



*20 years, young HC!*

## **HC INTERNATIONAL, INC.**

**慧聪网有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8292)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 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.**

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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 the 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 the information contained in this announcement 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 announcement misleading.*

\* For identification purpose only

## HIGHLIGHTS

- **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*

## UNAUDITED INTERIM RESULTS

The board (the "Board") of Directors hereby announces the unaudited financial results of the Company and 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 in 2012 to the shareholders of the Company (the "Shareholders").

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

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

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

|   |             | Unaudited<br>30th June<br>2013<br>RMB'000 | Audited<br>31st December<br>2012<br>RMB'000 |
|---|-------------|---|---|
|   | <i>Note</i> |   |   |
| <b>ASSETS</b>   |             |   |   |
| <b>Non-current assets</b>   |             |   |   |
| 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                                     |
| <b>Current assets</b>   |             |   |   |
| 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                                     |
| <b>Total assets</b>   |             | <b>1,247,415</b>                          | <b>855,199</b>                              |
| <b>EQUITY</b>   |             |   |   |
| <b>Capital and reserves attributable to equity holders of the Company</b> |             |   |   |
| Share capital   | 20          | 59,562                                    | 58,167                                      |
| Other reserves  | 21          | 244,959                                   | 275,769                                     |
| Retained earnings   |             | 64,162                                    | 11,848                                      |
| Non-controlling interests   |             | 368,683                                   | 345,784                                     |
|   |             | 96,266                                    | 96,908                                      |
| <b>Total equity</b>   |             | <b>464,949</b>                            | <b>442,692</b>                              |

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

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

| Unaudited<br>Attributable to equity holders<br>of the Company               |        |                  |                   |  |                                  |          |
|---|--------|------------------|-------------------|--|----------------------------------|----------|
|   |        | Share<br>capital | Other<br>reserves | (Accumulated<br>losses)/<br>retained<br>earnings | Non-<br>controlling<br>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<br>financial assets                   | 21     | –                | 737               | –  | –                                | 737      |
| Currency translation difference   | 21     | –                | 220               | –  | –                                | 220      |
| Total comprehensive income/(loss)<br>for the period ended<br>30th June 2012 |        | –                | 957               | 20,492   | (715)                            | 20,734   |
| Transactions with owners:   |        |                  |                   |  |                                  |          |
| Share purchase for share-award<br>scheme                                    | 21     | –                | (10,447)          | –  | –                                | (10,447) |
| Share based compensation-value<br>of employee services                      | 21     | –                | 4,129             | –  | –                                | 4,129    |
| Contribution from non-controlling<br>interests on set up of a subsidiary    |        | –                | –                 | –  | 31,200                           | 31,200   |
| Acquisition of additional interest<br>in a subsidiary                       | 21     | –                | (144)             | –  | (4)                              | (148)    |
| Exercise of share options   | 20, 21 | 847              | 4,769             | –  | –                                | 5,616    |
| Balance as at 30th June 2012  |        | 57,731           | 269,749           | (34,384)   | 30,495                           | 323,591  |
| 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<br>sale financial assets                   | 21     | –                | 1,863             | –  | –                                | 1,863    |
| Currency translation difference   | 21     | –                | (1,601)           | –  | –                                | (1,601)  |
| Total comprehensive (loss)/income<br>for the period ended<br>30th June 2013 |        | –                | 262               | 52,314   | (642)                            | 51,934   |

| <b>Unaudited<br/>Attributable to equity holders<br/>of the Company</b> |             |                          |                           |  |   |                |
|--|-------------|--------------------------|---------------------------|--|---|----------------|
|  | <i>Note</i> | <b>Share<br/>capital</b> | <b>Other<br/>reserves</b> | <b>(Accumulated<br/>losses)/<br/>retained<br/>earnings</b> | <b>Non-<br/>controlling<br/>interests</b> | <b>Total</b>   |
|  |             | <i>RMB'000</i>           | <i>RMB'000</i>            | <i>RMB'000</i>   | <i>RMB'000</i>                            | <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).



