



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 2014

##### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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

## HIGHLIGHTS

- Revenue was approximately **RMB465.3 million**, increased by RMB107.7 million, or **up 30.1%**, when compared to RMB357.6 million recorded for the corresponding period in 2013.
- **Gross Profit Ratio** was approximately **94.7%**, a further improvement by 0.7 percentage points over the same period of last year.
- The Group's **EBITDA\*** was approximately **RMB133.6 million**, significantly higher than that achieved in previous year of RMB82.7 million.
- **Profit Attributable to Equity Holders** of the Company was approximately **RMB102.5 million** during this reporting period, while it was RMB52.3 million for the same period a year before, delivering a **growth of 95.8%**.
- The **Diluted EPS** was **RMB0.1474 up by 70.4%**, when compared to RMB0.0865, on a period-on-period basis.

## UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30th June 2014 together with comparative figures in 2013 to the shareholders of the Company (the "Shareholders").

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	5	<b>241,378</b>	196,350	<b>465,271</b>	357,606
Cost of revenue	8	<b>(8,074)</b>	(10,737)	<b>(24,802)</b>	(21,546)
<b>Gross profit</b>		<b>233,304</b>	185,613	<b>440,469</b>	336,060
Other income		<b>1,107</b>	510	<b>3,521</b>	1,210
Selling and marketing expenses	8	<b>(134,688)</b>	(120,398)	<b>(264,530)</b>	(223,028)
Administrative expenses	8	<b>(40,868)</b>	(26,723)	<b>(76,629)</b>	(52,870)
<b>Operating profit</b>		<b>58,855</b>	39,002	<b>102,831</b>	61,372
Finance income	9	<b>9,653</b>	1,808	<b>15,936</b>	4,607
Finance cost	9	<b>(198)</b>	95	<b>(429)</b>	(230)
Share of post-tax losses of associate	6	<b>(127)</b>	–	<b>(127)</b>	–
<b>Profit before income tax</b>		<b>68,183</b>	40,905	<b>118,211</b>	65,749
Income tax expense	10	<b>(10,013)</b>	(9,245)	<b>(18,997)</b>	(14,077)
<b>Profit for the period</b>		<b>58,170</b>	31,660	<b>99,214</b>	51,672
<b>Other comprehensive income/ (loss) and item that may be reclassified to profit or loss:</b>					
Fair value gain on available for sale financial assets	25	–	1,067	–	1,863
Currency translation difference	25	<b>1,415</b>	(1,265)	<b>2,057</b>	(1,601)
<b>Total comprehensive income for the period</b>		<b>59,585</b>	31,462	<b>101,271</b>	51,934

	<i>Note</i>	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
		2014	2013	2014	2013
		<b>RMB'000</b>	<i>RMB'000</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Profit attributable to:</b>					
– equity holders of the Company		<b>60,172</b>	32,037	<b>102,455</b>	52,314
– non-controlling interests		<b>(2,002)</b>	(377)	<b>(3,241)</b>	(642)
		<b>58,170</b>	31,660	<b>99,214</b>	51,672
<b>Total comprehensive income attributable to:</b>					
– equity holders of the Company		<b>61,587</b>	31,839	<b>104,512</b>	52,576
– non-controlling interests		<b>(2,002)</b>	(377)	<b>(3,241)</b>	(642)
		<b>59,585</b>	31,462	<b>101,271</b>	51,934
<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:	11	<b>0.0908</b>	0.0559	<b>0.1547</b>	0.0920
Diluted earnings per share:	11	<b>0.0874</b>	0.0527	<b>0.1474</b>	0.0865
Dividends	12	–	–	–	–

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30th June 2014 RMB'000	Audited 31st December 2013 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	13	183,250	185,619
Intangible assets	13	3	5
Property, plant and equipment	13	289,859	214,586
Deferred income tax assets		4,602	3,208
Long term deposit, prepayments and other receivables	15	71,814	77,905
Investment in an associate	6	19,873	20,000
Investment in a joint venture	7	150,000	–
Investment properties	13	90,960	39,518
Properties under development	14	257,556	208,268
Total non-current assets		<b>1,067,917</b>	749,109
<b>Current assets</b>			
Trade receivables	16	33,836	11,421
Deposits, prepayments and other receivables		31,551	33,188
Direct selling costs	17	145,239	136,353
Amount due from a related party	27	1,660	1,622
Cash and cash equivalents		976,256	1,025,089
Total current assets		<b>1,188,542</b>	1,207,673
<b>Total assets</b>		<b>2,256,459</b>	1,956,782
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	24	66,120	65,865
Other reserves	25	668,643	666,239
Retained earnings		267,629	165,174
Non-controlling interests		<b>1,002,392</b>	897,278
		<b>110,053</b>	113,196
<b>Total equity</b>		<b>1,112,445</b>	1,010,474

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Receipt in advance	18	<b>202,208</b>	–
Deferred income tax liabilities		<b>20,201</b>	14,009
Non-current portion of finance lease obligations	19	<b>1,054</b>	1,323
Deferred government grants	23	<b>206,300</b>	206,300
Bank Borrowings	21	<b>49,718</b>	24,838
Non-current portion of borrowings	21	<b>21,098</b>	77,649
<b>Total non-current liabilities</b>		<b>500,579</b>	324,119
<b>Current liabilities</b>			
Trade payables	20	<b>1,362</b>	2,622
Accrued expenses and other payables		<b>67,949</b>	64,643
Current portion of borrowings	21	<b>68,046</b>	11,184
Current portion of finance lease obligations	19	<b>665</b>	759
Deferred revenue		<b>480,689</b>	502,734
Other taxes payable	22	<b>10,417</b>	17,811
Income tax payable	22	<b>14,307</b>	22,436
<b>Total current liabilities</b>		<b>643,435</b>	622,189
<b>Total liabilities</b>		<b>1,144,014</b>	946,308
<b>Total equity and liabilities</b>		<b>2,256,459</b>	1,956,782
<b>Net current assets</b>		<b>545,107</b>	585,484
<b>Total assets less current liabilities</b>		<b>1,613,024</b>	1,334,593

## UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to equity holders of the Company			Non-	Total
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	controlling interests RMB'000	
Balance as at 1st January 2013		58,167	275,769	11,848	96,908	442,692
Profit/(loss) for the period		–	–	52,314	(642)	51,672
Other comprehensive income/(loss):						
Fair value gain on available for sale financial assets	25	–	1,863	–	–	1,863
Currency translation difference	25	–	(1,601)	–	–	(1,601)
<b>Total comprehensive income/(loss) for the period ended 30th June 2013</b>		–	262	52,314	(642)	51,934
Transactions with owners:						
Share purchase for share-award scheme	25	–	(55,809)	–	–	(55,809)
Share based compensation-value of employee services	25	–	9,507	–	–	9,507
Exercise of share options	24, 25	1,395	15,230	–	–	16,625
Balance as at 30th June 2013		59,562	244,959	64,162	96,266	464,949
<b>Balance as at 1st January 2014</b>		<b>65,865</b>	<b>666,239</b>	<b>165,174</b>	<b>113,196</b>	<b>1,010,474</b>
<b>Profit/(loss) for the period</b>		<b>–</b>	<b>–</b>	<b>102,455</b>	<b>(3,241)</b>	<b>99,214</b>
<b>Other comprehensive income:</b>						
<b>Currency translation difference</b>	<b>25</b>	<b>–</b>	<b>2,057</b>	<b>–</b>	<b>–</b>	<b>2,057</b>
<b>Total comprehensive income/ (loss) for the period ended 30th June 2014</b>		<b>–</b>	<b>2,057</b>	<b>102,455</b>	<b>(3,241)</b>	<b>101,271</b>

