THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in **HC International, Inc.**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

HC INTERNATIONAL, INC.
慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 08292)

MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

KingswayGroup

A letter from the Board is set out on pages 4 to 8 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 9 of this circular. A letter from Kingsway Capital Limited containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 10 to 21 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the PRC (100098) on 15th July 2010 (Thursday), at 4:00 p.m. (the "EGM") is set out on pages 98 to 99 of this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" pages for at least 7 days from the date of publication.

* *For identification purposes only*

28th June 2010

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 high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

CONTENTS

Pages

In this circular, unless the context otherwise requires, the following expressions shall have the respective meanings set opposite them:

"Acquisition"	the acquisition of 18% equity interest of Beijing Huicong at a total consideration of RMB54,800,000 by the Purchaser from the Vendor pursuant to the terms of the Agreement
"Agreement"	the sale and purchase agreement dated 27th April 2010 entered into between the Purchaser and the Vendor in connection with the Acquisition
"associate(s)"	has the meaning ascribed to this term under the Listing Rules
"Beijing Huicong"	北京慧聰國際資訊有限公司 (Beijing Huicong International Information Co., Ltd.*), a limited liability company established in the PRC in the form of sino-foreign co-operative joint venture and is owned as to 82% by the Purchaser and 18% by the Vendor
"Board"	the board of Directors
"Company"	HC International, Inc., a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM (stock code: 8292)
"connected person(s)"	has the meaning ascribed to this term under the GEM Listing Rules
"Directors"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the PRC (100098) on 15th July 2010 (Thursday), at 4:00 p.m., notice of which is included on pages 98 to 99 of this circular
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	an independent committee of the Board comprising the independent non-executive Directors, namely Mr. Zhang Ke, Mr. Xiang Bing and Mr. Guo Wei
"Independent Financial Adviser"	Kingsway Capital Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Independent Shareholders"	Shareholders other than Mr. Guo and his associates
"Independent Third Parties"	party or parties that is or are not connected with the Company and/or connected with the directors, chief executive, promoters, management shareholders or substantial shareholders of the Company or any of its subsidiaries or their respective associates
"Latest Practicable Date"	23rd June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Mr. Guo"	Mr. Guo Fansheng, an executive Director and the Chairman of the Company who owns 80% equity interest of the Vendor
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Purchaser"	Hong Kong Huicong International Group Limited (香港慧聰國際集團有限公司), a limited liability company incorporated in the British Virgin Islands and is wholly-owned by the Company
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	registered holder(s) of the shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuer"	Vigers Appraisal & Consulting Limited, a limited liability company incorporated in the Hong Kong, which was engaged to conduct a valuation on Beijing Huicong
"Vendor"	北京慧聰建設信息諮詢有限公司 (Beijing Huicong Construction Information Consulting Co., Ltd.*), a limited liability company incorporated in the PRC which is owned as to 80% by Mr. Guo

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of RMB0.88: HK$1.00. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

* *For identification purposes only*

HC INTERNATIONAL, INC.
慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 08292)

Executive Directors:
Guo Fansheng *(Chairman)*
Guo Jiang

Non-executive Director:
Li Jianguang

Independent non-executive Directors:
Zhang Ke
Xiang Bing
Guo Wei

Registered office:
4th Floor, One Capital Place
P.O. Box 847, George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of business in Hong Kong:
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

28th June 2010

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 18% INTERESTS IN BEIJING HUICONG INTERNATIONAL INFORMATION CO., LTD*

INTRODUCTION

On 27th April 2010, the Board announced the Acquisition by the Purchaser from the Vendor at the consideration of RMB54,800,000 (equivalent to approximately HK$62,273,000) pursuant to the Agreement.

The Purchaser is a wholly-owned subsidiary of the Company. The Vendor is owned as to 80% by an executive Director and Chairman of the Company, Mr. Guo. The Vendor is an associate of Mr. Guo and is therefore a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

* *For identification purposes only*

Based on the applicable ratios, the Acquisition also constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to (i) provide the Shareholders with further information in relation to the Acquisition; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders; (iv) to set out the notice of EGM at which an ordinary resolution will be proposed to approve the Acquisition and the transaction contemplated thereunder.

