



HC INTERNATIONAL, INC.

慧聪网有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2010

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

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This announcement, for which the directors (the “Directors”) of HC International, Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

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 2010, respectively, together with the comparative figures for the corresponding periods ended 30th June 2009 to the shareholders of the Company.

Financial Highlights

	Three months ended 30th June		Six months ended 30th June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Turnover	97,519	77,649	168,450	144,505
Gross Profit	44,039	43,154	78,735	79,663
Adjusted EBITDA/(LBITDA)	3,260	7,462	(6,301)	9,445
Loss attributable to equity holders	(2,173)	(1,739)	(11,171)	(4,762)

Key Financial Figures for the First Half of 2010

- Turnover of the Group for the six months ended 30th June 2010 was approximately RMB168.45 million as compared to approximately RMB144.51 million for the corresponding period in the previous financial year.
- Gross profit ratio of the Group for the six months ended 30th June 2010 was approximately 46.7% as compared to approximately 55.1% for the corresponding period in the previous financial year.
- The Group incurred an adjusted loss before interest, income tax, depreciation, amortisation of intangible assets, land use rights and share based payments LBITDA of approximately RMB6.30 million for the six months ended 30th June 2010 as compared to adjusted EBITDA of approximately RMB9.45 million for the corresponding period in the previous financial year.
- Loss attributable to equity holders of the Group for the six months ended 30th June 2010 was approximately RMB11.17 million as compared to approximately RMB4.76 million for the corresponding period in the previous financial year.

Financial and Business Review

During the six months ended 30th June 2010, the Group recorded revenue of approximately RMB168.45 million (2009: RMB144.51 million).

During the reporting period, the Group achieved a turnover of approximately RMB43.25 million (2009: RMB51.53 million) from its trade catalogues and yellow page directories business segment. The Group achieved a turnover of approximately RMB69.57 million (2009: RMB65.26 million) from its on-line services business segment. The Group achieved a turnover of approximately RMB27.75 million (2009: RMB18.46 million) from its market research and analysis business segment. The Group's market research and analysis revenue is generated from an associated company of the Group. The Group achieved a turnover of approximately RMB27.88 million (2009: RMB9.26 million) from seminars and other services business segment.

The loss before income tax of the Group for the six months ended 30th June 2010 is approximately RMB16.66 million (2009: loss of RMB3.00 million).

The net cash inflow from operating activities for the six months ended 30th June 2010 is approximately RMB27.02 million (2009: inflow of RMB14.44 million).

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

"Mai-Mai-Tong — 買賣通" is an innovative and user-friendly e-commerce platform launched by hc360.com in October 2004. It allows users in the business-to-business community to access business information in a timely and reliable manner. With "Mai-Mai-Tong — 買賣通", users can establish their own on-line storefronts with multiple functions such as product show, sales promotion, on-line negotiation, and identity certification etc. and obtain real time and interactive information between buyers and sellers. The product has been well recognised by users who engage in the e-commerce industry in the People's Republic of China ("PRC"). Also "Mai-Mai-Tong — 買賣通" provides users with all rounded services. Based on the platform of "Mai-Mai-Tong — 買賣通", huge amount of enterprises have released important information in supply, purchase, tender invitation and agency etc., and many of them have also completed the initial stage of the transaction preparations on-line, and obtained long-term orders from purchasers.

In addition, the agency sales and the tele-sales teams of the Group have demonstrated their ability to support the industry direct sales team, and as a result, they have strengthened the Group's sales forces in both the industrial sectors and the fast moving consumer goods sectors.

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

Guo Jiang

Executive Director and Chief Executive Officer

Beijing, PRC, 10th August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30th June 2010, the Group had cash and bank balances of approximately RMB202,280,000 and net current assets of approximately RMB89,647,000. The Group maintained a strong working capital position during the six months ended 30th June 2010.

The Group had no short-term loans as at 30th June 2010. Gearing ratio of the Group remained at 0% as at 30th June 2010, which is the same as at 31st December 2009, calculated with reference to its nil short-term loans as at 30th June 2010 (31st December 2009: nil) and the capital and reserves attributable to equity holders was approximately RMB206,561,000 (31st December 2009: RMB214,312,000).

The capital and reserves attributable to equity holders decreased by approximately RMB7,751,000 from approximately RMB214,312,000 as at 31st December 2009 to approximately RMB206,561,000 as at 30th June 2010.

Significant investment

The Group had no significant investments during the six months ended 30th June 2010.

