HC INTERNATIONAL, INC.
慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008

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.

* *For identification purposes only*

FINANCIAL REVIEW

For the financial year ended 31st December 2008, the Group generated a turnover of approximately RMB313,944,000 (2007: RMB279,262,000). This represents a increase of approximately 12.4% in turnover as compared to that in 2007.

For the Group's financial performance in different segments, the Group recorded an increase of approximately 1.8% in revenue generated from the trade catalogues and yellow page directories segment, from approximately RMB136,247,000 in 2007 to approximately RMB138,723,000 in 2008. In 2008, a total revenue of approximately RMB114,938,000 was achieved from the on-line business segment, which accounted for approximately 36.6% of the Group's total revenue and represents an increase of approximately 6.6% from approximately RMB107,826,000 in 2007. Total revenue of approximately RMB49,464,000 was generated from the market research and analysis segment, which represents an increase of approximately 49.9% from approximately RMB32,990,000 in 2007.

The gross profit margin of the Group decreased by 2.0 percentage points to approximately 55.9% in 2008 (2007: 57.9%). The gross profit margin of the Group's on-line business segment decreased by 3.9% to 71.5% in 2008 (2007: 75.4%) mainly due to the lower margin agency sales revenue increased as compared to year 2007. The gross profit margin of the Group's trade catalogues and yellow page directories segment remain stable at 48.8% (2007: 50.1%). The gross profit margin of Market Research segment increased by 10.2% to 44.0% (2007: 33.8%).

During the year ended 31st December 2008, the Group reduced its operating expenses from approximately RMB193,750,000 in 2007 to approximately RMB185,122,000. The Group achieved a profit before income tax of approximately RMB18,764,000 in 2008, while it recorded a loss before income tax of approximately RMB47,923,000 in 2007.

The board of Directors does not recommend payment of a dividend for the year ended 31st December 2008 (2007: Nil).

BUSINESS REVIEW

According to the "Netguide 2008 China Internet Survey Announcement" released by the Internet Association of China, the transaction size of the B2B e-commerce market of China in 2008 approximately amounted to RMB1,620 billion, which represents an increase of approximately 30% when compared to RMB1,250 billion in 2007.

China B2B e-Commerce Market Transaction Size Development

The announcement shows that such strong growth in market transaction size has been mainly driven by the penetration of e-commerce applications into enterprises in China. The B2B e-commerce market transaction size of China is expected to continue its rapid growth in the next year, reaching approximately RMB2,130 billion in 2009.

The Company's B2B business has experienced rapid development since the launch of its B2B product Mai-Mai-Tong in 2004, and the product has become a major contributor to the Company's total revenue.

(1) Mai-Mai-Tong Members

The number of Mai-Mai-Tong members has increased significantly during the past financial years. As at 31st December 2008, the Company has approximately 8.4 million registered users , which represents an increase of approximately 12% when compared to approximately 7.5 million in 2007. The number of download users of HC FAFA（慧聰發發）(originally known as Mai-Mai-Tong IM), an instant communication tool for business users introduced in September 2005, amounted to approximately 6 million, which represents a growth of approximately 40 % when compared to approximately 4.3 million in 2007.

(2) Products

The Group has formed a multi-facet matrix of products and resources, comprising both on-line and off-line products. This provides users with an optimised mixture of different products and business solutions.

On-line Products

Mai-Mai-Tong is a reliable platform for enterprise users to do business and meet business partners on-line. Through Mai-Mai-Tong, apart from setting up multi-functional on-line stores for product display, corporate promotion, on-line discussions and identity certification, enterprises can also maximise business opportunities by enhancing competitiveness.

Jin-Bang-Ti-Ming (金榜題名)

In order to satisfy Mai–Mai–Tong members ' demand for on- line marketing services and maximise the effectiveness of use of Mai–Mai–Tong product , the Company introduced the on-line marketing product line "Jin–Bang–Ti–Ming" from 2007. It comprises the Super Booth Service, the Prime Booth Service and the Rolling Ranking Service. The Super Booth and the Prime Booth Services allow users to advertise their brands beside the search results. Based on the service of business opportunity search, the Rolling Ranking Service offers suppliers operating in an competitive business environment with better business opportunities.

On-line Advertising

Our on-line advertising services provide precise marketing channels for enterprises aiming to expand in the SME market. In 2008, the on-line advertising business of our portal "hc360.com" continued to grow. At present, daily webpage visits of "hc360.com" have reached nearly 40 million, and many multi-national enterprises have been promoting their brands through "hc360.com".

Off-line Products

Trade Catalogues

The Group's "Trade Catalogues" is an authoritative industry procurement guide in China. It covers information of over a thousand enterprises and quotations of over ten thousand products . It is one of the leading catalogues in the industry in terms of coverage and reference.

Yellow Page Directories

As a business yearbook for specific industries, the "Yellow Page Directories" feature systematic compilation of industry information, product technology and industry news. The product connects manufacturers, suppliers, management organisations and users in different industries.

Industry Market Research

The Company's "Industry Market Research" is one of the pioneers in China providing professional consultation services. With the Company's unique business information database for China and advanced information technology software and resources, it offers clients all-rounded quality services in industry information advice, market survey and research, and marketing strategy. Through a networked platform, the Company's research product EIMS provides enterprises and users with comprehensive business information on a variety of enterprises, industries and rivals. In November 2008 we formed marketing research companies with D&B PRC. The main purpose is to synergize two companies' advantage in market research business and capture the opportunities from a growing demand of marketing research service industry in China.

(3) Marketing Channels

To further strengthen its sales capability, the Company established three key sales teams, namely the Industry Direct Sales, the Agency Sales and the Telemarketing Sales teams in 2006, to market its on line and off-line products and services to different target market segments.

After over two years of practice and exploration, the Company have made adjustments and carried out reorganisations on its sales models, user categorisation, and product differentiation so as to avoid management overlap and administrative duplication arising from the parallel implementation of the three sales models.

The Industry Direct Sales Team is currently the Company's major sales force, focusing on selling high value and high-end on-line and off-line products, targeting at value-based and relationship-based customers. It maximises users' value by providing in-depth professional products and services in different industrial sectors.