THE AGREEMENT

Date

27th April 2010

Parties

(a) The Vendor. The Vendor is a company established in the PRC and is owned as to 80% by an executive Director and Chairman of the Company, Mr. Guo. The remaining 20% equity interest is owned by Wang Chong and Wang Yonghui who are Independent Third Parties. The Vendor is an associate of Mr. Guo and is therefore a connected person of the Company. The principal business activity of the Vendor is provision of information through internet.

(b) The Purchaser. The Purchaser is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The principal business activity of the Purchaser is investment holding.

Asset to be purchased

18% equity interest in Beijing Huicong will be sold to the Purchaser by the Vendor pursuant to the Agreement.

Consideration

The total consideration in respect of the Acquisition shall be RMB54,800,000 (equivalent to approximately HK$62,273,000), of which RMB27,400,000 (equivalent to approximately HK$31,136,000) shall be paid to the Vendor in cash within 10 days after the approval(s) from the PRC governmental authorities becoming effective whereas the remaining RMB27,400,000 (equivalent to approximately HK$31,136,000) shall be paid to the Vendor upon completion of the business certificate registration of Beijing Huicong with the Beijing Administration for Industry and Commerce.

The consideration was determined with reference to a valuation report issued by the Valuer. The valuation method adopted by the Valuer in the valuation report is market value approach. The valuation is taken into account of, among others (a) the business nature of Beijing Huicong; (b) management account of Beijing Huicong as at 31st December 2009; and (c) the economic outlook in general and the specific economic environment where Beijing Huicong is located, the competitors located in the neighborhood, and competitive advantages and disadvantages of Beijing Huicong.

Based on the valuation report, the valuation of 18% equity interest in Beijing Huicong as at 31st December 2009 was RMB54,800,000 (equivalent to approximately HK$62,273,000). The Board (the independent non-executive Directors) considers that the consideration and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Financial Information of Beijing Huicong

The following table sets out selected audited financial information prepared in accordance with the Hong Kong Financial Reporting Standards for the financial years ended 31st December 2007, 2008 and 2009 as extracted from the accountant's report included in Appendix II to this circular.

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Sales	279,262	313,944	317,655
(Loss)/profit before income tax	(24,782)	23,162	10,768
(Loss)/profit attributable to equity holders of Beijing Huicong	(22,372)	6,724	8,832

	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	165,211	179,962	250,105
Total assets	302,213	279,987	350,588
Total current liabilities	262,817	231,818	290,735
Total liabilities	263,870	231,988	290,735
Minority interest	–	2,932	3,680
Equity attributable to equity holders of Beijing Huicong	38,343	45,067	56,173

Completion

Completion shall be subject to the satisfaction of the following conditions:

(a) approval from the Independent Shareholders having been obtained; and

(b) approval from PRC governmental authorities having been obtained.

Upon completion of the Acquisition, Beijing Huicong will become a wholly- owned subsidiary of the Company. Prior to the Acquisition, Beijing Huicong is a non wholly-owned subsidiary of the Company and its financial results have already been consolidated into the financial results of the Group.

INFORMATION OF BEIJING HUICONG

Beijing Huicong is a sino-foreign co-operative joint venture established under the laws of PRC on 8th April 1999 with limited liability. Its principal activity includes provision of business information in the PRC. The paid in capital of Beijing Huicong is RMB110,000,000 (equivalent to approximately HK$125,000,000).

REASONS FOR THE ACQUISITION

Beijing Huicong was established in the form of a sino-foreign co-operative joint venture as a result of the need for internal restructuring and the applicable legal requirements at the time of establishment. The relevant legal requirements for conducting advertising business in the PRC have been relaxed such that the Company can be allowed to hold the entire equity interest in Beijing Huicong under the current legal regime. In order to allow more flexibility in the control of Beijing Huicong, the Board considers that it will be beneficial to the Group if the Group can acquire the remaining equity interest in Beijing Huicong from the Vendor and to have full control over the management and the operation of Beijing Huicong.

