved by way of shareholders' resolution at a general meeting to grant Mr. Guo Jiang, an executive Director, 16,700,000 Shares, subject to a vesting period of up to 72 months.

As at 30th June 2013, 38,091,337 Shares had been purchased by the trustee as awarded Shares pursuant to the Share Award Scheme. The awarded Shares will be held by the trustee in accordance with the rules of the Share Award Scheme and relevant trust period.

The awarded Shares are subject to vesting periods from 6 months to 72 months.

The following table represents the movement for number of Shares held for the Share Award Scheme for the period ended 30th June 2013.

	Number of Shares
As at 1st January 2013	23,273,337
Shares purchased from the market	14,818,000
Amount vested during the period	(2,730,332)
As at 30th June 2013	35,361,005

The Group has adopted the requirements under HKFRS 2 to account for the equity compensation expense of the shares granted at the date of grant at fair value.

21 Other reserves

	Share premium	Capital reserve	Merger reserve	Share redemption reserve	Share-based compensation reserves	Share held for Share Award Scheme	Exchange reserve	Available for sales reserve	Others reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January 2012	197,325	987	108,830	496	43,733	(22,234)	(10,178)	-	(48,474)	270,485
Currency translation difference	-	-	-	-	-	-	220	-	-	220
Share based compensation-value of employee services	-	-	-	-	4,129	-	-	-	-	4,129
Acquisition of additional interest in a subsidiary (i)	-	-	-	-	-	-	-	-	(144)	(144)
Share purchased for share award scheme	-	-	-	-	-	(10,447)	-	-	-	(10,447)
Fair value gain on available for sale financial assets	-	-	-	-	-	-	-	737	-	737
Vesting of share award	-	-	-	-	(1,033)	1,033	-	-	-	-
Exercise of share options	4,769	-	-	-	-	-	-	-	-	4,769
As at 30th June 2012	202,094	987	108,830	496	46,829	(31,648)	(9,958)	737	(48,618)	269,749
As at 1st January 2013	205,397	987	108,830	496	51,466	(31,648)	(10,141)	-	(49,618)	275,769
Currency translation difference	-	-	-	-	-	-	(1,601)	-	-	(1,601)
Share based compensation-value of employee services	-	-	-	-	9,507	-	-	-	-	9,507
Share purchased for Share Award Scheme	-	-	-	-	-	(55,809)	-	-	-	(55,809)
Fair value gain on available for sale financial assets	-	-	-	-	-	-	-	1,863	-	1,863
Vesting of share award	-	-	-	-	(3,337)	3,337	-	-	-	-
Exercise of share options	15,230	-	-	-	-	-	-	-	-	15,230
As at 30th June 2013	220,627	987	108,830	496	57,636	(84,120)	(11,742)	1,863	(49,618)	244,959

(i) *Acquisition of additional interest in a subsidiary*

On 16th February 2012, the Group acquired an additional 30% of the issued and paid-up share capital in 北京慧智普吉科技有限公司, as subsidiary of the Group for a consideration of approximately RMB148,000 from the non-controlling shareholder.

On 6th December 2012, the Group acquired an additional 8% of the issued and paid-up share capital in 廣東慧聰家電城投資有限公司, a subsidiary of the Group, from a non-controlling shareholder, increasing the percent of effective interest held from 51% to 59%. The transaction cost as incurred together with the acquisition cost amounted to approximately RMB13,000,000.

The carrying amount of the non-controlling interest acquired and consideration paid in excess of carrying value recognised within equity as a result of the transaction with non-controlling interest were as follows:

	Unaudited 30th June 2012 RMB'000
Carrying amount of non-controlling interest acquired	4
Consideration paid for the non-controlling interests	(148)
Consideration paid in excess of carrying value recognised within equity	(144)

22 Related-party transactions

The following significant transactions were carried out with related parties during the reporting period:

(a) Sales of services

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Sales of services				
– 北京慧聰建設信息諮詢 有限公司 (technology services) (i)	53	53	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
	113	113	226	226

- (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, 2009 and 2011, the parties entered into another supplemental agreement which extended the term of the Technology Services Agreement to 31st December 2009, 2011 and 2014 respectively.

Pursuant to the Technology Services Agreement (as supplemented), 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, 2009 and 2011, the parties entered into another supplemental agreement which extended the term of the Domain Names and Trademark Licence to 31st December 2009, 2011 and 2014 respectively.

Pursuant to the Domain Names and Trademark Licence Agreement (as supplemented), 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.

(b) *Purchases of services*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 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
	85	85	170	170

- (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, 2007, 2009, and 2011, the parties entered into a supplemental agreement which extended the term of the Online Information Distribution Agreement to 31st December 2007, 2009, 2011, and 2014 respectively.

Pursuant to the Online Information Distribution Agreement (as supplemented), 北京慧聰建設信息諮詢有限公司 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) 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, 2007, 2009, and 2011, the parties entered into supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2007, 2009, 2011, and 2014 respectively.