**Unaudited  
Attributable to equity holders  
of the Company**

	<i>Note</i>	<b>Share capital</b> <i>RMB'000</i>	<b>Other reserves</b> <i>RMB'000</i>	<b>Retained earnings</b> <i>RMB'000</i>	<b>Non- controlling interests</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Transactions with owners:</b>						
Share purchase for share-award scheme	25	–	(20,358)	–	–	(20,358)
Share based compensation-value of employee services	25	–	16,623	–	–	16,623
Changes in ownership interests in subsidiaries without change of control	26	–	72	–	98	170
Exercise of share options	24, 25	255	4,010	–	–	4,265
<b>Balance as at 30th June 2014</b>		<b>66,120</b>	<b>668,643</b>	<b>267,629</b>	<b>110,053</b>	<b>1,112,445</b>

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 2014, retained earnings comprised statutory reserve fund amounting to RMB28,641,000.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 General information

HC International, Inc. (the “Company”) and its subsidiaries (together, the “Group”) organise a business-to-business community across China by providing business information through both on-line and offline channels. The Group operates an on-line market place, provides industrial search result prioritising services through its business-to-business website “hc360.com” and publishes its own trade catalogues and yellow page directories in China. The Group is in the process of constructing a B2B household electrical appliances business exhibition center, through the operation of which provides vertical in-depth services and one-stop solution for B2B buyers and sellers.

As at 30th June 2014, the B2B household electrical appliances business exhibition centre (the “business exhibition centre”) was under development and a substantial amount of construction cost had been incurred. As set out in Note 18 and Note 23 to this financial information, deposits from pre-sale of properties of the business exhibition centre and related government grants was received as at 30th June 2014.

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 are presented in Renminbi, unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on 12th August 2014.

This condensed consolidated interim financial information has not been audited.

### 2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2014 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 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”).

### 3 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 2013, 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 2014, but have no significant impact to the Group.

HKAS 32 (Amendment)	Financial instruments: Presentation
HKFRS 10,12 and 27	Consolidated for investment entities
HKAS 36	Impairment of assets
HKAS 39	Financial instruments: Recognition and Measurement
HK(IFRIC) – Int 21	Levies

The following new standards, amendments to standards and interpretations have been issued but to be yet effective for the financial year beginning 1st January 2014 and have not been early adopted:

Amendments to HKAS19	"Benefit plans", Effective for annual periods beginning on or after 1st July 2014
HKFRS 2	"Share-based payment", Effective for annual periods beginning on or after 1st July 2014
HKFRS 3	"Business combinations", Effective for annual periods beginning on or after 1st July 2014
HKFRS 8	"Operating segments", Effective for annual periods beginning on or after 1st July 2014
HKAS 16	"Property, plant and equipment", Effective for annual periods beginning on or after 1st July 2014
HKAS 38	"Intangible Assets", Effective for annual periods beginning on or after 1st July 2014
HKAS 24	"Related Party Disclosure", Effective for annual periods beginning on or after 1st July 2014
HKFRS 13	"Fair value measurement", Effective for annual periods beginning on or after 1st July 2014
HKAS 40	"Investment Property", Effective for annual periods beginning on or after 1st July 2014
HKFRS 14	"Regulatory Deferral Accounts", Effective for annual periods beginning on or after 1st January 2016
Amendments to HKFRS 11	"Accounting for acquisitions of interests in joint operation", Effective for annual periods beginning on or after 1st January 2016
Amendments to HKAS16 and 38	"Clarification of acceptable methods of depreciation and amortisation", Effective for annual periods beginning on or after 1st January 2016
HKFRS 15	"Revenue from Contracts with Customers", Effective for annual periods beginning on or after 1st January 2017
HKFRS 9	"Financial Instruments", Mandatory effective date not yet determined.

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2014, on the Group's operations, and is yet to be in the position to conclude the impact.

#### **4 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 2013.

## 5 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. In addition, the B2B household electrical appliances business exhibition centre is under construction and certain units have been presold in 2014. The operations of B2B household electrical business exhibition centre are under review by CODM for the six months ended 30th June 2014 and has become a new business segment.

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 2014, 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.
- (iv) B2B household electrical appliances business exhibition centre – sales of properties and provision of property management services.

There were no sales or other transactions between the business segments in the six months ended 30th June 2014 and in 2013.

	<b>Unaudited</b>				
	<b>Six months ended 30th June 2014</b>				
	<b>Trade catalogues and yellow page directories</b>	<b>On-line services</b>	<b>Seminars and other services</b>	<b>B2B household electrical appliances business exhibition centre</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue	16,100	409,650	39,521		465,271
Segment results	(18,963)	117,764	7,173	(6,664)	99,310
Other income					3,394
Finance income, net					15,507
Profit before income tax					118,211
Depreciation and amortisation	1,098	12,529	571	59	14,257
Share based compensation expenses	576	14,633	1,414		16,623

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

The Group is domiciled in the People's Republic of China (the "PRC"). All revenues for the six months ended 30th June 2014 are from external customers in the PRC (six months ended 30th June 2013: same).

## 6 Investment in an associate

Set out below is an associate of the Group as at 30th June 2014. The associate as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also its principal place of business.

Nature of investment in an associate as at 30th June 2014:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Hui De Holding Co., Ltd.	PRC	20	<i>Note 1</i>	Equity

*Note 1:* Hui De Holding Co., Ltd. provides investment management and projects investments in the PRC.

	Six months ended 30th June 2014 <i>RMB'000</i>
Beginning of the period	20,000
Share of post-tax losses of an associate	(127)
<b>End of the period</b>	<b>19,873</b>

The Group's share of the assets in Hui De Holding Co. Ltd. and its aggregate assets and liabilities are shown below:

	<b>Six months ended 30th June 2014 RMB'000</b>
Assets	<b>119,365</b>
Liabilities	<b>20,000</b>
Loss for the period	<b>(635)</b>
Share of loss	<b>(127)</b>
Percentage held	<b>20%</b>

## 7 Investment in a joint venture

Set out below is a joint venture company of the Group as at 30th June 2014. The joint venture company as listed below has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in a joint venture as at 30th June 2014:

<b>Name of entity</b>	<b>Place of business/ country of incorporation</b>	<b>% of ownership interest</b>	<b>Nature of the relationship</b>	<b>Measurement method</b>
Chongqing Digital China Huicong Micro-Credit Co., Ltd.	PRC	40	<i>Note 1</i>	Equity

*Note 1:* Chongqing Digital China Huicong Micro-Credit Co., Ltd. provides development and operation of the micro-credit internet financing business in the PRC. Since this joint venture company was incorporated in May 2014 and had not commenced business as at 30th June 2014, no amount has been recognised in the condensed consolidated statement of comprehensive income.