Future plans for material investments

The Group has no plan for material investment during the six months ended 30th June 2010.

Material acquisitions and disposals

On 27th April 2010, Hong Kong Huicong International Group Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with 北京慧聰建設信息諮詢有限公司 (Beijing Huicong Construction Information Consulting Co., Ltd.) ("Huicong Construction"). Pursuant to the Agreement, Huicong Construction agreed to sell its 18% equity interest in Beijing Huicong International Information Co., Ltd. to Hong Kong Huicong International Group Limited at a consideration of RMB 54,800,000 (equivalent to approximately HK\$ 62,273,000) (the "Acquisition"). As Huicong Construction is owned as to 80% by Mr. Guo Fansheng, an executive Director and the chairman of the Company, Huicong Construction is an associate of Mr. Guo Fansheng, and thus a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company. Based on the applicable ratios, the Acquisition also constitutes a major transaction under Chapter 19 of the GEM Listing Rules. Please refer to the announcement of the Company dated 27th April 2010 and the circular of the Company dated 28th June 2010 for details of the Agreement.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2010, the Group had 2,905 employees.

Remuneration of employees is generally in line with the market trend and commensurates 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 programmes and educational subsidies.

Capital structure

During the six months ended 30th June 2010, 600,000 shares of the Company were issued upon the exercise of share options. The total number of issued shares of the Company was 488,778,960 as at 30th June 2010.

Charges on Group assets

As at 30th June 2010, 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 2010, the Group had no material contingent liabilities (31st December 2009: nil).

Post balance sheet event

北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd.) ("Huicong Zaichuang"), a non-wholly owned subsidiary of the Company, entered into five sale and purchase agreements with 廣州君茗投資有限公司 (Guangzhou Junming Investment Co., Ltd.) ("Guangzhou Junming") on 9th July 2010 pursuant to which Guangzhou Junming agreed to sell and Huicong Zaichuang agreed to purchase certain properties in Guangzhou at an aggregate consideration of RMB24,171,833 (equivalent to approximately HK\$27,467,992). Please refer to the announcement of the Company dated 9th July 2010 for details of the aforesaid transaction.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue	3	97,519	77,649	168,450	144,505
Cost of revenue	4	(53,480)	(34,495)	(89,715)	(64,842)
Gross profit		44,039	43,154	78,735	79,663
Other income		596	625	1,204	1,423
Selling and marketing expenses	4	(28,188)	(24,717)	(55,983)	(42,647)
Administrative expenses	4	(19,530)	(18,196)	(41,100)	(41,525)
Share of profit of an associated company		605	66	489	87
(Loss)/profit before income tax		(2,478)	932	(16,655)	(2,999)
Income tax credit/ (expense)	5	104	(1,856)	3,136	(1,326)
Loss for the period		(2,374)	(924)	(13,519)	(4,325)
Other comprehensive loss:					
Currency translation difference		(165)	(288)	(196)	(8)
Total comprehensive loss for the period		(2,539)	(1,212)	(13,715)	(4,333)
Profit/(loss) attributable to:					
– equity holders of the Company		(2,173)	(1,739)	(11,171)	(4,762)
– non-controlling interests		(201)	815	(2,348)	437
		(2,374)	(924)	(13,519)	(4,325)

	<i>Note</i>	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2010	2009	2010	2009
		RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
Total comprehensive profit/(loss) attributable to:					
– equity holders of the Company		(2,338)	(2,027)	(11,367)	(4,770)
– non-controlling interests		(201)	815	(2,348)	437
		(2,539)	(1,212)	(13,715)	(4,333)
Loss per share attributable to the equity holders of the Company during the periods (expressed in RMB per share)					
Basic	6	(0.0044)	(0.0036)	(0.0229)	(0.0098)
Diluted	6	(0.0044)	(0.0036)	(0.0229)	(0.0098)
Dividends	7	–	–	–	–

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June 2010 <i>RMB'000</i>	Audited 31st December 2009 <i>RMB'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	8	83,888	64,429
Land use rights	8	18,366	18,579
Intangible assets	8	9,297	10,807
Investment in an associated company		1,997	1,508
Deferred income tax assets		8,358	3,501
Long term deposit		1,659	1,659
		123,565	100,483
Current assets			
Trade receivables	9	22,003	22,923
Deposits, prepayments and other receivables	10	14,780	16,053
Direct selling costs	11	27,352	10,173
Amount due from a related party	16	1,362	861
Amount due from an associated company	16	21,403	21,899
Cash and cash equivalents		202,280	201,119
		289,180	273,028
Total assets		412,745	373,511
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	52,107	52,055
Other reserves	15	268,641	265,273
Accumulated losses		(114,187)	(103,016)
		206,561	214,312
Non-controlling interests		6,651	8,999
Total equity		213,212	223,311