Pursuant to the Online Advertisement Publication Agreement (as supplemented), 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	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Salaries and other short-term employee benefits	1,456	1,663	3,405	3,326
Share-based payments	3,981	808	7,546	2,314
	5,437	2,471	10,591	5,640

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

	Unaudited 30th June 2013 RMB'000	Audited 31st December 2012 RMB'000
Amount due from a related company (i)	1,610	1,604

- (i) The related company is 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 of Directors and an Executive Director of the Company. Details of the transactions with this Company are set out in Note 22a and Note 22b.

23 Contingent liabilities

As at 30th June 2013, there were no material contingent liabilities to the Group (31st December 2012: 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 2013, 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	77,765,146 (Note 1)	10,784,625 (Note 1)	-	-	88,549,771 (Note 1)	15.28%
Guo Fansheng	Ordinary	Beneficial owner	57,749,015	-	-	-	57,749,015	9.97%
Li Jianguang	Ordinary	Interest of controlled corporation	-	-	32,000,384 (Note 2)	-	32,000,384 (Note 12)	5.52%
Lee Wee Ong	Ordinary	Beneficial owner	4,600,672 (Note 3)	-	-	-	4,600,672 (Note 3)	0.79%

Notes:

1. Such interest in the Company comprises:
 - (a) 54,915,771 Shares of which 4,850,625 Shares are held by Ms. Geng Yi, who is Mr. Guo Jiang's spouse;
 - (b) 16,700,000 underlying Shares derived from the awarded Shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17th November 2011; and
 - (c) 16,934,000 underlying Shares derived from the share options granted under the Share Option Scheme adopted on 30th November 2003 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.
2. The references to 32,000,384 Shares relate to the same block of Shares 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 32,000,384 Shares pursuant to the SFO.
3. Such interest in the Company comprises: (i) 100,672 Shares, (ii) 3,000,000 underlying Shares derived from the awarded Shares granted to Mr. Lee Wee Ong under the employees' share award scheme of the Company adopted by the Board on 17th November 2011 and (iii) 1,500,000 underlying Shares derived from the share options 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 to 5.47 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 2013, options to subscribe for an aggregate of 3,297,921 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\$	As at 1st January 2013	Granted during the period	Exercised during the period	Lapsed during the period	As at 30th June 2013 (Note 1)
Ex-employees							
Gu Yuanchao	2nd December 2003	0.44	3,777,774		(700,000)		3,077,774
Other employees							
In aggregate (Note 2)	2nd December 2003	0.44	258,242		(38,095)		220,147
			4,036,016		(738,095)		3,297,921

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 2013, there were 2 employees who had been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 220,147 Shares.

(b) Share Option Scheme

As at 30th June 2013, options to subscribe for an aggregate of 35,512,000 Shares 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 2013 (Note 1)
			As at 1st January 2013	Granted during the period	Exercised during the period	Lapsed during the period	
Directors							
Guo Jiang	18th February 2004	2.4	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
Lee Wee Ong	3rd April 2013	4.402		1,500,000			1,500,000
Senior management							
Geng Yi	18th February 2004	2.4	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
	18th February 2004	2.4	200,000				200,000
Cai Weihua	23rd June 2006	1.49	200,000				200,000
	11th July 2007	1.24	440,000				440,000
	29th September 2008	0.604	400,000				400,000
	7th April 2010	0.82	1,200,000				1,200,000
Yang Ning	23rd June 2006	1.49	200,000		(200,000)		0
	11th July 2007	1.24	400,000		(400,000)		0
	29th September 2008	0.604	400,000		(400,000)		0
	7th April 2010	0.82	3,000,000		(3,000,000)		0
Other employees							
In aggregate (Note 2)	18th February 2004	2.4	4,843,000		(3,986,000)	(32,000)	825,000
In aggregate (Note 3)	23rd June 2006	1.49	1,034,000		(134,000)		900,000
In aggregate (Note 4)	11th July 2007	1.24	3,951,000		(188,000)		3,763,000
In aggregate (Note 5)	29th September 2008	0.604	3,400,000		(1,900,000)		1,500,000
In aggregate (Note 6)	7th April 2010	0.82	12,150,000		(5,200,000)		6,950,000
In aggregate (Note 7)	28th March 2011	1.108	2,000,000		(1,250,000)	(50,000)	700,000
Total			50,752,000	1,500,000	(16,658,000)	(82,000)	35,512,000

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 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. 19 employees have been granted options under the Share Option Scheme to acquire an aggregate of 825,000 Shares at HK\$2.40 per Share.
3. 11 employees have been granted options under the Share Option Scheme to acquire an aggregate of 900,000 Shares at HK\$1.49 per Share.
4. 12 employees have been granted options under the Share Option Scheme to acquire an aggregate of 3,763,000 Shares at HK\$1.24 per Share.
5. 3 employees have been granted options under the Share Option Scheme to acquire an aggregate of 1,500,000 Shares at HK\$0.604 per Share.
6. 9 employees have been granted options under the Share Option Scheme to acquire an aggregate of 6,950,000 Shares at HK\$0.82 per Share.