The Group's share of the assets in Chongqing Digital China Huicong Micro-Credit Co., Ltd. and its aggregate assets and liabilities are shown below:

	<b>Six months ended 30th June 2014 RMB'000</b>
Assets	<b>375,000</b>
Liabilities	–
Loss for the period	–
Share of profit	–
Percentage held	<b>40%</b>

## 8 Expenses by nature

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

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Direct cost of trade catalogues and yellow page directories	<b>3,634</b>	4,243	<b>7,643</b>	9,124
Direct cost of on-line services	<b>1,191</b>	1,511	<b>2,675</b>	2,718
Direct cost of seminars and other services	<b>3,249</b>	4,983	<b>14,484</b>	9,704
Agency costs	<b>44,951</b>	36,423	<b>90,960</b>	63,189
Marketing expenses	<b>17,846</b>	12,036	<b>29,973</b>	20,784
Network and telephone expenses	<b>4,202</b>	2,772	<b>7,633</b>	5,147
Auditor's remuneration	<b>594</b>	577	<b>1,189</b>	1,154
Staff costs, including directors' emoluments	<b>70,938</b>	66,883	<b>140,946</b>	136,803
Amortisation of land use rights	<b>107</b>	108	<b>214</b>	216
Amortisation of intangible assets	<b>1</b>	1	<b>2</b>	2
Share based compensation expenses	<b>8,322</b>	6,346	<b>16,623</b>	9,507
Depreciation of property, plant and equipment	<b>7,180</b>	5,730	<b>14,041</b>	11,588
Provision for impairment and direct write-off of trade and other receivables	<b>919</b>	1,399	<b>1,895</b>	1,462
Gain on disposal of property, plant and equipment	<b>18</b>	159	<b>28</b>	221
Operating lease payments in respect of land and buildings	<b>4,757</b>	3,356	<b>8,647</b>	7,285
Travelling expenses	<b>2,312</b>	1,772	<b>3,789</b>	3,731
Other expenses	<b>13,409</b>	9,559	<b>25,219</b>	14,809
Total cost of revenue, selling and marketing expenses and administrative expenses	<b>183,630</b>	157,858	<b>365,961</b>	297,444

## 9 Finance income, net

	Unaudited Six months ended 30th June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Interest expense:		
– Other borrowings	(5,097)	(4,127)
– Finance lease liabilities	(118)	(230)
<b>Finance expenses</b>	<b>(5,215)</b>	<b>(4,357)</b>
Less: amounts capitalised on qualifying assets	4,786	4,127
Total finance expenses	(429)	(230)
<b>Finance income</b>	<b>15,936</b>	<b>4,607</b>
<b>Net finance income</b>	<b>15,507</b>	<b>4,377</b>

## 10 Income tax expense

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current income tax				
– Hong Kong profits tax (i)	–	–	–	–
– The PRC corporate income tax (“CIT”) (ii)	(11,272)	(5,104)	(14,200)	(7,950)
Deferred income tax	1,259	(4,141)	(4,797)	(6,127)
	(10,013)	(9,245)	(18,997)	(14,077)

(i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2013: 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 subjected 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.

## 11 Earnings per share

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit attributable to equity holders	<b>60,172</b>	32,037	<b>102,455</b>	52,314

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2014 No. of Shares '000	2013 No. of Shares '000	2014 No. of Shares '000	2013 No. of Shares '000
Weighted average number of shares in issue	<b>662,698</b>	572,870	<b>662,109</b>	568,691
Incremental shares from assumed exercise of share options granted	<b>25,551</b>	34,738	<b>33,125</b>	36,222
Diluted weighted average number of shares	<b>688,249</b>	607,608	<b>695,234</b>	604,913
Basic earnings per share (in RMB)	<b>0.0908</b>	0.0559	<b>0.1547</b>	0.0920
Diluted earnings per share (in RMB)	<b>0.0874</b>	0.0527	<b>0.1474</b>	0.0865

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options, the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The weighted average number of issued shares as at 30th June 2014 is compared with the number of shares that would have been issued assuming the exercise of the share options.

## 12 Dividends

No dividends was paid or declared by the Company during the period (2013: Nil).



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

	<b>Property, plant and equipment</b> <i>RMB'000</i>	<b>Land use rights</b> <i>RMB'000</i>	<b>Intangible assets</b> <i>RMB'000</i>	<b>Investment properties</b> <i>RMB'000</i>
Opening net book amount as at 1st January 2013	207,915	17,298	9	–
Additions	15,799	172,341	–	3,471
Interest capitalised	–	–	–	2,064
Disposals	(2,974)	–	–	–
Depreciation and amortisation	(11,588)	(216)	(2)	–
Amortisation charge capitalised in investment properties	–	(1,436)	–	1,436
Closing net book amount as at 30th June 2013 (unaudited)	209,152	187,987	7	6,971
<b>Opening net book amount as at 1st January 2014</b>	<b>214,586</b>	<b>185,619</b>	<b>5</b>	<b>39,518</b>
<b>Additions</b>	<b>89,977</b>	<b>–</b>	<b>–</b>	<b>46,894</b>
<b>Interest capitalised</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,393</b>
<b>Disposals</b>	<b>(663)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Depreciation and amortisation</b>	<b>(14,041)</b>	<b>(214)</b>	<b>(2)</b>	<b>–</b>
<b>Amortisation charge capitalised in investment properties</b>	<b>–</b>	<b>(2,155)</b>	<b>–</b>	<b>2,155</b>
<b>Closing net book amount as at 30th June 2014 (unaudited)</b>	<b>289,859</b>	<b>183,250</b>	<b>3</b>	<b>90,960</b>

The investment properties are measured by cost model. They are under construction in progress as at 30th June 2014.

#### 14 Properties under development

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Properties under development comprise:		
– Construction cost and other capitalised expenditures	<b>79,049</b>	32,154
– Interest capitalised	<b>6,166</b>	3,773
– Land use rights	<b>172,341</b>	172,341
	<b>257,556</b>	208,268

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 period. Land use rights are held on leases of 40 years.

#### 15 Long term deposit, prepayments and other receivables

The balance is mainly composed of the loans amounting to approximately RMB30,600,000 (31st December 2013: RMB30,600,000) 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 as at 30th June 2014 (31st December 2013: RMB21,600,000). The Group is in the process of obtaining the related land use right title, which is subject to final approval from the related government authorities.

#### 16 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 2014 and 31st December 2013 are as follows:

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Current to 90 days	<b>30,189</b>	7,181
91 to 180 days	<b>2,082</b>	3,332
181 to 365 days	<b>3,130</b>	1,816
Over 1 year	<b>1,703</b>	1,914
	<b>37,104</b>	14,243
Less: provision for impairment of trade receivables	<b>(3,268)</b>	(2,822)
	<b>33,836</b>	11,421

## 17 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 condensed consolidated statement of comprehensive income in the same period.

## 18 Receipt in advance from customers

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Receipt in advance from customers	<b>202,208</b>	–
	<b>202,208</b>	–

The amount represents deposits received from independent third parties on the presale of properties on B2B household electrical appliances business exhibition centre under development.