The Telemarketing Sales Team was formed in August 2006. Through the utilisation of call centre technology, the establishment supplemented the existing sales channels of the Company's internet product, Mai-Mai-Tong. After two and a half years of development, the Group has attained significant improvement in its efficiency and marketing ability, and its sales capacity is growing steadily. With a current focus on number of customers and transaction-based customers, the Telemarketing Sales Team will enable a fast expansion of the Company's customer base by offering users standardised products and services, and efficient transaction platform in a fast-moving consumer goods market.

The Agency Sales Team was established to supplement the Industry Direct Sales Team, covering over 40 provinces and cities in China. Agencies expand the Company's market coverage to areas where its own sales force is unable to reach to the greatest extent.

(4) Customer Service

With a professional service team, the Company collects comprehensive inquiry information covering over 60 sectors. It facilitates transactions by way of supply-and-demand meetings and on-line negotiations.

Member Care

The Company constantly introduces customer care campaigns to enhance services to end users, and offers them incomparable customer service experience. Through the integration of various features such as HC FAFA, forums and blogs, "hc360.com" has developed the Member Care Scheme in order to enhance members' activities, satisfaction and loyalty levels.

"hc360.com" continues its wide range of member care activities to enhance members' experience and activity level , and to provide meticulous services in order to build internet business communities.

In the middle of 2008 the company launched the programme "Five parties connected to serve customers", which integrated five internal departments' resources targeted to better meet customer need and improve customer service level.

PROSPECTS

Since the Company's listing in 2003, from diverse expansion to divestment of non-core businesses, and from a traditional media firm to a transformed B2B internet enterprise, the Company has been actively exploring its most appropriate development path through transitions. Having reviewed the Company's development in the past 17 years, we realised our key competitive strengths, core resources and value, and based on which we developed a right direction for the Company. On continuous self-examination, exploration and review, our deep understanding of customers' needs, the market, products and services, and business operations become the key factors for the Company's future success.

As customer behaviours of the B2B fast-moving consumer goods market can be characterised by low-value, high-frequency and massive transactions of supply-side and demand-side, an efficient, low-cost, standardised product and service solution will satisfy the need of transaction-based customers.

As customer behaviours of the B2B professional industrial market is characterised by high-value, low-frequency and relative small groups of supply-side and demand-side, a highly value-added, customised, professional product and service solution offers relationship-based customers superior service experience.

Facilitation of transactions is considered to be core to the Company's business operations at all times. The Company will continue to focus on this by facilitating communication and interaction, and providing information and value-add services.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2008, the Group's cash and bank balances increased by approximately RMB77,324,000 to approximately RMB162,602,000, from approximately RMB85,278,000, as at the end of the previous financial year.

The Group had no short-term loans in the year ended 31st December 2008, representing a decrease of about 100% from that as at 31st December 2007. Gearing ratio of the Group decreased to 0% as at 31st December 2008 from about 1.5% as at 31st December 2007, calculated with reference to no short-term loans in 2008 (2007: approximately RMB3,001,000) and capital and reserves attributable to the Company's equity holders of approximately RMB206,877,000 (2007: approximately RMB205,051,000). The capital and reserves attributable to the Company's equity holders increased by approximately RMB1,826,000 as compared to last year.

The Group's net current assets totalled approximately RMB112,980,000 as at 31st December 2008, against approximately RMB71,047,000 as at the end of the previous financial year. Its current ratio was approximately 2.21 as at 31st December 2008 as compared to approximately 1.68 as at 31st December 2007.

The Group's trade receivables turnover has slightly increased from approximately 34.0 days in 2007 to approximately 34.4 days in 2008.

The financial position of the Group has remained liquid and healthy.

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31st December 2008.

MATERIAL ACQUISITIONS AND DISPOSALS

On 17th October 2008, Hong Kong Huicong International Group Limited ("HC HK") and Beijing HC International Information Co. Limited ("HC PRC"), both subsidiaries of the Company, entered into a co-operation and framework agreement (the "Co-operation and Framework Agreement") with Dun & Bradstreet International, Ltd., Dun & Bradstreet (Shanghai) International Information Consulting Co. Limited ("D&B PRC") and Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co. Limited ("HDBC"), who are independent third parties, for the establishment of two joint venture companies. The main purposes of the two joint venture companies are the sale and marketing and the fulfillment of the provision of market research services provided to determine market demand, supply and competition and to help businesses formulate marketing strategies in the PRC. Please refer to the Company's announcement and circular dated 21st October 2008 and 7th November 2008 respectively for details of the Co-operation and Framework Agreement.

Pursuant to the terms of the Co-operation and Framework Agreement, certain continuing connected transactions have been entered into, details of which are set out under the paragraphs headed "Connected Transactions" in the 2008 annual report of the Company to be despatched to the shareholders.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 488,178,960 (2007: 492,836,960) as at 31st December 2008.

STAFF

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2008, the total number of Group's employees was 2,272. Of these, 1,034 were employed in our Sales and Marketing Division, 511 were employed in our Editorial, Research and Data Analysis Division, 124 were employed in our Information Technology Division and the remainder in other divisions of the Group.

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

CHARGES ON GROUP ASSETS

As at 31st December 2008, no asset was pledged to secure any of the Group's loan.

EXCHANGE RISK

As the Group's operations are principally in the PRC and majority assets and liabilities of the Group are denominated in Renminbi, the Directors believe that the Group is not subject to significant exchange risk.

CONTINGENT LIABILITIES

As at 31st December 2008, the Group had no contingent liability (2007: Nil).

AUDIT COMMITTEE

Pursuant to GEM Listing Rule 5.28, the Company established an audit committee on 24th July 2003 with written terms of reference based on the guidelines set out in "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the audit committee are to review and supervise the financial announcementing process and internal control procedures of the Group. The audit committee comprises two independent non-executive Directors, Mr. Zhang Ke and Mr. Xiang Bing and an 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, the internal control procedures, the annual results of the Group for the year ended 31st December 2008 and met with external auditor and discussed the financial matters of the Group that arose during the course of audit for the year ended 31st December 2008. The audit committee held 4 meetings during the period.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company total issue share capital was held by the public as at the date of this announcement.