		Unaudited	Audited
		30th June	31st December
		2010	2009
	<i>Note</i>	RMB'000	<i>RMB'000</i>
LIABILITIES			
Current liabilities			
Trade payables	12	2,612	2,332
Deferred revenue		151,543	107,363
Accrued expenses and other payables		27,380	22,279
Other taxes payable	13	10,738	12,351
Income tax payable	13	7,260	5,875
Total liabilities		199,533	150,200
Total equity and liabilities		412,745	373,511
Net current assets		89,647	122,828
Total assets less current liabilities		213,212	223,311

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to equity holders of the Company			Non-	Total
		Share capital	Other reserves	Accumulated losses	controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1st January 2009		52,055	259,968	(105,146)	5,958	212,835
(Loss)/profit for the period		–	–	(4,762)	437	(4,325)
Other comprehensive loss:						
Currency translation difference	15	–	(8)	–	–	(8)
Total comprehensive (loss)/income for the period ended 30th June 2009		–	(8)	(4,762)	437	(4,333)
Transactions with owners:						
Share option scheme-value of employee services	15	–	3,431	–	–	3,431
Investment in a subsidiary		–	–	–	200	200
Balance as at 30th June 2009		52,055	263,391	(109,908)	6,595	212,133
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

UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30th June	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	27,016	14,443
Net cash outflow from investing activities	(25,977)	(11,918)
Net cash inflow from financing activities	318	200
Increase in cash and cash equivalents	1,357	2,725
Cash and cash equivalents at beginning of period	201,119	162,602
Exchange losses on cash and cash equivalents	(196)	(8)
Cash and cash equivalents at end of period	202,280	165,319
Analysis of balances of cash and cash equivalents		
Bank balances and cash	202,280	165,319

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 (together the “Group”) organise a business-to-business community across China by providing business information through both on-line and off-line channels. The Group operates an on-line marketplace and provides industrial search result prioritising services through its business-to-business website “hc360.com”. The Group also publishes its own trade catalogues and yellow page directories and generates market research reports in China.

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in the PRC. The registered office is situated at 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company has its primary listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited condensed consolidated interim financial information are presented in thousands of units of RMB (RMB’000), unless otherwise stated. The unaudited condensed consolidated interim financial information has been approved for issue by the Board on 10th August 2010.

(b) *Basis of preparation*

This condensed consolidated interim financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. The unaudited condensed interim financial information should be read in conjunction with the annual report of the Group for the year ended 31st December 2009, 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 2010 and 31st December 2009 or on the Group’s loss for the periods ended 30th June 2010 and 2009.

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 2009, 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 2010.

HKFRS 3 (Revised), Business combinations. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest’s proportionate share of the acquiree’s net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of control is obtained, recognising a gain/loss in the statement of comprehensive income. All acquisition-related costs should be expensed.

HKAS 27(Revised), Consolidated and separate financial statements. The amendment requires the effects of all transactions with minority interests to be recorded in equity if there is no change in control (“economic entity model”). These transactions will no longer result in goodwill or gains and losses. When control over a previous subsidiary is lost, any remaining interest in the entity is re-measured to fair value and the resulting gain or loss is recognised in the statement of comprehensive income. Additional guidance is given to linked transactions.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2010, but are not currently relevant for the Group.

- HKFRS 1 (Revised), “First-time adoption of IFRSs/HKFRSs”
- HKAS 39 (Amendment), “Eligible hedge items”
- HK(IFRIC)–Int 17, “Distribution of non-cash assets to owners”
- HKFRS 1 (Amendment), “Additional exemptions for first-time adopters”
- HKFRS 2 (Amendment), “Group cash-settled share-based payment transaction”

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 “Non-current assets held for sale and discontinued operations” is effective for annual period on or after 1st July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvement are effective in the financial year of 2010.