## 19 Finance lease obligations

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Finance lease liabilities:		
Non-current	<b>1,054</b>	1,323
Current	<b>665</b>	759
<b>Total finance lease obligations</b>	<b>1,719</b>	2,082
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	<b>748</b>	995
Later than 1 year and no later than 5 years	<b>1,230</b>	1,465
Future finance charges on finance leases	<b>(259)</b>	(378)
<b>Present value of finance lease liabilities</b>	<b>1,719</b>	2,082
<b>The present value of finance lease liabilities is as follows:</b>		
No later than 1 year	<b>665</b>	759
Later than 1 year and no later than 5 years	<b>1,054</b>	1,323
	<b>1,719</b>	2,082

The effective interest rates for the finance lease obligations ranges from 1.28% to 1.40% monthly.

## 20 Trade payables

The aging analysis of the trade payables as at 30th June 2014 and 31st December 2013 are as follows:

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Current to 90 days	<b>834</b>	1,138
91 to 180 days	<b>74</b>	458
181 to 365 days	<b>303</b>	484
Over 1 year	<b>151</b>	542
	<b>1,362</b>	2,622

## 21 Borrowings

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Non-current portion:		
Bank borrowings	<b>49,718</b>	24,838
Other borrowings	<b>21,098</b>	77,649
	<b>70,816</b>	102,487
Current portion:		
Other borrowings	<b>68,046</b>	11,184
	<b>138,862</b>	113,671

Movements in borrowings is analysed as follows:

	<b>Unaudited 30th June 2014 RMB'000</b>	Unaudited 30th June 2013 RMB'000
<b>Six months ended 30th June 2014/2013</b>		
Opening amount 1st January 2014/2013	<b>113,671</b>	–
Additions of borrowings	<b>25,191</b>	165,583
Repayments of borrowings	<b>–</b>	(68,214)
<b>Closing amount as at 30th June 2014/2013</b>	<b>138,862</b>	97,369

Bank borrowings mature until 10th May 2017 and bear interest rate of 6.8% per annum (31st December 2013: 6.8% per annum). The bank borrowings are secured by land use rights. The land use rights amounting to RMB344,681,640 (31st December 2013: RMB344,681,640).

Other 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 unsecured, and bear average interest of 7.8% (31st December 2013: 7.8%) per annum. The carrying amounts of borrowings approximate their fair values and are denominated in RMB.

As at 30th June 2014, the Group's borrowings were repayable as follows:

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Within 1 year	<b>68,046</b>	11,184
Between 1 and 2 years	<b>21,098</b>	77,649
Between 2 and 5 years	<b>49,718</b>	24,838
	<b>138,862</b>	113,671

## 22 Income tax payable and other taxes payable

	<b>Unaudited 30th June 2014 RMB'000</b>	Audited 31st December 2013 RMB'000
Income tax payable:		
Corporate income tax	<b>14,307</b>	22,436
Other taxes payable:		
Value added tax	<b>2,510</b>	7,523
Cultural and development tax	<b>286</b>	367
Other taxes	<b>7,621</b>	9,921
	<b>10,417</b>	17,811

## 23 Deferred government grants

The deferred government grants represented (i) Grants received from government 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. (ii) To subsidise the Group's purchase of property, plant and equipment for the Group's expansion in Beijing.

The conditions attached to these grants have not been satisfied as at 30th June 2014.

## 24 Share capital

	Number of ordinary shares	Par Value <i>RMB'000</i>
<b>As at 1st January 2014</b>	<b>659,579,618</b>	<b>65,865</b>
<b>Exercise of share options</b>	<b>3,237,000</b>	<b>255</b>
<b>As at 30th June 2014</b>	<b>662,816,618</b>	<b>66,120</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 (2013: 1,000 million shares) with a par value of HK\$0.1 per share (2013: HK\$0.1 per share). All issued shares are fully paid.

During the six months ended 30th June 2014, 3,237,000 shares of the Company were issued upon the exercise of share options (under the share option scheme of the Company) at exercise price of HK\$2.4, HK\$1.49, HK\$1.24, HK\$0.604 and HK\$1.108, and resulted in approximately RMB4,010,000 increase in share premium.

The total number of issued shares of the Company was 662,816,618 as at 30th June 2014.

### **Share options**

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

#### *Share Option Scheme*

	2014		2013	
	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>1,396,000</b>	2.40	6,343,000
Lapsed	<b>2.40</b>	–	2.40	(32,000)
Exercise	<b>2.40</b>	<b>(1,396,000)</b>	2.40	(3,986,000)
As at 30th June	<b>2.40</b>	–	2.40	2,325,000
As at 1st January	<b>1.49</b>	<b>1,844,000</b>	1.49	2,868,000
Lapsed	<b>1.49</b>	–	1.49	–
Exercised	<b>1.49</b>	<b>(316,000)</b>	1.49	(334,000)
As at 30th June	<b>1.49</b>	<b>1,528,000</b>	1.49	2,534,000

	2014		2013	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share Options
As at 1st January	<b>1.24</b>	<b>5,370,000</b>	1.24	6,991,000
Lapsed	<b>1.24</b>	–	1.24	–
Exercised	<b>1.24</b>	<b>(895,000)</b>	1.24	(588,000)
As at 30th June	<b>1.24</b>	<b>4,475,000</b>	1.24	6,403,000
As at 1st January	<b>0.604</b>	<b>4,200,000</b>	0.604	7,200,000
Lapsed	<b>0.604</b>	–	0.604	–
Exercised	<b>0.604</b>	<b>(200,000)</b>	0.604	(2,300,000)
As at 30th June	<b>0.604</b>	<b>4,000,000</b>	0.604	4,900,000
As at 1st January	<b>0.82</b>	<b>15,868,000</b>	0.82	25,350,000
Lapsed	<b>0.82</b>	–	0.82	–
Exercised	<b>0.82</b>	<b>(400,000)</b>	0.82	(8,200,000)
As at 30th June	<b>0.82</b>	<b>15,468,000</b>	0.82	17,150,000
As at 1st January	<b>1.108</b>	<b>280,000</b>	1.108	2,000,000
Lapsed	<b>1.108</b>	–	1.108	(50,000)
Exercised	<b>1.108</b>	<b>(30,000)</b>	1.108	(1,250,000)
As at 30th June	<b>1.108</b>	<b>250,000</b>	1.108	700,000
As at 1st January	<b>4.402</b>	<b>1,500,000</b>	4.402	–
Granted	<b>4.402</b>	–	4.402	1,500,000
Lapsed	<b>4.402</b>	–	4.402	–
Exercise	<b>4.402</b>	–	4.402	–
As at 30th June	<b>4.402</b>	<b>1,500,000</b>	4.402	1,500,000
As at 1st January	<b>9.84</b>	<b>10,000,000</b>	9.84	–
Granted	<b>9.84</b>	–	9.84	–
Lapsed	<b>9.84</b>	–	9.84	–
Exercise	<b>9.84</b>	–	9.84	–
As at 30th June	<b>9.84</b>	<b>10,000,000</b>	9.84	–

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

*Share Option Scheme*

Expiry date	Exercise price HK\$ per share	Share options	
		30th June 2014	31st December 2013
18th February 2014	2.4	–	1,396,000
23rd June 2016	1.49	<b>1,528,000</b>	1,844,000
11th July 2017	1.24	<b>4,475,000</b>	5,370,000
29th September 2018	0.604	<b>4,000,000</b>	4,200,000
7th April 2020	0.82	<b>15,468,000</b>	15,868,000
28th March 2021	1.108	<b>250,000</b>	280,000
3rd April 2023	4.402	<b>1,500,000</b>	1,500,000
18th November 2023	9.84	<b>10,000,000</b>	10,000,000

***Share Award Scheme***

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

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

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

On 17th January 2014, the Board resolved to grant Mr. Yang Ning, an executive Director, 3,000,000 shares, subject to a vesting period of up to 48 months.