DIRECTORS' 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 materially competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the year ended 31st December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors remained independent.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association of the Company, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31st December, 2008, the Company, in the opinion of the Directors that the market price of the shares of the Company had deviated significantly from its intrinsic value, repurchased 4,658,000 shares of the Company. The details of the repurchases are set out below:

Trading Month	Number of shares repurchased	Method of repurchase	Price per share or highest price paid (HK$)	Lowest price paid (HK$)	Total paid (HK$)
August 2008	1,000,000	On the Stock Exchange	0.62	0.60	613,040
September 2008	3,658,000	On the Stock Exchange	0.67	0.55	2,261,840
	4,658,000				2,874,880

All the relevant share certificates in respect of the repurchases have been duly cancelled and destroyed by the share registrar of the Company in Hong Kong.

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules during the year ended 31st December 2008.

Consolidated Income Statement

For the year ended 31st December 2008

	Note	**2008 RMB'000**	2007 RMB'000
Sales	5	**313,944**	279,262
Cost of sales	12	**(138,293)**	(117,532)
Gross profit		**175,651**	161,730
Other income	11	**15,059**	1,871
Selling and marketing expenses	12	**(90,676)**	(103,664)
Administrative expenses	12	**(94,446)**	(90,086)
Loss on disposal and termination of subsidiaries and branches		**–**	(2,132)
Finance costs		**–**	(1,512)
Reversal of/(provision for) impairment of amount due from a jointly controlled entity		**14,130**	(14,130)
Share of loss of a jointly controlled entity		**(12,000)**	–
Impairment of an intangible asset		**(8,471)**	–
Impairment of an available-for-sale financial asset		**(8,945)**	–
Gain on disposal of research business		**28,425**	–
Share of profit of an associated company		**37**	–
Profit/(loss) before income tax		**18,764**	(47,923)
Income tax	13	**(16,304)**	2,410
Profit/(loss) for the year		**2,460**	(45,513)
Attributable to:			
Equity holders of the Company		**1,861**	(39,441)
Minority interest		**599**	(6,072)
		2,460	(45,513)
Earnings/(loss) per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
Basic	14	**0.0038**	(0.0807)
Diluted	14	**0.0038**	(0.0807)
Dividends	15	**–**	–

Consolidated Balance Sheet

As at 31st December 2008

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Land use rights		**19,006**	19,433
Intangible assets		**13,443**	26,985
Property, plant and equipment		**62,803**	74,135
Investment in an associated company		**1,237**	–
Interests in a jointly controlled entity		**–**	–
Deferred income tax assets		**1,907**	17,065
Available-for-sale financial assets	6	**–**	–
Long term deposit	7	**1,629**	–
		100,025	137,618
Current assets			
Trade receivables	7	**29,599**	25,996
Deposits, prepayments and other receivables	7	**9,591**	61,714
Amounts due from related parties		**175**	2,568
Amount due from an associated company		**4,626**	–
Cash and cash equivalents		**162,602**	85,278
		206,593	175,556
Total assets		**306,618**	313,174
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	**52,055**	52,551
Other reserves	9	**259,968**	261,885
Accumulated losses		**(105,146)**	(109,385)
		206,877	205,051
Minority interest		**5,958**	2,561
Total equity		**212,835**	207,612

	Note	2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**170**	1,053
Current liabilities			
Trade payables	10	**3,760**	6,033
Accrued expenses and other payables	10	**23,413**	22,632
Deferred revenue	10	**48,567**	53,703
Amount due to a related party		**–**	604
Short-term loan		**–**	3,001
Other taxes payable		**14,078**	13,721
Income tax payable		**3,795**	4,815
		93,613	104,509
Total liabilities		**93,783**	105,562
Total equity and liabilities		**306,618**	313,174
Net current assets		**112,980**	71,047
Total assets less current liabilities		**213,005**	208,665

Consolidated Statement of Changes in Equity

For the year ended 31st December 2008

	Notes	Attributable to the Company's equity holders				
		Share capital	**Other reserves**	**(Accumulated losses)**	**Minority interest**	**Total**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2007		51,153	255,009	(69,944)	8,837	245,055
Exercise of share options	8	1,398	4,754	–	–	6,152
Termination of subsidiaries and branches		–	–	–	(204)	(204)
Loss for the year		–	–	(39,441)	(6,072)	(45,513)
Share option scheme-value of employee services		–	3,778	–	–	3,778
Currency translation difference		–	(1,656)	–	–	(1,656)
Balance at 31st December 2007		52,551	261,885	(109,385)	2,561	207,612
Balance at 1st January 2008		52,551	261,885	(109,385)	2,561	207,612
Repurchase of own shares	8	(496)	(4,417)	2,378	–	(2,535)
Profit for the year		–	–	1,861	599	2,460
Contribution from minority interest on set up of a subsidiary		–	–	–	2,798	2,798
Share option scheme-value of employee services		–	3,334	–	–	3,334
Currency translation difference		–	(834)	–	–	(834)
Balance at 31st December 2008		**52,055**	**259,968**	**(105,146)**	**5,958**	**212,835**

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 and provides industrial search result prioritising services through its business-to-business website "hc360.com". The Group also publishes its own trade catalogues and yellow page directories and generates market research announcements 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.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 24th March 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated, as modified by the revaluation of available-for-sale financial assets.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Announcementing Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group.