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1st January 2010 and have not been early adopted:

HKAS 32 (Amendment)	“Classification of rights issue”, effective for annual periods beginning on or after 1st February 2010
HK(IFRIC)19	“Extinguishing financial liabilities with equity instruments”, effective for annual periods beginning on or after 1st July 2010
Amendment to HKFRS 1	“Limited exemption from comparative HKFRS 7 disclosures for first-time adopters”, effective for annual periods beginning on or after 1st July 2010
HKAS 24 (Revised)	“Related party disclosures”, effective for annual periods beginning on or after 1st January 2011
Amendment to HK(IFRIC) 14	“Prepayments of a minimum funding requirement”, effective for annual periods beginning on or after 1st January 2011
HKFRS 9	“Financial Instruments”, effective for annual periods beginning on or after 1st January 2013

HKICPA's improvements to HKFRS published in May 2010:

HKFRS 3 (Revised)	"Business combinations", effective for periods beginning on or after 1st July 2010
HKFRS 1	"First time Adoption of International Financial Reporting Standards", effective for periods beginning on or after 1st January 2011
HKFRS 7	"Financial instruments: Disclosures", effective for periods beginning on or after 1st January 2011
HKAS 1	"Presentation of financial statements", effective for periods beginning on or after 1st January 2011
HKAS 27	"Consolidated and separate financial statements", effective for periods beginning on or after 1st January 2011
HKAS 34	"Interim financial reporting", effect for periods beginning on or after 1st January 2011
HK(IFRIC)-Int 13	"Customer loyalty programmes", effective for periods beginning on or after 1st January 2011

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2010, on the Group's operations, and is yet in the position to conclude the impact.

3 Segment information

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

The Executive Directors 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, market research and analysis 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 2010, the Group is organised in the following business segments:

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

There were no sales or other transactions between the business segments in 2010 and 2009.

Unaudited 6 months ended 30th June 2010					
	Trade catalogues and yellow page directories	On-line services	Market research and analysis	Seminars and other services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	43,252	69,570	27,753	27,875	168,450
Segment results	(13,851)	(3,146)	(1,572)	710	(17,859)
Other income					1,204
Loss before income tax					(16,655)
Depreciation and amortisation, and share option expense	1,192	8,362	1,710	294	11,558
Share of profit of an associated company	–	–	489	–	489
Unaudited 6 months ended 30th June 2009					
	Trade catalogues and yellow page directories	On-line services	Market research and analysis	Seminars and other services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	51,530	65,261	18,457	9,257	144,505
Segment results	(2,686)	56	3,098	(4,890)	(4,422)
Other income					1,423
Loss before income tax					(2,999)
Depreciation and amortisation, and share option expense	2,288	9,719	1,498	362	13,867
Share of profit of an associated company	–	–	87	–	87

The Group is domiciled in the PRC. The revenue from external customers in the PRC for the six months ended 30th June 2010 is RMB168,450,000 (for the six months ended 30th June 2009: RMB144,505,000), and the total revenue from external customers from other countries is Nil (2009: Nil).

4 Expenses by nature

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

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Direct cost of trade catalogues and yellow page directories	7,531	10,654	15,048	18,755
Direct cost of on-line services	4,746	4,984	8,701	8,629
Direct cost of market research and analysis	9,527	1,967	15,036	6,210
Direct cost of seminars and other services	10,315	1,857	14,961	2,632
Marketing expenses	3,099	3,740	6,596	6,436
Network and telephone expenses	3,544	2,685	6,751	5,476
Auditor's remuneration	791	550	1,717	1,100
Staff costs, including directors' emoluments	45,178	34,394	88,025	66,185
Amortisation of land use rights	107	107	213	213
Amortisation of intangible assets	716	1,077	1,530	2,154
Amortisation of share option expenses	2,219	1,937	3,298	3,431
Depreciation of property, plant and equipment	3,292	4,034	6,517	8,069
Write-off of trade and other receivables	-	2,084	481	1,921
Provision/(reversal provision) for impairment of trade and other receivables	551	(292)	163	1,242
Loss/(profit) on disposal of property, plant and equipment	-	270	(19)	329
Operating lease payments in respect of land and buildings	3,803	2,349	7,495	6,568
Other expenses	5,779	5,011	10,285	9,664
Total cost of revenue, selling and marketing expenses and administrative expenses	101,198	77,408	186,798	149,014

5 Income tax (expense)/credit

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Current income tax				
– Hong Kong profits tax (i)	–	–	–	–
– The PRC corporate income tax (“CIT”) (ii)	(967)	(1,385)	(1,721)	(1,593)
Deferred income tax	1,071	(471)	4,857	267
	104	(1,856)	3,136	(1,326)

- (i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2009: 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.