As at 30th June 2014, 44,066,000 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 under the Share Award Scheme for the period ended 30th June 2014.

	<b>Number of Shares</b>
As at 1st January 2014	34,749,335
Shares purchased from the market	1,492,000
Amount vested during the period	(4,056,936)
<b>As at 30th June 2014</b>	<b>32,184,399</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)
<b>As at 30th June 2013</b>	<b>35,361,005</b>

## 25 Other reserves

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Share redemption reserve <i>RMB'000</i>	Share-based compensation reserves <i>RMB'000</i>	Share held for share award scheme <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Available for sales reserve <i>RMB'000</i>	Others reserve <i>RMB'000</i>	Total <i>RMB'000</i>
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>
As at 1st January 2014	633,269	987	108,830	496	60,797	(107,814)	(12,833)	-	(17,493)	666,239
Currency translation difference	-	-	-	-	-	-	2,057	-	-	2,057
Share based compensation-value of employee services	-	-	-	-	16,623	-	-	-	-	16,623
Share purchased for share award scheme	-	-	-	-	-	(20,358)	-	-	-	(20,358)
Changes in ownership interest in subsidiaries without change of control (Note 26)	-	-	-	-	-	-	-	-	72	72
Vesting of share award	-	-	-	-	(4,902)	4,902	-	-	-	-
Exercise of share options	4,010	-	-	-	-	-	-	-	-	4,010
<b>As at 30th June 2014</b>	<b>637,279</b>	<b>987</b>	<b>108,830</b>	<b>496</b>	<b>72,518</b>	<b>(123,270)</b>	<b>(10,776)</b>	<b>-</b>	<b>(17,421)</b>	<b>668,643</b>

## 26 Changes in ownership interests in subsidiaries without change of control

### *Disposal of interest in a subsidiary without loss of control*

On 24th February 2014, a new shareholder injected capital amounting to RMB170,000 into 佛山市慧從匯電子商務有限公司, a subsidiary of the Group which is owned as to 59% by 慧聰(天津)電子商務投資有限公司("Tianjin HC"). The new shareholder subscribes 10% of the equity interest. After this transaction, the equity interest in 佛山市慧從匯電子商務有限公司 was diluted from 59% to 53.1%.

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:

	<b>Unaudited 30th June 2014 RMB'000</b>
Carrying amount of non-controlling interest acquired	<b>98</b>
Consideration received for the non-controlling interests	<b>(170)</b>
Consideration paid in excess of carrying value recognised within equity	<b>(72)</b>

## 27 Related-party transactions

The following significant transactions were carried out with related parties:

### (a) Sales of services

	<b>Unaudited Three months ended 30th June</b>		<b>Unaudited Six months ended 30th June</b>	
	<b>2014 RMB'000</b>	2013 RMB'000	<b>2014 RMB'000</b>	2013 RMB'000
Sales of services				
– 北京慧聰建設信息諮詢有限公司 (technology services) (i)	<b>53</b>	53	<b>106</b>	106
– 北京慧聰建設信息諮詢有限公司 (grant of the right to use domain names and trademarks) (ii)	<b>60</b>	60	<b>120</b>	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 50% by Mr. Guo Fansheng, the Chairman of the Board and an Executive Director of the Company and as to 50% by Mr. Guo Jiang, an Executive Director and the chief executive officer 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 Service Agreement (as supplement), the Group received technical service income from 北京慧聰建設信息諮詢有限公司 based on the working hours devoted to the service and support.

- (ii) 北京慧聰建設信息諮詢有限公司 entered into a three-year Domain Names and Trademark Licence Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the Domain Names and trademark Licence Agreement to 31st December 2007 and on 30th December 2007, 2009 and 2011, the parties entered into another supplemental agreement which extended the term of the Domain Names and Trademark Licence to 31st December 2009, 2011 and 2014 respectively.

Pursuant to the Domain Names and Trademark Licence Agreement (as supplemented), 北京慧聰建設信息諮詢有限公司 was granted the right to use the domain names and trademark owned or attained by the Group during the agreement period for a fixed fee.

(b) *Purchases of services*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 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 supplement), 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 website 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 supplement), Huicong Construction received publication income from the Group at a fixed fee. It published the Group's advertisements on its website and on those as stipulated by the Group.

(c) *Key management compensation*

	Unaudited Three months ended 30th June		Unaudited Six months ended 30th June	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries and other short-term employee benefits	<b>1,534</b>	1,456	<b>2,916</b>	3,405
Share-based payments	<b>3,044</b>	3,981	<b>6,128</b>	7,546
	<b>4,578</b>	5,437	<b>9,044</b>	10,951

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

	Unaudited 30th June 2014 <i>RMB'000</i>	Audited 31st December 2013 <i>RMB'000</i>
Amount due from a related company (i)	<b>1,660</b>	1,622

- (i) The related company is 北京慧聰建設信息諮詢有限公司, a company owned as to 50% by Mr. Guo Fansheng, the Chairman of the Board and an Executive Director of the Company and as to 50% by Mr. Guo Jiang, an Executive Director and the chief executive officer of the Company. Details of the transactions with this Company are set out in Note 27a and Note 27b.

(e) *Loans to related parties*

On 21st December 2012, a loan was granted by the Group to Mr. Yang Ning, an executive Director, pursuant to the Share Award Scheme and a loan agreement dated 21st December 2012 was entered into between the Company and Mr. Yang in respect of the Loan. The loan's term and conditions are as follows:

<b>Name</b>	<b>Amount of loan</b> <i>RMB'000</i>	<b>Term</b>	<b>Amount reimbursed as at 30 June 2014</b> <i>RMB'000</i>	<b>Interest rate</b>
Mr. Yang Ning	2,000	3 years from date of advancement	2,052	5% per annum

No provision has been required as at 30th June 2014 for the loans made to key management personnel and associates.

**28 Contingent liabilities**

As at 30th June 2014, there were no material contingent liabilities to the Group (31st December 2013: Nil).

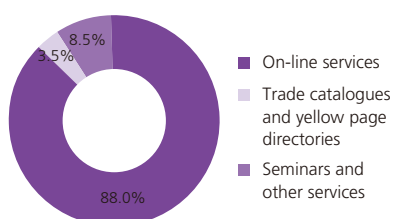
**29 Subsequent event**

On 2nd July 2014, the Company and Hong Kong Huicong International Group Limited ("Hong Kong Huicong") (a wholly-owned subsidiary of the Company) entered into the Cornerstone Investment Agreement with Cogobuy Group, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Cogobuy Group (Stock code: 400), the share of which are listed on the Main Board as at the date of this announcement, up to an aggregate value of US\$20,000,000 (equivalent to approximately HK\$155,034,000). On 18th July 2014, Hong Kong Huicong was allocated 38,758,000 shares of Cogobuy Group, representing approximately 2.8% of the issued share capital of Cogobuy Group, for a total consideration of HK\$155,034,000. The subscription constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Please also refer to the announcement of the Company dated 3 July 2014 for further details.