## UNAUDITED CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

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

## 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 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<br>Six months ended 30th June 2013 |                                       |  |   |                         |
|--|---------------------------------------|--|---|-------------------------|
|  | On-line<br>services<br><i>RMB'000</i> | Trade<br>catalogues<br>and yellow<br>page<br>directories<br><i>RMB'000</i> | Seminars<br>and other<br>services<br><i>RMB'000</i> | Total<br><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<br>Six months ended 30th June 2012 |                                       |  |   |                         |
|--|---------------------------------------|--|---|-------------------------|
|  | On-line<br>services<br><i>RMB'000</i> | Trade<br>catalogues<br>and yellow<br>page<br>directories<br><i>RMB'000</i> | Seminars<br>and other<br>services<br><i>RMB'000</i> | Total<br><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<br>Three months ended<br>30th June |                 | Unaudited<br>Six months ended<br>30th June |                 |
|--|--|-----------------|--|-----------------|
|  | 2013<br>RMB'000                              | 2012<br>RMB'000 | 2013<br>RMB'000                            | 2012<br>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<br>Three months ended<br>30th June |                 | Unaudited<br>Six months ended<br>30th June |                 |
|--|--|-----------------|--|-----------------|
|  | 2013<br>RMB'000                              | 2012<br>RMB'000 | 2013<br>RMB'000                            | 2012<br>RMB'000 |
| Current income tax                             |  |                 |  |                 |
| – Hong Kong profits tax (i)                    | –  | –               | –  | –               |
| – The PRC corporate income tax<br>("CIT") (ii) | <b>(5,104)</b>                               | 905             | <b>(7,950)</b>                             | (1,273)         |
| Deferred income tax                            | <b>(4,141)</b>                               | (2,251)         | <b>(6,127)</b>                             | (646)           |
|  | <b>(9,245)</b>                               | (1,346)         | <b>(14,077)</b>                            | (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<br>Three months ended<br>30th June |                 | Unaudited<br>Six months ended<br>30th June |                 |
|---|--|-----------------|--|-----------------|
|   | 2013<br>RMB'000                              | 2012<br>RMB'000 | 2013<br>RMB'000                            | 2012<br>RMB'000 |
| Profit attributable to equity holders<br>of the Company | <b>32,037</b>                                | 15,181          | <b>52,314</b>                              | 20,492          |

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

|   | <b>Property,<br/>plant and<br/>equipment</b><br><i>RMB'000</i> | <b>Land use<br/>rights</b><br><i>RMB'000</i> | <b>Intangible<br/>assets</b><br><i>RMB'000</i> | <b>Investment<br/>properties</b><br><i>RMB'000</i> |
|---|--|--|--|--|
| Opening net book amount<br>as at 1st January 2012           | 178,353  | 17,725                                       | 463  | –  |
| Additions   | 33,153   | –  | –  | –  |
| Disposals   | (26)   | –  | –  | –  |
| Depreciation and amortisation                               | (9,586)  | (215)  | (302)  | –  |
| Closing net book amount<br>as at 30th June 2012 (unaudited) | 201,894  | 17,510                                       | 161  | –  |
| Opening net book amount<br>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<br>investment properties | –  | (1,436)                                      | –  | 1,436  |
| Closing net book amount<br>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

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

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:

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

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

|  | <b>Unaudited<br/>30th June<br/>2013<br/>RMB'000</b> | Audited<br>31st December<br>2012<br>RMB'000 |
|--|---|---|
| Gross finance lease liabilities – minimum lease payments |   |   |
| No later than 1 year                                     | <b>456</b>  | 1,814                                       |
| Later than 1 year and no later than 5 years              | <b>702</b>  | 3,246                                       |
| Future finance charges on finance leases                 | <b>(205)</b>  | (898)                                       |
| <b>Present value of finance lease liabilities</b>        | <b>953</b>  | 4,162                                       |

### The present value of finance lease liabilities is as follows:

|   |            |       |
|---|------------|-------|
| No later than 1 year                        | <b>417</b> | 1,671 |
| Later than 1 year and no later than 5 years | <b>536</b> | 2,491 |
|   | <b>953</b> | 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:

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

## 17 Borrowings

|             | <b>Unaudited<br/>30th June<br/>2013<br/>RMB'000</b> |
|-------------|---|
| Non-current | <b>37,444</b>                                       |
| Current     | <b>59,925</b>                                       |
|             | <b>97,369</b>                                       |