6 Loss per share

Basic

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30th June		30th June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to equity holders	(2,173)	(1,739)	(11,171)	(4,762)

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30th June		30th June	
	2010	2009	2010	2009
	No. of	No. of	No. of	No. of
	shares	shares	shares	shares
	'000	'000	'000	'000
Weighted average number of shares in issue	488,779	488,179	488,479	488,179
Basic loss per share (in RMB)	(0.0044)	(0.0036)	(0.0229)	(0.0098)

Diluted

Diluted 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 number of shares as above 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 an anti-dilutive effect on the loss per share for the periods ended 30th June 2010 and 2009. As a result, the basic loss per share and diluted loss per share are the same.

7 Dividends

No dividends was paid or declared by the Company during the period (2009: Nil).

8 Capital expenditures

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

9 Trade receivables

The Group generally grants a credit period of 30 days to 90 days to customers. The aging analysis of the trade receivables as at 30th June 2010 and 31st December 2009 are as follows:

	Unaudited 30th June 2010 <i>RMB'000</i>	Audited 31st December 2009 <i>RMB'000</i>
0 to 90 days	19,820	20,960
91 to 180 days	1,292	1,299
181 to 365 days	1,783	1,328
1 to 2 years	3,716	3,781
	26,611	27,368
Less: provision for impairment of trade receivables	(4,608)	(4,445)
	22,003	22,923

10 Deposits, prepayments and other receivables

The balance as at 31st December 2009 includes a deposit with a commercial bank in the PRC totalling RMB10,000,000. The deposits bear a variable interest, ranging from 0% to 2.6%. The deposit had been settled in February 2010.

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 2010 and 31st December 2009 are as follows:

	Unaudited 30th June 2010 RMB'000	Audited 31st December 2009 RMB'000
0 to 90 days	2,051	1,574
91 to 180 days	308	440
181 to 365 days	77	132
Over 1 year	176	186
	2,612	2,332

13 Income tax payable and other taxes payable

	Unaudited 30th June 2010 RMB'000	Audited 31st December 2009 RMB'000
Income tax payable:		
Corporate income tax	7,260	5,875
Other taxes payable:		
Business tax	4,971	6,580
Cultural and development tax	1,384	1,718
Other taxes	4,383	4,053
	10,738	12,351

14 Share capital

	Number of shares	Ordinary shares <i>RMB'000</i>
As at 1st January 2009	488,178,960	52,055
As at 31st December 2009	488,178,960	52,055
Exercise of share options	600,000	52
As at 30th June 2010	488,778,960	52,107

The total authorised number of ordinary shares is 1,000 million shares (2009: 1,000 million shares) with a par value of HK\$0.1 per share (2009: HK\$0.1 per share). All issued shares are fully paid.

Share options

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

Each option under the Pre-IPO Share Option Scheme has a 10-year exercisable period, which may be exercised after the expiry of twelve months from the date on which trading in the shares of the Company first commenced on GEM, being 17th December 2003 ("Listing Date"). Commencing from the first, second and third anniversaries of the Listing Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively.

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

During the year ended 31st December 2004, a total of 26,000,000 share options were granted to two executive Directors and certain employees pursuant to the Share Option Scheme, of which 7,850,000, 9,350,000, 1,080,000, 581,000 and 245,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008, 2009 and the six months ended 30th June 2010, 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 and 524,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009 and the six months ended 30th June 2010, 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 and 2,167,000 share options were lapsed during the year ended 31st December 2008, 2009 and the six months ended 30th June 2010, 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 and 1,000,000 share options were lapsed during the year ended 31st December 2009 and the six months ended 30th June 2010, 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 six months ended 30th June 2010, a total of 33,800,000 share options were granted to one Executive Director and certain employees pursuant to Share Option Scheme. The granters 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.

- (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 RMB14,825,000. 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.