(i) *Standards, amendments and interpretations effective from 1st January 2008 adopted by the Group but have no significant impact on the Group's financial statements:*

HKFRS 7 and HKAS 1 Amendment	Financial Instruments: Disclosures and Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended 31st December 2008 and which the Group has not early adopted:

HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st July 2009)
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1st January 2009)
Amendments to HKFRS 1	First-time adoption of HKFRS and HKAS 27 – Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate (effective for annual periods beginning on or after 1st July 2009)
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1st January 2009)
HKFRS 3 (Revised)	Business Combination (effective for annual periods beginning on or after 1st July 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1st October 2008)
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after 1st July 2009)
HK(IFRIC)-Int 18	Transfers of Assets from Customers (effective for annual periods beginning on or after 1st July 2009)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) *The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended 31st December 2008 and which the Group has not early adopted:* (Continued)

Improvements to HKFRS – Amendments to:

HKAS 1 (Revised)	Presentation of Financial Statement (effective for annual periods beginning on or after 1st January 2009)
HKAS 2	Inventories (effective for annual periods beginning on or after 1st January 2009)
HKAS 7	Cash Flow Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 16	Property, Plant and Equipment (effective for annual periods beginning on or after 1st January 2009)
HKAS 19	Employee Benefits (effective for annual periods beginning on or after 1st January 2009)
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKAS 27	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 28	Investments in Associates (effective for annual periods beginning on or after 1st January 2009)
HKAS 29	Financial Announcementing in Hyperinflationary Economies (effective for annual periods beginning on or after 1st January 2009)
HKAS 31	Interests in Joint Ventures (effective for annual periods beginning on or after 1st January 2009)
HKAS 36	Impairment of Assets (effective for annual periods beginning on or after 1st January 2009)
HKAS 38	Intangible Assets (effective for annual periods beginning on or after 1st January 2009)
HKAS 39	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1st January 2009)
HKAS 40	Investment Property (effective for annual periods beginning on or after 1st January 2009)
HKAS 41	Agriculture (effective for annual periods beginning on or after 1st January 2009)
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1st July 2009)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended 31st December 2008 and which the Group has not early adopted: (Continued)

Other minor amendments to

HKFRS 7	Financial Instruments: Disclosures (effective for annual periods beginning on or after 1st January 2009)
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1st January 2009)
HKAS 10	Events After the Balance Sheet Date (effective for annual periods beginning on or after 1st January 2009)
HKAS 18	Revenue (effective for annual periods beginning on or after 1st January 2009)
HKAS 34	Interim Financial Announcementing (effective for annual periods beginning on or after 1st January 2009)

The Group has already commenced an assessment of the impact of these new HKFRS but is not yet in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls any entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2(g)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (note 2(h)). The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated company

Associated company is the entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in an associated company includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 2(h) for the impairment of non-financial assets including goodwill.

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's balance sheet the investment in an associated company is stated at cost less provision for impairment losses (Note 2(h)). The result of the associated company is accounted for by the Company on the basis of dividend received and receivable.

(iii) Jointly controlled entity

The Group's interest in jointly controlled entity is accounted for by the equity method of accounting and is initially recognised at cost.

The Group's share of its jointly controlled entity's post acquisition profits or losses is recognised in the consolidated income statement. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

(c) Segment announcementing

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial announcementing, the Group has determined that business segments be presented as the primary announcementing format and geographical segments as the secondary announcementing format.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Segment announcementing (Continued)

Unallocated costs represent administrative staff costs and corporate expenses. Segment assets consist primarily of trade receivables. Segment liabilities comprise of trade payables and deferred revenue. Capital expenditure comprises additions to land use rights, intangible assets and property, plant and equipment.

In respect of geographical segment announcementing, sales are based on the country in which the customer is located and total assets and capital expenditure are based on where the assets are located.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

(e) Land use rights

Land use rights are recorded at cost less subsequent accumulated amortisation and accumulated impairment loss, if any. Land use rights are amortised using the straight-line method over their lease terms of 50 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment, comprising buildings, computer and telecommunications equipment, fixtures, fittings and office equipment, leasehold improvements and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, at the following rates per annum:

Leasehold improvements	Over the lease terms from 2 to 5 years
Buildings	5%
Computer and telecommunications equipment	20%
Fixtures, fittings and office equipment	20%
Motor vehicles	10%

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and recognised within administrative expenses in the consolidated income statement.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(ii) Software development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved computer software are recognised as intangible assets in the consolidated balance sheet where technical feasibility and intention of completion has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of 3 to 5 years to reflect the pattern in which the related economic benefits are recognised.

Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(iii) Data library

Costs incurred on acquiring the data library are recognised as an intangible asset where the technical feasibility has been demonstrated, and there is an ability to sell or to use the assets that will generate probable future economic benefits. Such acquisition cost is recognised as an asset and amortised on a straight-line basis over a period of 10 years to reflect the pattern in which the related economic benefits are recognised.

(h) Impairment of investments in subsidiaries, jointly controlled entity, associated company, and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each announcementing date.

(i) Financial assets

The Group classifies its financial assets as loans and receivable and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default are considered indicators that the trade and other receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing expenses in the consolidated income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Deferred revenue

Deferred revenue represents advertising revenue and subscription revenue received in advance from third party customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Borrowings

Borrowings comprise mainly short-term loans. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Short-term loans and other short-term loans are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Short-term loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(o) Current and deferred income tax

The tax expense/(credit) for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Current and deferred income tax (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and the jointly controlled entity, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Retirement benefit costs

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liabilities to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) Share-based compensation

The Group operates two equity settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Revenue recognition

Revenue, net of business tax and after eliminating sales within the Group, is recognised as follows:

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Advertising income from industry portals, trade catalogues, yellow page directories and printed periodicals is recognised on the date of publication.

Subscription fee income from on-line services is recognised over the period of contracts entered with the customers.

Revenue from the hosting of trade exhibitions and business seminars is recognised upon the conclusion of the exhibitions or seminars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

Revenue from the provision of public relation ("PR") services and website construction services is recognised upon rendering of services.

Revenue for customer-specific market research announcements are recognised using "percentage of completion method". The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Revenue for regular research announcements are amortised over the contract periods.

Interest income is recognised on a time proportion basis, using the effective interest method.

(t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central finance department (the "Finance Department") headed by the Chief Financial Officer of the Group. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units to cope with overall risk management as well as specific areas such as market risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group operates nationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Hong Kong ("HK") dollar and US dollar.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Finance Department is responsible for managing the net position in each foreign currency.