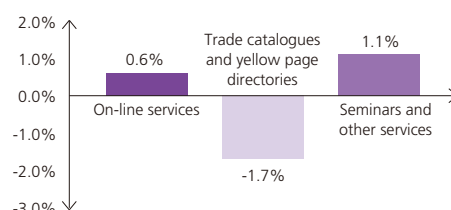
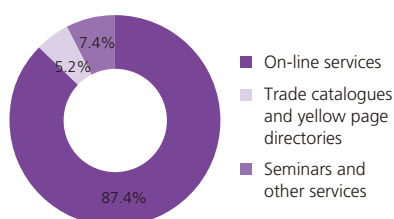
## Financial and Business Review

Revenue analysis	On-line services <i>RMB'000</i>	Trade catalogues and yellow page directories <i>RMB'000</i>	Seminars and other services <i>RMB'000</i>	Total <i>RMB'000</i>
First Half of 2014	409,651	16,100	39,520	465,271
First Half of 2013	312,452	18,717	26,437	357,606
Variance	31.1%	(14.0%)	49.5%	30.1%

**2014 First half revenue**



**2013 First half revenue**



During the period, the Group recorded a revenue of approximately RMB465.3 million (2013: RMB357.6 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, our overall gross profit ratio has further improved by approximately 0.7 percentage points to a satisfied level of approximately 94.7% (2013: 94.0%).

The Group continued to increase its selling and marketing expenses from approximately RMB223.0 million for the half year ended 30th June 2013 to approximately RMB264.5 million in the same period of 2014 which was mainly due to the increase of marketing expenses and agency costs.

We are also delighted to report that the Group's profit attributable to equity holders had increased significantly to approximately RMB102.5 million for the six months ended 30th June 2014, up approximately 95.8% from the same period last year, as a result of improvement in revenue from on-line services, migration of cost structure and better control of expenses on a period-over-period basis.

Focusing on the B2B transactions, the Group has continued to extend its on-line transaction services and develop respective transaction modules based on the needs of different industries so as to continue with the transactions of each sector. In order to build a B2B transaction-enabled platform, the Group will continue to explore various approaches to enhance stickiness and to provide lubricants within the close loop operations, such as O2O and internet finance.

To date, the Group provides its on-line services mainly through the platform of “hc360.com”, on which business information is collected and disseminated with an aim to facilitate the location and matching of buyers and sellers. The Group currently derives revenues from its on-line services through receiving subscription fee from users who subscribed for fee-charging services provided on the platform. Principal on-line services provided by the Group includes, among others, Mai-Mai-Tong and Biao-Wang Search, etc. We further provided to Mai-Mai-Tong users the service of HuiFuBao with an aim to assist transaction between buyers and sellers of the on-line platform. HuiFuBao operates through the operation and cooperation pursuant to a payment services agreement (支付服務協議) and a transaction funding escrow services cooperation agreement (交易資金監管服務合作協議), and currently, the Group does not derive any revenue or charge buyers or sellers for use of HuiFuBao service.

On-line advertising services are also provided by the Group at the on-line platform and sub-divided industry pages.

Through the utilisation of specialised sector information and e-commerce services, users are enabled to promptly get hold of industry information and intelligence and capture business opportunities. We also promoted the communication and activities within the communities of industries via various off-line forums, trade fairs, expositions, Feasts for Industry Brands, Trade Catalogues and Yellow Page Directories, enhancing the complementary effect of off-line marketing in such a way that the marketing efforts of e-commerce will be maximised, so as to increase the success rate of transactions.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Contractual arrangements**

In light of relevant PRC laws and regulations restricting the participation and operation of internet content services by foreign investors, the Group has since January 2002 engaged 北京慧聰建設信息諮詢有限公司 to operate its online platform, and disseminate its business information on the internet pursuant to certain contractual arrangements. Please also refer to the prospectus of the Company dated 8 December 2003 for further information of the existing contractual arrangements.

We are currently reviewing the existing contractual arrangements, and may consider making adjustment to the contractual arrangements with reference to the Group's development and circumstances, and such applicable legal and regulatory requirements.

### **Liquidity and financial resources**

As at 30th June 2014 the Group had cash and bank balance of approximately RMB976.3 million and net current assets of approximately RMB545.1 million. The Group maintained a strong working capital position during the six months ended 30th June 2014.

The Group had short-term loans amounting to approximately RMB68.7 million as at 30th June 2014 (including financial lease obligations). The gearing ratio of the Group was 14% as at 30th June 2014, calculated with reference to total loans (including finance lease obligations) and capital and reserves attributable to the Company's equity holders of approximately RMB1,002 million.

The capital and reserves attributable to equity holders of the Company increased by approximately RMB105 million from approximately RMB897 million as at 31st December 2013 to approximately RMB1,002 million as at 30th June 2014.

### **Significant investments**

Saved as disclosed in this announcement, the Group had no significant investments during the six months ended 30th June 2014.

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

*Online to offline (O2O) – The B2B household electrical appliances business exhibition centre*

廣東慧聰家電城投資有限公司 ("Shunde Subsidiary"), a subsidiary of the Group which is owned as to 53.1% by 慧聰(天津)電子商務產業投資有限公司 ("Tianjin HC"). The construction of the B2B household electrical appliance business exhibition centre (the "Exhibition Centre") on the land located in Shunde (the "Land") has commenced, and is scheduled to complete by the end of 2015 and shall be put into operation afterwards.



With a view to maintain the financial position of the project, a total floor area of 10,400 square meters, representing approximately 6.25% of the total gross floor area of the Land, was sold. All proceeds from the sale are or will be applied as capital for further construction of the Exhibition Centre, or for repayment of facilities or loan of Shunde Subsidiary. The aforesaid sale are within the ambit and contemplation of the grant of the Land and pursuant to the terms of transfer contract for land use rights of state-owned land for the Land and in line with the conditions as set out in the tender notice of the Land, which provides for not more than 50% of the total floor area of the Land be sold or transferred within 7 years after delivery of the Land. It is contemplated that further sale of total gross floor area of not more than 70,000 square meters.

#### *Chongqing Digital China Huicong Micro-Credit Co., Ltd.*

Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) (“Micro-Credit JV”) is owned as to 60% by Digital China Holdings Limited and as to 40% by the Group. Registered capital in an aggregate of RMB375,000,000 has been injected into Micro-Credit JV as contemplated under the relevant joint venture agreement (details of which are set out in the circular of the Company dated 20 December 2013), and Micro-Credit JV has commenced business after the reporting period. Micro-Credit JV is also processing with the application for approval for further registered capital of an aggregate of RMB625,000,000 as contemplated under the said joint venture agreement.

#### **Staff**

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2014, the Group had 3,158 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 2014, 3,237,000 shares of the Company (“Shares”) were issued upon the exercise of share options. The total number of issued Shares was 662,816,618 as at 30th June 2014.

#### **Charges on Group assets**

As at 30th June 2014, the Group has bank borrowings amounting to RMB49.7 million and undrawn banking facilities of RMB230.3 million, which are secured by land use rights.

## **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 2014, the Group had no material contingent liabilities.

## **Material acquisition and disposal**

Saved as disclosed in this announcement, the Group had no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30th June 2014.