The terms of the Agreement are determined after arm's length negotiations between the parties thereto and are in the ordinary and normal course of business. The Directors (including the independent non-executive Directors) believe that the terms of the Agreement and the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

The consideration of the Acquisition will be satisfied by internal resources of the Group. The Directors are of the view that the Acquisition will not have any material adverse impact on the working capital and future earnings of the Group.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding and the subsidiaries are engaged in advertising activities and provision of business information in the PRC.

APPROVAL BY INDEPENDENT SHAREHOLDERS

Based on the applicable ratios, the Acquisition constitutes a major transaction under Chapter 19 of the GEM Listing Rules. The Vendor is owned as to 80% by an executive Director and Chairman of the Company, Mr. Guo. The Vendor is an associate of Mr. Guo and is therefore a connected person of the Company. The Acquisition also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules which shall be subject to approval of the Independent Shareholders at the EGM by way of poll.

As at the Latest Practicable Date, Mr. Guo and his associates are interested in 68,670,786 Shares, representing approximately 14.05% of the entire issued share capital of the Company. As such, Mr. Guo and his associates will abstain from voting in the EGM to approve the Acquisition and the transaction contemplated thereunder.

RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendations of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Acquisition and the transactions contemplated thereunder and (ii) the letter from the Independent Financial Adviser which contains its recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendations.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 9 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and further information set out on pages 22 to 97 of this circular.

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

HC INTERNATIONAL, INC.
慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock code: 08292)

To the Independent Shareholders

28th June 2010

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 28th June 2010 (the "**Circular**"), of which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this the Circular shall have the same meanings when used herein.

We have been appointed to advise the Independent Shareholders in connection with the terms of the Agreement and the transaction contemplated thereunder are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and the terms of which are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned. Kingsway Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As the Company's independent non-executive Directors, we have discussed with the management of the Company the reasons for and benefits of the Acquisition and the basis upon which the terms of the Agreement have been determined. We have considered the factors and reasons considered by, and the opinions and recommendations of the Independent Financial Adviser as set out on pages 10 to 21 of the Circular.

We are of the view that the terms of the Acquisition, after taking into account the advice of the Independent Financial Adviser as set out from pages 10 to 21 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of the Agreement.

Yours faithfully,
Independent Board Committee
Zhang Ke **Xiang Bing** **Guo Wei**
Independent non-executive Director

* *For identification purposes only*

The following is the full text of a letter received from Kingsway Capital Limited setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction for inclusion in the Circular.

滙富集團 KingswayGroup

5/F, Hutchison House,
10 Harcourt Road,
Central, Hong Kong
Tel. No.: (852) 2877-1830
Fax. No.: (852) 2283-7722

28th June 2010

To the Independent Board Committee and
the independent shareholders of HC International, Inc.

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF 18% EQUITY INTERESTS IN
BEIJING HUICONG INTERNATIONAL INFORMATION CO., LTD*

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the acquisition of 18% of the equity interests in Beijing Huicong by the Purchaser from the Vendor (the "**Transaction**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 28th June 2010 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27th April 2010, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor has agreed to sell its 18% equity interests in Beijing Huicong to the Purchaser at a consideration of RMB54,800,000 (equivalent to approximately HK$62,273,000). Upon the completion of the Transaction, the Company's interest in Beijing Huicong will increase from 82% to 100%.

* *For identification purpose only*

The Purchaser is a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of the Company. The Vendor is a company established in the PRC and is owned as to 80% by an executive Director and Chairman, Mr. Guo. The remaining 20% equity interest is owned by Wang Chong and Wang Yonghui, who are the Independent Third Parties. The Vendor is an associate of Mr. Guo and is therefore a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements. Based on the applicable ratios (other than profits ratio), the Acquisition also constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. Upon completion of the Transaction, the Company's interest in Beijing Huicong will increase from 82% to 100%. As at the Latest Practicable Date, Mr. Guo and his associates are interested in 68,670,786 Shares, representing approximately 14.05% of the entire issued share capital of the Company, thus, Mr. Guo and his associates will abstain from voting in the EGM to approve the Acquisition and the transaction contemplated thereunder.