During the year ended 31st December 2008, if RMB had strengthened/weakened by 5% against the HK dollar and US dollar, with all other variables held constant, post-tax profit for the year would have been approximately RMB989,000 (2007: RMB478,000), higher or lower. At 31st December 2008, if RMB had strengthened/weakened by 5% against the HK dollar and US dollar, equity would have been approximately RMB574,000 (2007: RMB48,000), lower or higher.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Price risk

The Group is exposed to price risk arising from its equity interest in entities not publicly traded. Such risk is managed through monitoring by the board of directors, as well as the evaluation of financial performance of the investee companies performed by the Finance Department.

(b) *Credit risk*

Credit risk is managed on a group basis. The Group's credit risk mainly arises from cash and cash equivalents, as well as credit exposures to trade receivables. The Finance Department has policies in place to monitor the exposures to these credit risks on an on-going basis.

The Group has put in place policies to ensure that provision of services is made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The table below shows the credit limit and balance of the five major debtors as at 31st December 2008 and 31st December 2007.

Counterparty	**31st December 2008**	
	Credit limit RMB'000	**Utilised RMB'000**
Customer A	**1,000**	**403**
Customer B	**1,000**	**393**
Customer C	**1,000**	**264**
Customer D	**1,000**	**229**
Customer E	**1,000**	**210**

Counterparty	31st December 2007	
	Credit limit RMB'000	Utilised RMB'000
Customer A	1,000	355
Customer F	1,000	292
Customer G	1,000	200
Customer H	1,000	184
Customer I	1,000	165

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counterparty's default history. The table below shows the trade receivables that have been outstanding for up to 90 days, the normal credit period granted to customers, but not impaired as at the balance sheet date.

	As at 31st December	
	2008	2007
	RMB'000	RMB'000
Trade receivables		
Listed customers	**5,760**	3,049
Unlisted customers	**13,957**	14,184
Total	**19,717**	17,233

The table below shows the cash and cash equivalent held by different type of financial institutions at balance sheet date.

	As at 31st December	
	2008	2007
	RMB'000	RMB'000
Cash and cash equivalents		
Cash at banks and bank deposits		
Listed financial institutions	**150,279**	74,284
Unlisted financial institutions	**11,807**	10,581
Cash on hand	**516**	413
Total	**162,602**	85,278

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining sufficient cash from operating activities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31st December 2007					
Short-term loan	3,001	–	–	–	3,001
Amount due to a related party	604	–	–	–	604
Trade payables	6,033	–	–	–	6,033
At 31st December 2008					
Trade payables	3,760	–	–	–	3,760

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis based on a ratio calculated by dividing short-term loan by total equity (excluding minority interest). Management considers a ratio of not more than 20% as reasonable.

	2008 RMB'000	2007 RMB'000
Short-term loan	**–**	3,001
Total equity (excluding minority interest)	**206,877**	205,051
	0%	1.46%

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade payables, amounts due from/to related parties, amount due from an associated company approximate their fair values due to their short maturities.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of property, plant and equipment, land use rights and intangible assets (excluding goodwill)

The Group evaluates whether property, plant and equipment, land use rights and intangible assets (excluding goodwill) have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectibility of trade and other receivables, from each debtor. In making its judgement, management considers a wide range of factors such as results of following procedures performed by sales personnel, customers' payment record and subsequent settlements.

(c) Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgement is required in determining the provision for various kind of taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the consolidated income statement in the period in which such determination is made.

(d) Impairment of available-for-sale financial assets

The Group followed the guidance of HKAS 39, "Financial Instruments: Recognition and Measurement", to determine when an available-for-sale financial asset is impaired. This determination required significant judgment. In making this judgment, the Group evaluated, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(e) Revenue recognition

The Group uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver market research report services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed.

5. SEGMENT INFORMATION

(a) Primary announcementing format – business segments

At 31st December 2008, the Group is organised into the following business segments:

(i) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.

(ii) On-line services – provision of website advertising services and trading platform for subscribers to trade with each other electronically.

(iii) Market research and analysis – provision of business information and analysis services.

(iv) Printed periodicals, seminars and other PR services – wholesaling of advertisement space in newspapers and magazines and provision of arrangement, assistance and PR services for hosting of seminars.

There were no sales or other transactions between the business segments during the year ended 31st December 2008 (2007: Nil).

	Year ended 31st December 2008				
	Trade catalogues and yellow page directories RMB'000	**On-line services** RMB'000	**Market research and analysis** RMB'000	**Printed periodicals, seminars and other PR services** RMB'000	**Total** RMB'000
Sales	**138,723**	**114,938**	**49,464**	**10,819**	**313,944**
Cost of sales	**(71,013)**	**(32,727)**	**(27,692)**	**(6,861)**	**(138,293)**
Segment results	**67,710**	**82,211**	**21,772**	**3,958**	**175,651**
Other income					**15,059**
Allocated costs	**(51,688)**	**(56,077)**	**(18,328)**	**(1,685)**	**(127,778)**
Unallocated costs					**(57,344)**
Impairment of an intangible asset					**(8,471)**
Impairment of an available-for-sale financial assets					**(8,945)**
Reversal of impairment of amount due from a jointly controlled entity					**14,130**
Share of loss of a jointly controlled entity					**(12,000)**
Gain on disposal of research business					**28,425**
Share of profit of an associated company					**37**
Profit before income tax					**18,764**
Income tax					**(16,304)**
Profit for the year					**2,460**
Attributable to:					
Equity holders of the Company					**1,861**
Minority interest					**599**
					2,460

5. SEGMENT INFORMATION (Continued)

(a) Primary announcementing format – business segments (Continued)

	As at 31st December 2008				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Printed periodicals, seminars and other PR services RMB'000	Total RMB'000
Segment assets	**28,160**	**3,382**	**21,199**	**916**	**53,657**
Unallocated assets (note i)					**252,961**
Total assets					**306,618**
Segment liabilities	**22,099**	**26,052**	**4,176**	**–**	**52,327**
Unallocated liabilities (note ii)					**41,456**
Total liabilities					**93,783**
Capital expenditure	**–**	**167**	**–**	**–**	**167**
Unallocated capital expenditure (note iii)					**8,947**
Total capital expenditure					**9,114**
Unallocated depreciation					**(18,154)**
Amortisation	**–**	**(2,494)**	**(2,198)**	**–**	**(4,692)**
Unallocated amortisation					**(427)**
					(5,119)
(Provision for)/write-back of impairment of trade and other receivables	**(3,315)**	**–**	**661**	**(6,643)**	**(9,297)**
Unallocated write-back of impairment of trade and other receivables					**691**
					(8,606)
Reversal of impairment of amount due from a jointly controlled entity					**14,130**
Impairment of an intangible asset					**(8,471)**
Impairment of an available-for-sale financial asset					**(8,945)**