7. 7 employees have been granted options under the Share Option Scheme to acquire an aggregate of 700,000 Shares at HK\$1.108 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 cut rate of 0% and annual risk free interest rate 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
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. The fair value of options granted under the Share Option Scheme on 3rd April 2013, determined using the Binomial Model valuation model, was approximately RMB3,754,000. The significant inputs into the model were exercise price of HK\$4.402 standard deviation of expected share price returns of 75%, expected life of options ranging from 9.1 to 9.6 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.111%. 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.
15. 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.
16. 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.
17. 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.
18. The weighted average closing price of the Shares immediately before the date on which these options were exercised was HK\$4.8447 per Share.

EMPLOYEES' SHARE AWARD SCHEME

On 17th November 2011, the Board adopted an employees' share award scheme pursuant to which existing shares of the Company will be acquired by the trustee from the market at the cost of the Company and be held in trust for the selected employees until such shares are vested with the relevant selected employees in accordance with the provision of the share award scheme. For principal terms of the employees' share award scheme, please refer to the announcement of the Company dated 17th November 2011.

Since the adoption date, a total of 43,881,000 Shares have been granted up to the date of this report, representing approximately 7.57% of the issued share capital of the Company as at the date of this report. The awarded Shares remain outstanding as at 30th June 2013 are as set out below:

Name of Grantee	Date of grant	Number of awarded shares	As at 1st January 2013	Granted during the period	Vested during the period	As at 30th June 2013
Directors						
Guo Jiang	20th August 2012	16,700,000	16,700,000			16,700,000
Lee Wee Ong	14th June 2012	3,000,000	3,000,000			3,000,000
Senior management						
Cai Weihua	23rd November 2011	3,000,000	3,000,000		(300,000)	2,700,000
Yang Ning	23rd November 2011	3,000,000	3,000,000		(790,000)	2,210,000
Other employees						
In aggregate (Note 1)	23rd November 2011	18,181,000	17,336,337		(1,640,332)	15,696,005
Total		43,881,000	43,036,337		(2,730,332)	40,306,005

Note:

- 70 employees have been granted an aggregate of 18,181,000 awarded Shares.

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

As at 30th June 2013, 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	Approximate percentage of shareholding
Digital China Holdings Limited	Ordinary	112,758,107 (Note 1)		Interest in controlled corporation	19.46%
Geng Yi	Ordinary	88,549,771 (Note 2)		Beneficial owner and Family interest	15.28%
Kent C. McCarthy	Ordinary	79,216,000 (Note 3)		Interest in controlled corporation	13.67%
Zhou Quan	Ordinary	53,256,743 (Note 4)		Interest in controlled corporation	9.19%
Ho Chi Sing	Ordinary	53,256,743 (Note 4)		Interest in controlled corporation	9.19%

Notes:

1. The reference represents the 112,758,107 Shares held by the Talent Gain Developments Limited, a wholly-owned subsidiary of Digital China (BVI) Limited, which is a wholly-owned subsidiary of Digital China Holdings Limited.
2. Such interest in the Company comprises: (a) 54,915,771 Shares of which 50,065,146 Shares are held by Mr. Guo Jiang, who is Ms. Geng Yi's spouse; (b) 16,700,000 underlying Shares derived from the awarded Shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17th November 2011; and (c) 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. GuoJiang pursuant to the SFO.
3. The reference to 79,216,000 Shares comprises 74,657,799 Shares and 4,558,201 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. Kent C. McCarthy.
4. The reference to 53,256,743 Shares comprises (i) 16,664,743 Shares and (ii) 36,592,000 Shares owned by (i) IDG Technology Venture Investments, L.P., a limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Zhou Quan and Mr. Ho Chi Sing, and (ii) 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. Zhou Quan and Mr. Ho Chi Sing, respectively.

Save as disclosed above, as at 30th June 2013, 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 2013.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an audit committee (“Audit Committee”) on 24 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 2013.

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 2013.

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 Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules during the six months ended 30th June 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Pursuant to a share award scheme of the Company adopted in November 2011, for the six months ended 30th June 2013, trustee under the scheme purchased an aggregate of 14,818,000 Shares as awarded Shares. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the six months ended 30th June 2013.

SUBSEQUENT EVENT

In order to comply with the amendments to the GEM Listing Rules in relation to the diversity of the Board, in August 2013, amendments to the written terms of reference of the nomination committee have been passed.

By order of the board

HC International, Inc.

Guo Jiang

Chief Executive Officer and Executive Director

Beijing, PRC, 12th August 2013

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*)

Mr. Lee Wee Ong (*Executive Director and Chief Financial Officer*)

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*)

Mr. Zhang Tim Tianwei (*Independent non-executive Director*)