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

(a) *Pre-IPO Share Option Scheme*

	2010		2009	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
As at 1st January	0.44	9,147,120	0.44	9,147,120
Exercised	0.44	–	0.44	–
As at 30th June	0.44	9,147,120	0.44	9,147,120

(b) *Share Option Scheme*

	2010		2009	
	Exercise price in HK\$ per share	Share Options	Exercise price in HK\$ per share	Share Options
As at 1st January	2.40	7,139,000	2.40	7,720,000
Lapsed	2.40	(245,000)	2.40	(261,000)
As at 30th June	2.40	6,894,000	2.40	7,459,000
As at 1st January	1.49	4,286,000	1.49	4,632,000
Lapsed	1.49	(524,000)	1.49	(180,000)
As at 30th June	1.49	3,762,000	1.49	4,452,000
As at 1st January	1.24	11,698,000	1.24	12,733,000
Lapsed	1.24	(2,167,000)	1.24	(546,000)
As at 30th June	1.24	9,531,000	1.24	12,187,000
As at 1st January	0.604	14,100,000	0.604	14,600,000
Lapsed	0.604	(1,000,000)	0.604	(400,000)
Exercised	0.604	(600,000)	0.604	–
As at 30th June	0.604	12,500,000	0.604	14,200,000
As at 1st January	0.82	–	0.82	–
Granted	0.82	33,800,000	0.82	–
As at 30th June	0.82	33,800,000	0.82	–

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 2010	31st December 2009
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 2010	31st December 2009
18th February 2014	2.40	6,894,000	7,139,000
23rd June 2016	1.49	3,762,000	4,286,000
11th July 2017	1.24	9,531,000	11,698,000
29th September 2018	0.604	12,500,000	14,100,000
7th April 2020	0.82	33,800,000	–

15 Other reserves

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

16 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	
	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Sales of services				
– Huicong Construction (technology services) (i)	54	54	106	106
– Huicong Construction (granted the right to use the domain names and trademark) (ii)	60	60	120	120
– 北京鄧白氏慧聰市場信息諮詢 有限公司 (“Sales JV Co”) (iii)	16,452	12,254	29,081	22,457
	16,566	12,368	29,307	22,683

- (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) Beijing Huicong Market Research Co. Ltd (“Fulfillment JV Co”), a subsidiary of the Group, entered into a Fulfillment service agreement with Sales JV Co for a period of 3 years, under which Fulfillment JV Co will provide fulfillment service to Sales JV Co in relation to market research fulfillment services, at a price charged at 66.7%, 67.3% and 66.2%, for the 3 years respectively, on the net annual revenue of Sales JV Co. The fulfillment charge for the six months ended 30th June 2010 amounted to RMB24,128,000 (Three months ended 30th June 2010: RMB13,964,000).

A subsidiary of the Group entered into another fulfillment service agreement with Sales JV Co, under which the Group would sell e-Eyes products, at a charge of actual costs plus 12% mark-up. The fulfillment charge for the six months ended 30th June 2010 amounted to RMB4,953,000 (Three months ended 30th June 2010: RMB2,488,000).

(b) *Purchases of services*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Salaries and other short-term employee benefits	1,362	1,410	2,724	2,820
Share-based payments	1,431	631	1,431	1,262
	2,793	2,041	4,155	4,082

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

	Unaudited 30th June 2010 RMB'000	Audited 31st December 2009 RMB'000
Amount due from a related company	1,362	861
Amount due from an associated company	21,403	21,899

17 **Contingent liabilities**

As at 30th June 2010, there were no material contingent liabilities to the Group (31st December 2009: Nil).

18 **Subsequent event after period end**

北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd.) ("Huicong Zaichuang"), a subsidiary of the Group, entered into the five sale and purchase agreements with 廣州君茗投資有限公司 (Guangzhou Junming Investment Co., Ltd) ("Guangzhou Junming") on 9th July 2010 pursuant to which Guangzhou Junming agreed to sell and Huicong Zaichuang agreed to purchase certain properties ("the Properties") in Guangzhou at an aggregate consideration of RMB24,171,833 (equivalent to approximately HK\$27,468,000). The Properties are for commercial use and are intended for the Group's own use.

On 15th July 2010, the acquisition of 18% equity interest of Beijing Huicong International Information Co. Ltd., a subsidiary of the Group, at a total consideration of RMB54,800,000 (equivalent to approximately HK\$62,273,000) by Hong Kong Huicong International Group Limited was approved by the independent shareholders of the Company.

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 2010, the interests and short positions of the Directors and the chief executive 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 Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Directors' Long Positions in the shares of the Company

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of shares	Percentage of shareholding
Guo Fansheng	Beneficial owner	39,447,015	-	-	-	39,447,015	8.07%
Li Jianguang	Interest in controlled corporation	-	-	40,000,384 (Note 1)	-	40,000,384 (Note 1)	8.18%
Guo Jiang	Beneficial owner/Family interest	39,149,146	7,008,625	-	-	46,157,771 (Note 2)	9.44%

Notes:

- The references to 40,000,384 shares of the Company relate to the same block of shares of the Company held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li Jianguang. Accordingly, Mr. Li Jianguang is deemed, or taken to have, interested in the said 40,000,384 shares of the Company pursuant to the SFO.
- Such interest in the Company comprises:
 - 29,223,771 shares of the Company of which 1,074,625 shares of the Company are held by Ms. Geng Yi, 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.