Notes:

(i) Unallocated assets mainly represent intangible assets, property, plant and equipment, land use rights, investment in an associated company, interests in a jointly controlled entity, available-for-sale financial assets, deferred income tax assets, deposits, prepayments and other receivables, amounts due from related parties and an associated company and cash and cash equivalents, which are shared among the companies of the Group and cannot be allocated to specific segments.

(ii) Unallocated liabilities mainly represent accrued expenses and other payables, other tax payables, deferred income tax liabilities and income tax payable, which are shared among the companies of the Group, and which cannot be allocated to specific segments.

(iii) Unallocated capital expenditure mainly represents the purchase of property, plant and equipment which are shared among the companies of the Group, and which cannot be allocated to specific segments.

5. SEGMENT INFORMATION (Continued)

(a) Primary announcementing format – business segments (Continued)

	Year ended 31st December 2007				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Printed periodicals, seminars and other PR services RMB'000	Total RMB'000
Sales	136,247	107,826	32,990	2,199	279,262
Cost of sales	(68,035)	(26,533)	(21,838)	(1,126)	(117,532)
Segment results	68,212	81,293	11,152	1,073	161,730
Other income					1,871
Allocated costs	(43,554)	(67,155)	(6,281)	(1,181)	(118,171)
Unallocated costs					(75,579)
Loss on disposal and termination of subsidiaries and branches					(2,132)
Finance costs					(1,512)
Provision for impairment of amount due from a jointly controlled entity					(14,130)
Loss before income tax					(47,923)
Income tax					2,410
Loss for the year					(45,513)
Attributable to:					
Equity holders of the Company					(39,441)
Minority interest					(6,072)
					(45,513)

5. SEGMENT INFORMATION (Continued)

(a) Primary announcementing format – business segments (Continued)

	As at 31st December 2007				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Printed periodicals, seminars and other PR services RMB'000	Total RMB'000
Segment assets	24,477	14,894	3,536	550	43,457
Unallocated assets (note i)					269,717
Total assets					313,174
Segment liabilities	28,799	28,123	2,814	–	59,736
Unallocated liabilities (note ii)					45,826
Total liabilities					105,562
Capital expenditure	–	3,000	–	–	3,000
Unallocated capital expenditure (note iii)					7,088
Total capital expenditure					10,088
Unallocated depreciation					(18,021)
Amortisation	–	(2,881)	–	–	(2,881)
Unallocated amortisation					(2,626)
					(5,507)
(Provision for)/write-back of impairment of trade and other receivables	(8,000)	–	(936)	458	(8,478)
Unallocated provision for impairment of trade and other receivables					(1,778)
					(10,256)
Provision for impairment of amount due from a jointly controlled entity					(14,130)

Notes:

(i) Unallocated assets mainly represent intangible assets, property, plant and equipment, land use rights, deferred income tax assets, deposits, prepayments and other receivables and cash and cash equivalents, which are shared among the companies of the Group and cannot be allocated to specific segments.

(ii) Unallocated liabilities mainly represent accrued expenses and other payables, short-term loans, other tax payables and income tax payable, which are shared among the companies of the Group, and which cannot be allocated to specific segments.

(iii) Unallocated capital expenditure mainly represents the purchase of property, plant and equipment which are shared among the companies of the Group, and which cannot be allocated to specific segments.

5. SEGMENT INFORMATION (Continued)

(b) Secondary announcementing format – geographical segments

No geographical segment information of the Group is presented as the Group's revenue, expenses, assets and liabilities, and capital expenditures are primarily derived from the PRC.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2008 **RMB'000**	2007 RMB'000
At 1 January	**–**	–
Acquisition (a)	**8,945**	–
Impairment (b)	**(8,945)**	–
At 31st December	**–**	–

(a) On 22nd October 2007, the Company entered into a sale and purchase agreement, pursuant to which HKHC, a wholly-owned subsidiary of the Company agreed to sell a domain name and a right to use an internet software to Madeinchina, Inc. ("Madeinchina") and it was settled by 19% of the enlarged issued share capital of Madeinchina after the completion of the transaction. The consideration for the transaction was approximately RMB8,945,000 and the resulting gain of approximately RMB8,399,000 has been credited to the consolidated income statement for the year ended 31st December 2008. Upon completion of the sales and purchase agreement, the Group has recognised Madeinchina as an available-for-sale financial asset. This transaction was completed in March 2008.

(b) Madeinchina ceased operation due to significant management turnover and the poor economic environment in the global market in the second half of 2008. Management considered this as an indicator of impairment, as it signified a significant decline in the fair value of the investment. As a result, full provision regarding the carrying value of the investment of RMB 8,945,000 has been charged to the consolidated income statement for the year ended 31st December 2008.

7. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2008 **RMB'000**	2007 RMB'000
Trade receivables (note a)	**34,448**	26,411
Less: provision for impairment of trade receivables	**(4,849)**	(415)
Trade receivables – net	**29,599**	25,996
Deposits, prepayments and other receivables (note b)	**11,220**	61,714
	40,819	87,710
Less: Non-current long-term deposit	**(1,629)**	–
Current portion	**39,190**	87,710

7. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(a) The Group generally grants a credit period of 30 days to 90 days to customers. The ageing analysis of the gross trade receivables is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Current to 90 days	**19,717**	17,233
91 to 180 days	**6,647**	3,583
181 to 365 days	**6,469**	4,211
Over 1 year	**1,615**	1,384
	34,448	26,411

The fair values of trade receivables are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Trade receivables	**29,599**	25,996

Balances are denominated in RMB and there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers nationally dispersed.