Movements in borrowings is analysed as follows:

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

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         |
|                       | <b>97,369</b>  |

## 18 Income tax payable and other taxes payable

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

|                           | <b>Number of<br/>Shares</b> | <b>Ordinary<br/>Shares<br/>RMB'000</b> |
|---------------------------|-----------------------------|--|
| 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 | <b>0.44</b>                      | <b>4,036,016</b> | 0.44                             | 9,147,120     |
| Exercised         | <b>0.44</b>                      | <b>(738,095)</b> | 0.44                             | (5,111,104)   |
| As at 30th June   | <b>0.44</b>                      | <b>3,297,921</b> | 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 | <b>2.40</b>                      | <b>6,343,000</b>   | 2.40                             | 6,629,000     |
| Lapsed            | <b>2.40</b>                      | <b>(32,000)</b>    | 2.40                             | –             |
| Exercise          | <b>2.40</b>                      | <b>(3,986,000)</b> | 2.40                             | –             |
| As at 30th June   | <b>2.40</b>                      | <b>2,325,000</b>   | 2.40                             | 6,629,000     |
| As at 1st January | <b>1.49</b>                      | <b>2,868,000</b>   | 1.49                             | 3,368,000     |
| Lapsed            | <b>1.49</b>                      | –                  | 1.49                             | –             |
| Exercised         | <b>1.49</b>                      | <b>(334,000)</b>   | 1.49                             | (252,000)     |
| As at 30th June   | <b>1.49</b>                      | <b>2,534,000</b>   | 1.49                             | 3,116,000     |
| As at 1st January | <b>1.24</b>                      | <b>6,991,000</b>   | 1.24                             | 8,367,000     |
| Lapsed            | <b>1.24</b>                      | –                  | 1.24                             | –             |
| Exercised         | <b>1.24</b>                      | <b>(588,000)</b>   | 1.24                             | (769,000)     |
| As at 30th June   | <b>1.24</b>                      | <b>6,403,000</b>   | 1.24                             | 7,598,000     |
| As at 1st January | <b>0.604</b>                     | <b>7,200,000</b>   | 0.604                            | 9,800,000     |
| Lapsed            | <b>0.604</b>                     | –                  | 0.604                            | –             |
| Exercised         | <b>0.604</b>                     | <b>(2,300,000)</b> | 0.604                            | (1,000,000)   |
| As at 30th June   | <b>0.604</b>                     | <b>4,900,000</b>   | 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 | <b>0.82</b>                      | <b>25,350,000</b>  | 0.82                             | 31,700,000    |
| Lapsed            | <b>0.82</b>                      | –                  | 0.82                             | (800,000)     |
| Exercised         | <b>0.82</b>                      | <b>(8,200,000)</b> | 0.82                             | (3,200,000)   |
| As at 30th June   | <b>0.82</b>                      | <b>17,150,000</b>  | 0.82                             | 27,700,000    |
| As at 1st January | <b>1.108</b>                     | <b>2,000,000</b>   | 1.108                            | 2,900,000     |
| Lapsed            | <b>1.108</b>                     | <b>(50,000)</b>    | 1.108                            | –             |
| Exercised         | <b>1.108</b>                     | <b>(1,250,000)</b> | 1.108                            | (100,000)     |
| As at 30th June   | <b>1.108</b>                     | <b>700,000</b>     | 1.108                            | 2,800,000     |
| As at 1st January | <b>4.402</b>                     | –                  | –                                | –             |
| Granted           | <b>4.402</b>                     | <b>1,500,000</b>   | –                                | –             |
| Lapsed            | <b>4.402</b>                     | –                  | –                                | –             |
| Exercise          | <b>4.402</b>                     | –                  | –                                | –             |
| As at 30th June   | <b>4.402</b>                     | <b>1,500,000</b>   | –                                | –             |

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        | Share options                 |                  |                    |
|--------------------|-------------------------------|------------------|--------------------|
|                    | Exercise price HK\$ per Share | 30th June 2013   | 31st December 2012 |
| 17th December 2013 | 0.44                          | <b>3,297,921</b> | 4,036,016          |