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 5.67 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 a share option scheme (the “Share Option Scheme”), were adopted by the Company. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were summarised in the paragraph headed “Share Options” under the section headed “Statutory and General Information” in Appendix V of the prospectus of the Company dated 8th December 2003.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

As at 30th June 2010, options to subscribe for an aggregate of 9,147,120 shares of the Company granted pursuant to the Pre-IPO Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per share HK\$	Number of share options				As at 30th June 2010 (Note 1)
			As at 1st January 2010	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
Total			9,147,120	-	-	-	9,147,120

Notes:

- Each option has a 10-year exercise period, which may be exercised after the expiry of twelve months from the date on which trading in the shares of the Company first commenced on GEM (the “Listing Date”), being 17th December 2003. Commencing from the first, second and third anniversaries of the Listing Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100%, respectively, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised).
- As at 30th June 2010, there were 3 employees who had been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 258,242 shares of the Company.

(b) Share Option Scheme

As at 30th June 2010, options to subscribe for an aggregate of 66,487,000 shares of the Company granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per share HK\$	Number of share options				As at 30th June 2010 (Note 1)
			As at 1st January 2010	Granted during the period	Exercised during the period	Lapsed during the period	
<i>Directors</i>							
Guo Jiang	18th February 2004	2.40	1,000,000	-	-	-	1,000,000
	23rd June 2006	1.49	1,000,000	-	-	-	1,000,000
	11th July 2007	1.24	2,200,000	-	-	-	2,200,000
	29th September 2008	0.604	2,000,000	-	-	-	2,000,000
	7th April 2010	0.82	-	4,800,000	-	-	4,800,000
<i>Senior management</i>							
Geng Yi	18th February 2004	2.40	300,000	-	-	-	300,000
	23rd June 2006	1.49	434,000	-	-	-	434,000
	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
	7th April 2010	0.82	-	4,200,000	-	-	4,200,000
Guo Bingbing	29th September 2008	0.604	800,000	-	-	-	800,000
	7th April 2010	0.82	-	3,200,000	-	-	3,200,000
John Hong	29th September 2008	0.604	1,000,000	-	-	-	1,000,000
	7th April 2010	0.82	-	3,200,000	-	-	3,200,000
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
<i>Other employees</i>							
In aggregate (Note 2)	18th February 2004	2.40	5,809,000	-	-	(245,000)	5,564,000
In aggregate (Note 3)	23rd June 2006	1.49	2,786,000	-	-	(524,000)	2,262,000
In aggregate (Note 4)	11th July 2007	1.24	9,353,000	-	-	(2,167,000)	7,186,000
In aggregate (Note 5)	29th September 2008	0.604	7,500,000	-	(600,000)	(1,000,000)	5,900,000
In aggregate (Note 6)	7th April 2010	0.82	-	12,000,000	-	-	12,000,000
Total			37,223,000	33,800,000	(600,000)	(3,936,000)	66,487,000

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 of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first, second and third anniversaries of the date of the grant of options.

For the options exercisable at HK\$1.49 granted on 23rd June 2006, the relevant grantees may exercise these options in a 10-year period starting from the expiry of twelve months from the date of the grant of options.

For the options exercisable at HK\$1.24 granted on 11th July 2007, the relevant grantees may exercise options up to 50% and 100%, respectively, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

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

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 of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

2. 51 employees have been granted options under the Share Option Scheme to acquire an aggregate of 5,564,000 shares of the Company at HK\$2.40 per share.
3. 30 employees have been granted options under the Share Option Scheme to acquire an aggregate of 2,262,000 shares of the Company at HK\$1.49 per share.
4. 37 employees have been granted options under the Share Option Scheme to acquire an aggregate of 7,186,000 shares of the Company at HK\$1.24 per share.
5. 29 employees have been granted options under the Share Option Scheme to acquire an aggregate of 5,900,000 shares of the Company at HK\$0.604 per share.
6. 15 employees have been granted options under the Share Option Scheme to acquire an aggregate of 12,000,000 shares of the Company at HK\$0.82 per share.
7. 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.