The Group has recognised a loss of approximately RMB9,297,000 (2007: RMB8,478,000) for the impairment of its trade receivables during the year ended 31st December 2008.

As at 31st December 2008, trade receivables of approximately RMB4,849,000 (2007: RMB415,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

7. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(a) (Continued)

As at 31st December 2008, trade receivables of approximately RMB9,882,000 (2007: RMB8,763,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
91 to 180 days	**6,647**	3,583
181 to 365 days	**3,235**	4,211
Over 1 year	**–**	969
	9,882	8,763

Movements in the provision for impairment of trade receivables are as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
At beginning of the year	**415**	2,020
Impairment of receivables	**4,434**	–
Reversal of impairment of receivables	**–**	(1,605)
At end of the year	**4,849**	415

The creation and release of provision for impaired receivables have been included in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the announcementing date is the fair values of trade receivables disclosed above.

7. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

(b) Deposits, prepayments and other receivables

	Group	
	2008	2007
	RMB'000	RMB'000
Long-term deposits	**1,629**	–
Short-term deposits	**2,378**	2,065
Prepayments	**1,917**	2,693
Other receivables		
Investment in an entrusted fund (note (i))	**–**	55,000
Amount due from an entity (北京慧美印刷有限公司), formerly held by a major shareholder of the Company	**3,421**	–
Others	**1,875**	1,956
	11,220	61,714

The fair values are as follows:

Deposits	**4,007**	2,065
Prepayments	**1,917**	2,693
Other receivables	**5,296**	56,956
	11,220	61,714
Denominated in:		
HK$	**282**	279
RMB	**10,938**	61,435
	11,220	61,714

(i) Investment in an entrusted fund

In December 2007, the Group entered into an arrangement with a commercial bank in the PRC to invest in an entrusted fund, totally RMB55,000,000. The fund bears interest at 4.2% per annum and was settled in January 2008.

8. SHARE CAPITAL

	Number of shares	Ordinary shares RMB'000
At 1st January 2007	478,565,873	51,153
Exercise of share options	14,271,087	1,398
At 31st December 2007	492,836,960	52,551
Cancellation upon repurchase of own shares (a)	(4,658,000)	(496)
At 31st December 2008	**488,178,960**	**52,055**

The total authorised number of ordinary shares is 1,000,000,000 shares (2007: 1,000,000,000 shares) with a par value of HK$0.1 per share (2007: HK$0.1 per share). All issued shares are fully paid.

(a) During the year ended 31st December 2008, the Company, in the opinion of the Directors that the market price of the shares of the Company had deviated significantly from its intrinsic value, repurchased 4,658,000 shares of the Company. The details of the repurchases are set out below:

Trading month	Number of shares repurchased	Method of repurchase	Price per share or highest price paid (HK$)	Lowest price paid (HK$)	Total paid (HK$)
August 2008	1,000,000	On the Stock Exchange	0.62	0.60	613,040
September 2008	3,658,000	On the Stock Exchange	0.67	0.55	2,261,840
	4,658,000				2,874,880

All the relevant share certificates in respect of the repurchases have been duly cancelled by the share registrar of the Company in Hong Kong.

Save as disclosed herein, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year.

8. SHARE CAPITAL (Continued)

(a) (Continued)

Share options

(i) Pursuant to a written resolution of the shareholders of the Company dated 30th November 2003, a 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. No additional share options were granted pursuant to the Pre-IPO Share Option Scheme during the year.

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

(ii) Pursuant to a written resolution of the shareholders of the Company dated 30th November 2003, a share option scheme (the "Share Option Scheme") was adopted by the Company. Pursuant to the Share Option Scheme, the board 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 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 and 1,080,000 share options were lapsed during the year ended 31st December 2005, 2007 and 2008, respectively. The grantees can exercise these options at an exercise price of HK$2.40 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 18th February 2004. Commencing from the first, second and third anniversaries of the Offer Date, 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 and 2,908,000 share options were lapsed during the year ended 31st December 2007 and 2008. 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 granting 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 share options were lapsed during the year ended 31st December 2008. 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 Offer Date, 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. 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 Offer Date, the relevant grantee may exercise options 100%.

8. SHARE CAPITAL (Continued)

(a) (Continued)

Share options (Continued)

(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.

The weighted average assumptions used are as follows:

	Options granted on		
	23rd June 2006	11th July 2007	**29th September 2008**
Risk free interest rate (in %)	4.911	4.757	**3.133**
Expected life (in years)	3.2-5.5	2.4-6.2	**3.8- 4.8**
Volatility (in %)	34.8	49	**72.2**
Expected dividend per share (cents)	0	0	**0**

At the working date before options were granted, 22nd June 2006, 10th July 2007, and 26th September 2008, the market value per share was HK$1.45, HK$1.24, and HK$0.55, respectively.

8. SHARE CAPITAL (Continued)

(b) Pre-IPO Share Option Scheme

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

	2008		2007	
	Exercise price in HK$ per share	**Share options**	Exercise price in HK$ per share	Share options
At 1st January	**0.44**	**9,147,120**	0.44	23,418,207
Exercised	**–**	**–**	0.44	(14,271,087)
At 31st December	**0.44**	**9,147,120**	0.44	9,147,120

(c) Share Option Scheme

	2008		2007	
	Exercise price in HK$ per share	**Share options**	Exercise price in HK$ per share	Share options
At 1st January	**2.40**	**8,800,000**	2.40	18,150,000
	1.49	**7,540,000**	1.49	10,000,000
	1.24	**23,000,000**	1.24	–
Grant	**2.40**	**–**	2.40	–
	1.49	**–**	1.49	–
	1.24	**–**	1.24	23,000,000
	0.604	**14,600,000**	0.604	–
Lapsed	**2.40**	**(1,080,000)**	2.40	(9,350,000)
	1.49	**(2,908,000)**	1.49	(2,460,000)
	1.24	**(10,267,000)**	1.24	–
At 31st December	**2.40**	**7,720,000**	2.40	8,800,000
	1.49	**4,632,000**	1.49	7,540,000
	1.24	**12,733,000**	1.24	23,000,000
	0.604	**14,600,000**	0.604	–