## **Proposed transfer of listing**

As announced by the Company on 15th April 2014, the Company submitted a formal application to the Stock Exchange for the transfer of listing of 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 the Securities on the Stock Exchange. The proposed transfer of listing is conditional upon, among other things: (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, (i) all Shares in issue; and (ii) Shares which may fall to be issued upon exercise of the outstanding share options which were granted under the Share Option Scheme, on the Main Board; and (b) all other relevant consents required or in connection with the implementation of the proposed transfer of listing having been obtained, and the fulfillment of all conditions which may be attached to such consents, if any. The Company believes that if materialised, the listing of Shares on the Main Board of the Stock Exchange will enhance the profile of the Group, and will improve the trading liquidity of the Shares. There is no assurance that permission will be obtained from the Stock Exchange for the proposed transfer of listing. Further announcement will be made by the Company as and when required by the relevant listing rules.

## **Subsequent event**

On 2nd July 2014, the Company and Hong Kong Huicong International Group Limited ("Hong Kong Huicong") (a wholly-owned subsidiary of the Company) entered into the Cornerstone Investment Agreement with Cogobuy Group, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Cogobuy Group (Stock code: 400), the share of which are listed on the Main Board as at the date of this announcement, up to an aggregate value of US\$20,000,000 (equivalent to approximately HK\$155,034,000). On 18th July 2014, Hong Kong Huicong was allocated 38,758,000 shares of Cogobuy Group, representing approximately 2.8% of the issued share capital of Cogobuy Group, for a total consideration of HK\$155,034,000. The subscription constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Please also refer to the announcement of the Company dated 3rd July 2014 for further details.

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

As at 30th June 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

### Directors' long positions in the Shares

Name of Director	Class of Shares	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
Guo Jiang	Ordinary	Beneficial owner/ family interest	77,765,146 (Note 1)	10,784,625 (Note 1)	-	-	88,549,771 (Note 1)	13.36%
Guo Fansheng	Ordinary	Beneficial owner	57,749,015	-	-	-	57,749,015	8.71%
Li Jianguang	Ordinary	Interest of controlled corporation	-	-	32,000,384 (Note 2)	-	32,000,384 (Note 2)	4.83%
Lee Wee Ong	Ordinary	Beneficial owner	4,600,672 (Note 3)	-	-	-	4,600,672 (Note 3)	0.69%
Yang Ning	Ordinary	Beneficial owner	10,131,939 (Note 4)	-	-	-	10,131,939 (Note 4)	1.53%

Notes:

1. Such interest in the Company comprises:
  - (a) 59,498,771 Shares of which 5,150,625 Shares are held by Ms. Geng Yi, who is Mr. Guo Jiang's spouse;
  - (b) 13,910,000 underlying Shares derived from the awarded shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17th November 2011; and
  - (c) 15,134,000 underlying Shares derived from the share options granted under the share option scheme adopted on 30th November 2003 of which 5,634,000 underlying Shares derived from the share options granted to Ms. Geng Yi under the share option scheme.

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

2. The references to 32,000,384 Shares relate to the same block of shares of the Company held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li Jianguang. Accordingly, Mr. Li Jianguang is deemed, or taken to have, interested in the said 32,000,384 shares of the Company pursuant to the SFO.
3. Such interests in the Company comprises: (i) 1,100,672 Shares, (ii) 2,000,000 underlying Shares derived from the awarded share granted to Mr. Lee Wee Ong under the employees' share award scheme of the Company adopted by the Board on 17th November 2011 and (iii) 1,500,000 underlying Shares derived from the share options granted under the Share Option Scheme.
4. Such interests in the Company comprises: (i) 4,921,939 Shares and (ii) 5,210,000 underlying Shares derived from the awarded share granted to Mr. Yang Ning under the employees' share award scheme of the Company adopted by the Board on 17th November 2011.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.47 of the GEM Listing Rules.

## **SHARE OPTION SCHEMES**

Pursuant to written resolutions of the shareholders of the Company dated 30th November 2003, two share option schemes, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), were adopted by the Company. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were summarised in the paragraph headed "Share options" under the section headed "Statutory and General Information" in Appendix V of the prospectus of the Company dated 8th December 2003. All options granted under the Pre-IPO Share Option Scheme had been exercised or lapsed, and no such option is outstanding.

## OUTSTANDING SHARE OPTIONS

### (b) Share Option Scheme

As at 30th June 2014, options to subscribe for an aggregate of 37,221,000 Shares granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per share HK\$	Number of share options			
			As at 1st January 2014	Granted during the period	Exercised during the period	Lapsed during the period
<b>Directors</b>						
Guo Jiang	18th February 2004	2.4	1,000,000		(1,000,000)	–
	23rd June 2006	1.49	1,000,000			1,000,000
	11th July 2007	1.24	2,200,000			2,200,000
	29th September 2008	0.604	1,500,000			1,500,000
Lee Wee Ong	7th April 2010	0.82	4,800,000			4,800,000
	3rd April 2013	4.402	1,500,000			1,500,000
<b>Senior management</b>						
Geng Yi	18th February 2004	2.4	300,000		(300,000)	–
	23rd June 2006	1.49	434,000			434,000
	29th September 2008	0.604	1,000,000			1,000,000
	7th April 2010	0.82	4,200,000			4,200,000
Guo Gang	28th March 2011	1.108	50,000			50,000
Li Tao	11th July 2007	1.24	220,000			220,000
	29th September 2008	0.604	400,000			400,000
	7th April 2010	0.82	800,000			800,000
<b>Other employees</b>						
In aggregate	18th February 2004	2.4	96,000		(96,000)	–
In aggregate (Note 2)	23rd June 2006	1.49	410,000		(316,000)	94,000
In aggregate (Note 3)	11th July 2007	1.24	2,950,000		(895,000)	2,055,000
In aggregate (Note 4)	29th September 2008	0.604	1,300,000		(200,000)	1,100,000
In aggregate (Note 5)	7th April 2010	0.82	6,068,000		(400,000)	5,668,000
In aggregate (Note 6)	28th March 2011	1.108	230,000		(30,000)	200,000
In aggregate (Note 7)	18th November 2013	9.84	10,000,000			10,000,000
Total			40,458,000		(3,237,000)	37,221,000

Notes:

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

For the options exercisable at HK\$2.40 granted on 18th February 2004, the relevant grantees may exercise options up to 33.3%, 66.6% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first, second and third anniversaries of the date of the grant of options.

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

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

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

For the options exercisable at HK\$0.82 granted on 7th April 2010, the relevant grantees may exercise options up to 50% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

For the options exercisable at HK\$1.108 granted on 28th March 2011, the relevant grantees may exercise options up to 50% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

For the options exercisable at HK\$9.84 granted on 18th November 2013, the relevant grantees may exercise options up to 10%, 20%, 40%, 70% and 100%, respectively, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of options.

2. 2 employees have been granted options under the Share Option Scheme to acquire an aggregate of 204,000 Shares at HK\$1.49 per share.
3. 7 employees have been granted options under the Share Option Scheme to acquire an aggregate of 2,055,000 Shares at HK\$1.24 per Share.
4. 2 employees have been granted options under the Share Option Scheme to acquire an aggregate of 1,100,000 Shares at HK\$0.604 per Share.
5. 6 employees have been granted options under the Share Option Scheme to acquire an aggregate of 5,668,000 Shares at HK\$0.82 per Share.
6. 3 employees have been granted options under the Share Option Scheme to acquire an aggregate of 210,000 Shares at HK\$1.108 per Share.