8. 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.
9. The fair value of options granted under the Share Option Scheme on 11th July 2007, determined using the Binomial Model valuation model, was approximately RMB9,390,000. The significant inputs into the model were exercise price of HK\$1.24 standard deviation of expected share price returns of 49.0%, expected life of options ranging from 2.4 to 6.2 years expected dividend paid cut rate of 0% and annual risk-free interest rate 4.757%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
10. The fair value of options granted under the Share Option Scheme on 29th September 2008, determined using the Binomial Model valuation model, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK\$0.604 standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years expected dividend paid cut rate of 0% and annual risk-free interest rate 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
11. The fair value of options granted under the Share Option Scheme on 7th April 2010, determined using the Binomial Model valuation model, was approximately RMB14,825,000. 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 cut rate of 0% and annual risk-free interest rate 2.825%. 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. In the extraordinary general meeting of the Company held on 20th June 2008, an ordinary resolution was passed by the shareholders of the Company to refresh the scheme mandate limit under the Share Option Scheme. For details, please refer to the Company's circular and announcement dated 5th June 2008 and 20th June 2008 respectively.
13. In respect of employees resigned during the period whose share options have not been vested, such share options are forfeited, and the share compensation costs recognised previously are credited to condensed consolidated interim statement of comprehensive income.
14. The values of share options recognised in share-based compensation reserves are subject to a number of assumptions and with regard to the limitation of the valuation model.

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

As at 30th June 2010, the interest of persons (not being a Director or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO 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	Approximate interests/Holding capacity	Percentage of share capital
<i>Substantial shareholders</i>					
McGovern Patrick J	Ordinary	104,790,697 (Note 1)	–	Interest in controlled corporations	21.44%
McCarthy Kent C.	Ordinary	116,846,000 (Note 2)	–	Interest in controlled corporations	23.91%
Zhou Quan	Ordinary	79,316,743 (Note 3)	–	Interest in controlled corporations	16.23%
<i>Other person</i>					
Geng Yi	Ordinary	46,157,771 (Note 4)	–	Beneficial owner/ Family interests	9.44%

Notes:

- Such interest in the Company comprises 25,473,954 shares of the Company owned by IDG Technology Venture Investment, Inc., a wholly-owned subsidiary of International Data Group, Inc., whose majority shares is held by Mr. Patrick McGovern, 16,664,743 shares of the Company owned by IDG Technology Venture Investments, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Zhou Quan, and 62,652,000 shares of the Company owned by IDG Technology Venture Investment III, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investment III, LLC, which is jointly controlled by Mr. Patrick J. McGovern and Mr. Zhou Quan.
- Such interest in the Company comprises 110,033,545 shares of the Company owned by Jayhawk Private Equity Fund, L.P. and 6,812,455 shares of the Company owned by Jayhawk Private Equity Co-Invest Fund, L.P.. The entire issued share capital of each of the abovementioned companies is owned by Mr. McCarthy C. Kent.
- Such interest in the Company comprises 16,664,743 shares of the Company owned by IDG Technology Venture Investments, L.P., a limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Zhou Quan, and 62,652,000 shares of the Company owned by IDG Technology Venture Investment III, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investment III, LLC, which is in turn jointly controlled by Mr. Patrick J. McGovern and Mr. Zhou Quan.

4. Such interest in the Company comprises:

- (a) 29,223,771 shares of the Company of which 28,149,146 shares of the Company are held by Mr. Guo Jiang, Ms. Geng's spouse; and
- (b) 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, Ms. Geng's spouse, 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 2010, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares of the Company which 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 not less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules on 20th March 2006. Having made specific enquiry of all Directors, the Directors have complied with the required standard of dealings and the said guidelines regarding securities transactions by Directors during the six months ended 30th June 2010.

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 announcement, 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 announcement and the interim results of the Group for the six months ended 30th June 2010.

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 2010.

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 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 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th June 2010.

By order of the Board
HC International, Inc.
Guo Jiang
Chief Executive Officer and Executive Director

As at the date of this announcement, the Board comprises:

Mr. Guo Fansheng (*Executive Director*)
Mr. Guo Jiang (*Executive Director and Chief Executive Officer*)
Mr. Li Jianguang (*Non-executive Director*)
Mr. Zhang Ke (*Independent non-executive Director*)
Mr. Xiang Bing (*Independent non-executive Director*)
Mr. Guo Wei (*Independent non-executive Director*)

Beijing, PRC, 10th August 2010