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

(a) Pre-IPO Share Option Scheme

Expiry date	**Exercise price HK$ per share**	**Share options 2008**	2007
17th December 2013	0.44	**9,147,120**	9,147,120

8. SHARE CAPITAL (Continued)

(c) Share Option Scheme (Continued)

(b) Share Option Scheme

Expiry date	Exercise price HK$ per share	Share options 2008	2007
18th February 2014	2.40	**7,720,000**	8,800,000
23rd June 2016	1.49	**4,632,000**	7,540,000
11th July 2017	1.24	**12,733,000**	23,000,000
29th September 2018	0.604	**14,600,000**	–

9. OTHER RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Group Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Total
At 1st January 2007	132,893	987	108,830	16,621	–	(4,322)	255,009
Exercise of share options	4,754	–	–	–	–	–	4,754
Share option scheme-value of employee services	–	–	–	3,778	–	–	3,778
Currency translation difference	–	–	–	–	–	(1,656)	(1,656)
At 31st December 2007	137,647	987	108,830	20,399	–	(5,978)	261,885
At 1st January 2008	137,647	987	108,830	20,399	–	(5,978)	261,885
Repurchase of own shares	(4,913)	–	–	–	496	–	(4,417)
Share option scheme-value of employee services	–	–	–	3,334	–	–	3,334
Currency translation difference	–	–	–	–	–	(834)	(834)
At 31st December 2008	**132,734**	**987**	**108,830**	**23,733**	**496**	**(6,812)**	**259,968**

10. TRADE PAYABLES, DEFERRED REVENUE AND ACCRUED EXPENSES AND OTHER PAYABLES

	Group	
	2008	2007
	RMB'000	RMB'000
Trade payables (a)	**3,760**	6,033
Deferred revenue	**48,567**	53,703
Accrued expenses and other payables (b)	**23,413**	22,632
	75,740	82,368

Balances are denominated in RMB and the carrying values of these balances approximate their fair values.

(a) The ageing analysis of trade payables is as follows:

	2008	2007
	RMB'000	RMB'000
Current to 90 days	**3,245**	5,192
91 to 180 days	**274**	759
181 to 365 days	**129**	43
Over 1 year	**112**	39
	3,760	6,033

(b) The amount includes accruals for statutory benefits funds in the PRC. In accordance with the PRC regulations, the Group is required to make contributions to the retirement benefit fund, medical benefit fund and housing benefit fund, calculated at 20%, 10% and 12% of the basic salaries of the employees, respectively.

11. OTHER INCOME

	2008	2007
	RMB'000	RMB'000
Interest income	**2,639**	1,871
Write back of short-term loan	**3,001**	–
Gain on disposal of intangible assets	**8,399**	–
Interest accretion	**1,020**	–
	15,059	1,871

12. EXPENSES BY NATURE

	2008 RMB'000	2007 RMB'000
Direct cost of trade catalogues and yellow page directories	**41,679**	42,520
Direct cost of on-line services	**11,856**	1,500
Direct cost of market research and analysis	**19,882**	10,352
Direct cost of printed periodicals, seminars and other PR services	**5,988**	546
Marketing expenses	**15,836**	20,176
Network and telephone expenses	**14,168**	15,322
Auditor's remuneration	**2,304**	1,938
Staff costs, including directors' emoluments	**136,843**	146,956
Amortisation of land use rights	**427**	427
Amortisation of intangible assets	**4,692**	5,080
Depreciation of property, plant and equipment	**18,154**	18,021
Provision for impairment and write off of trade and other receivables	**8,606**	10,256
Loss on disposal of property, plant and equipment	**2,163**	267
Operating lease payments in respect of land and buildings	**16,915**	14,710
Other expenses	**23,902**	23,211
Total cost of sales, selling and marketing expenses and administrative expenses	**323,415**	311,282

13. INCOME TAX

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Group companies as follows:

	2008 RMB'000	2007 RMB'000
Current income tax		
– Hong Kong profits tax (note a)	**–**	–
– The PRC Corporate income tax ("EIT") (note b)	**2,029**	2,471
Deferred income tax	**14,275**	(4,881)
	16,304	(2,410)

(a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2007: Nil).

(b) The PRC enterprise income tax represents taxation charged on assessable profits for the year at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The new Corporate Income Tax Law in the PRC became effective from 1st January 2008 and the tax rate applicable to the subsidiaries in the PRC is 25%, except for subsidiaries granted with preferential tax treatment as High/New Technology Enterprise, and subsidiaries established in Special Economic Zone in the PRC, of which the applicable tax rates are 15% and 18%, respectively.

14. EARNINGS/(LOSS) PER SHARE

	2008 RMB'000	2007 RMB'000
Profit/(loss) attributable to equity holders	**1,861**	(39,441)

	No. of shares '000	No. of shares '000
Weighted average number of shares in issue	**491,385**	488,966
Incremental shares from assumed exercise of share options granted	**1,736**	6,439
Diluted weighted average number of shares	**493,121**	495,405
Basic earnings/(loss) per share	**RMB0.0038**	RMB(0.0807)
Diluted earnings/(loss) per share	**RMB0.0038**	RMB(0.0807)

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) attributable to the equity holders of the Company of approximately RMB1,861,000 (2007: loss of RMB(39,441,000)) for the year ended 31st December 2008 and the weighted average of approximately 491,385,000 (2007: 488,966,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31st December 2007 are the same as basic loss per share since all potential ordinary shares are anti-dilutive.

15. DIVIDENDS

No dividend was paid or declared by the Company during the year (2007: Nil).

16. COMMITMENTS – GROUP

Commitments under operating leases

At 31st December 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2008 RMB'000	2007 RMB'000
Within one year	**9,607**	10,337
In the second to fifth year inclusive	**33,131**	448
	42,738	10,785

17. EVENTS AFTER THE BALANCE SHEET DATE

There are no material events from the balance sheet date to the date when the board of directors approved the financial statements.

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

As at the date of this announcement, the board of directors of the Company comprises:

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

Beijing, the PRC, 24th March 2009

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