7. 56 employees have been granted options under the Share Option Scheme to acquire an aggregate of 10,000,000 Shares at HK\$9.84 per Share.
8. The fair value of options granted under the Share Option Scheme on 18th February 2004, determined using the Binomial Model value model, was approximately RMB20,193,000. The significant inputs into the model were the exercise price of HK\$2.4, standard deviation of expected share price returns of 32%, expected life of options ranging from 5.4 to 6.6 years, expected dividend paid out rate of 0% and annual risk-free interest rate ranging from 1.34% to 4.43%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
9. The fair value of options granted under the Share Option Scheme on 23rd June 2006, determined using the Binomial Model valuation model, was approximately RMB3,919,000. The significant inputs into the model were exercise price of HK\$1.49, standard deviation of expected share price returns of 34.8%, expected life of options ranging from 3.2 to 5.5 years expected dividend paid out rate of 0% and annual risk free interest rate 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
10. The fair value of options granted under the Share Option Scheme on 11th July 2007, determined using the Binomial Model valuation model, was approximately RMB9,390,000. The significant inputs into the model were exercise price of HK\$1.24 standard deviation of expected share price returns of 49.0%, expected life of options ranging from 2.4 to 6.2 years expected dividend paid out rate of 0% and annual risk-free interest rate 4.757%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
11. The fair value of options granted under the Share Option Scheme on 29th September 2008, determined using the Binomial Model valuation model, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK\$0.604 standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years expected dividend paid out rate of 0% and annual risk-free interest rate 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
12. The fair value of options granted under the Share Option Scheme on 7th April 2010, determined using the Binomial Model valuation model, was approximately RMB12,527,000. The significant inputs into the model were exercise price of HK\$0.82 standard deviation of expected share price returns of 79.8%, expected life of options ranging from 3.4 to 5.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.865%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
13. The fair value of options granted under the Share Option Scheme on 28th March 2011, determined using the Binomial Model valuation model, was approximately RMB1,377,000. The significant inputs into the model were exercise price of HK\$1.108 standard deviation of expected share price returns of 77.4%, expected life of options ranging from 3.8 to 4.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.82%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

14. The fair value of options granted under the Share Option Scheme on 3rd April 2013, determined using the Binomial Model valuation model, was approximately RMB3,754,000. The significant inputs into the model were exercise price of HK\$4.402 standard deviation of expected share price returns of 75%, expected life of options ranging from 9.1 to 9.6 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.111%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
15. The fair value of options granted under the Share Option Scheme on 18th November 2013, determined using the Binomial Model valuation model, was approximately RMB50,125,000. The significant inputs into the model were exercise price of HK\$9.84 standard deviation of expected share price returns of 71.5%, expected life of options ranging from 4.7 to 7.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.915%. 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.
16. The valuation of share options is subject to a number of assumptions and with regard to the subjectivity and uncertainty of the model.
17. In respect of employees resigned during the period whose share options have not been vested, such share options are lapsed, and the share compensation costs recognised previously are credited to condensed consolidated final statement of comprehensive income.
18. The weighted average closing price of the Shares immediately before the date on which these options were exercised was approximately HK\$14.12 per Share.



## EMPLOYEES' SHARE AWARD SCHEME

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

Since the adoption date, a total of 46,881,000 Shares have been granted up to the date of this announcement, representing approximately 7.07% of the issued share capital of the Company as at the date of this announcement. The awarded shares remain outstanding as at 30th June 2014 are set out below:

Name of grantee	Date of grant	Number of awarded shares	As at 1st January 2014	Granted during the period	Vested during the period	As at 30th June 2014
<b>Directors</b>						
Guo Jiang	20th August 2012	16,700,000	13,917,000		–	13,917,000
Lee Wee Ong	14th June 2012	3,000,000	2,000,000		–	2,000,000
Yang Ning	23rd November 2011	3,000,000	2,210,000		–	2,210,000
	17th January 2014	3,000,000	–	3,000,000	–	3,000,000
<b>Senior management</b>						
Guo Gang	23rd November 2011	300,000	200,000		(100,000)	100,000
Li Tao	23rd November 2011	300,000	200,000		(100,000)	100,000
<b>Other employees</b>						
In aggregate ( <i>Note 1</i> )	23rd November 2011	20,581,000	17,529,335		(3,856,936)	13,672,399
<b>Total</b>		<b>46,881,000</b>	<b>36,056,335</b>	<b>3,000,000</b>	<b>(4,056,936)</b>	<b>34,999,399</b>

*Note:*

- 69 employees have been granted an aggregate of 20,581,000 awarded shares on 23rd November 2011.

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

As at 30th June 2014, the interest and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

<b>Name of Shareholder</b>	<b>Class of Shares</b>	<b>Long position</b>	<b>Capacity</b>	<b>Approximate percentage of shareholding as at 30th June 2014</b>
Digital China Holdings Limited	Ordinary	137,758,107 (Note 1)	Interest in controlled corporation	20.78%
Geng Yi	Ordinary	88,549,771 (Note 2)	Beneficial Owner and Family Interest	13.36%
Kent C. McCarthy	Ordinary	66,244,785 (Note 3)	Interest in controlled corporation	9.99%

Notes:

- The references to 137,758,107 Shares held by the Talent Gain Developments Limited, a wholly-owned subsidiary of Digital China (BVI) Limited, which is a wholly-owned subsidiary of Digital China Holdings Limited.
- Such interest in the Company comprises: (a) 59,498,771 Shares of which 54,348,146 Shares are held by Mr. Guo Jiang, who is Ms. Geng Yi's spouse; (b) 13,917,000 underlying Shares derived from the awarded shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17th November 2011; and (c) 15,134,000 underlying Shares derived from the share options granted under the Share Option Scheme of which 9,500,000 underlying Shares derived from the share options granted to Mr. Guo Jiang under the Share Option Scheme. Ms. Geng is deemed, or taken to have, interested in the shares and underlying shares held by Mr. GuoJiang pursuant to the SFO.
- The reference to 66,244,785 Shares comprises 48,472,941 Shares, 3,051,955 Shares, 9,980,000 Shares, 2,493,058 Shares, 1,124,737 Shares and 1,122,094 Shares held by Jayhawk Private Equity Fund, L.P., Jayhawk Private Equity Co – Invest Fund, L.P., JHAB Fund II, LLC, Kent C McCarthy Revocable Trust, Kent C McCarthy Dynasty Trust and McCarthy Family SD, LLC, respectively. The entire issued share capital of each of the above mentioned entities is owned by Mr. Kent C McCarthy.

Save as disclosed above, as at 30th June 2014, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the Shares and underlying Shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules on 20th March 2006. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the six months ended 30th June 2014.

## **AUDIT COMMITTEE**

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an 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 2014. The condensed consolidated results for the six months ended 30th June 2014 are unaudited, but have been reviewed by the audit committee.

## **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 2014.

## **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 2014.

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

Pursuant to the employees' share award scheme of the Company adopted in November 2011, for the six months ended 30th June 2014, trustee under the scheme purchased an aggregate of 1,492,000 Shares as awarded Shares. Save for the employees' share award scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the six months ended 30th June 2014

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

Beijing, PRC, 12th August 2014

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. Yang Ning (*Executive Director and President*)  
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>.*