(b) *Share Option Scheme*

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

#### *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 42 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.

|                                  | <b>Number of<br/>Shares</b> |
|----------------------------------|-----------------------------|
| 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          |
| <b>As at 30th June 2012</b>                            | <b>202,094</b> | <b>987</b>      | <b>108,830</b> | <b>496</b>               | <b>46,829</b>                     | <b>(31,648)</b>                   | <b>(9,958)</b>   | <b>737</b>                  | <b>(48,618)</b> | <b>269,749</b> |
| 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         |
| <b>As at 30th June 2013</b>                            | <b>220,627</b> | <b>987</b>      | <b>108,830</b> | <b>496</b>               | <b>57,636</b>                     | <b>(84,120)</b>                   | <b>(11,742)</b>  | <b>1,863</b>                | <b>(49,618)</b> | <b>244,959</b> |

(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:

|   | Audited<br>31st December<br>2012<br>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<br>Three months ended<br>30th June |                 | Unaudited<br>Six months ended<br>30th June |                 |
|---|--|-----------------|--|-----------------|
|   | 2013<br>RMB'000                              | 2012<br>RMB'000 | 2013<br>RMB'000                            | 2012<br>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             |
|   | <b>113</b>                                   | 113             | <b>226</b>                                 | 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<br>Three months ended<br>30th June |                 | Unaudited<br>Six months ended<br>30th June |                 |
|--|--|-----------------|--|-----------------|
|  | 2013<br>RMB'000                              | 2012<br>RMB'000 | 2013<br>RMB'000                            | 2012<br>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              |
|  | <b>85</b>                                    | 85              | <b>170</b>                                 | 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<br>Three months ended<br>30th June |                 | Unaudited<br>Six months ended<br>30th June |                 |
|--|--|-----------------|--|-----------------|
|  | 2013<br>RMB'000                              | 2012<br>RMB'000 | 2013<br>RMB'000                            | 2012<br>RMB'000 |
| Salaries and other short-term<br>employee benefits | 1,456  | 1,663           | 3,405                                      | 3,326           |
| Share-based payments                               | 3,981  | 808             | 7,546                                      | 2,314           |
|  | <b>5,437</b>                                 | 2,471           | <b>10,591</b>                              | 5,640           |

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

|                                       | Unaudited<br>30th June<br>2013<br>RMB'000 | Audited<br>31st December<br>2012<br>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.

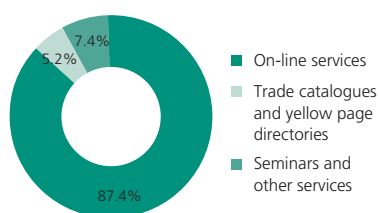
## 23 Contingent liabilities

As at 30th June 2013, there were no material contingent liabilities to the Group (31st December 2012: Nil).

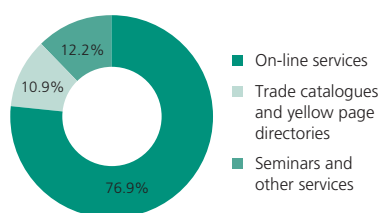
## Financial and Business Review

| Revenue Analysis         | On-line services<br>RMB'000 | Trade catalogues and yellow page directories<br>RMB'000 | Seminars and other services<br>RMB'000 | Total<br>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%            |

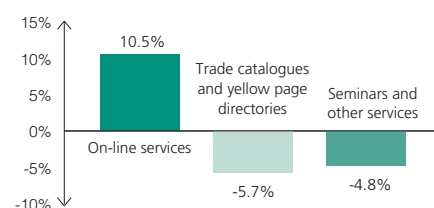
**2013 First Half Revenue**



**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 announce 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 m<sup>2</sup>, 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 period 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.

## **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 announcement, the Group had no significant investments during the six months ended 30th June 2013.

### **Future plans for material investments**

Save as disclosed in this announcement, 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) 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 also 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 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.

#### **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 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 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, amendments to the written terms of reference of the nomination committee of the Company have been passed in August 2013.

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

Beijing, the PRC, 12th August 2013

As at the date of this announcement, 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*)

*This announcement will remain on the pages of "Latest Company Announcements" on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and the Company's website at <http://www.hcgroup.com>.*