An Independent Board Committee comprising the independent non-executive Directors has been established to consider and advise the Independent Shareholders in respect of the Transaction. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation as to whether the entering into of the Transaction on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our view and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Company, which the Directors consider to be complete, accurate and relevant. We have assumed that all the information, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true and accurate as at the date of the Circular. We have also assumed that all the statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided and representations and opinions made to us by the Company, the Directors and the management of the Company untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view. The Directors have confirmed that no material facts or representations have been withheld or omitted from the information provided and referred to in the Circular. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group, the Purchaser, Beijing Huicong and the Vendor or any of their associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

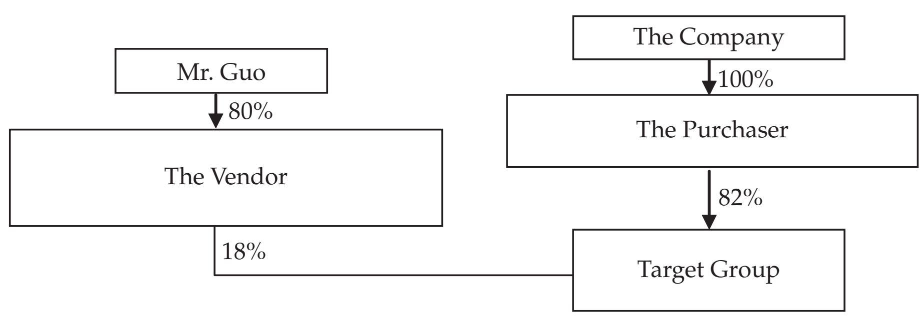
In arriving at our opinion to the Independent Board Committee and Independent Shareholders in respect of the Transaction, we have considered the following principal factors and reasons:

1. Reasons for and benefits of the Transaction

(a) Group structure

The Company currently owns 82% of the equity interests in Beijing Huicong. As of the Latest Practicable Date, Beijing Huicong has 16 wholly-owned subsidiaries and 2 non-wholly owned subsidiaries. Beijing Huicong and its subsidiaries (the "**Target Group**") are engaged in various activities including provision of business information, advertising, and market research services.

Upon completion of the Acquisition, the Target Group will be wholly-owned by the Company. The financials of the Target Group will be 100% consolidated into the Group's financials upon completion of the Acquisition. The following shows the simplified structure as at 31st December 2009:



(b) Financial performance of Beijing Huicong

According to the Group's 2009 annual report ("**2009 Annual Report**"), the Company is one of the leading e-commerce communities in the PRC. The Group is principally engaged in the provision of B2B e-commerce platforms to small to medium enterprises ("**SMEs**"). In addition, the Group also focuses on the integration of services to provide specialized information through the sub-vertical-oriented services. The Group also held offline activities to help SMEs to better communicate with buyers to facilitate transactions. The Group provides business information through four main types of on-line and off-line channels: (i) trade catalogues and yellow page directories; (ii) on-line services; (iii) market research and analysis; and (iv) seminars and other services.

The Company currently owns 82% of the equity interests in Beijing Huicong. The financial results of Beijing Huicong have been consolidated into the published financial results of the Group since 2001. For the two years ended 31st December 2009, the Target Group contributed to 100% of revenue of the Group.

Upon completion of the Acquisition, the Company will own 100% of the equity interests in Beijing Huicong. Hence, there will not be any minority interests in relation to Beijing Huicong itself in the consolidated financial statements of the Company.

The following shows the financial summary of the Group and the Target Group for the two years ended 31st December 2009:

Financial information

	The Group For the year ended 31st December		**The Target Group* For the year ended 31st December**	
	2008	**2009**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Sales	313,944	317,655	313,944	317,655
Gross profit	175,651	166,900	175,651	166,900
Profit before tax	18,764	6,359	23,162	10,768
Profit for the year	2,460	4,767	6,858	9,176
Profit attributable to equity holders	1,861	2,130	6,724	8,832

	As at 31st December		**As at 31st December**	
	2008	**2009**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)
Cash and cash equivalents	162,602	201,119	138,028	178,325
Net asset	212,835	223,311	47,999	59,853

Margins

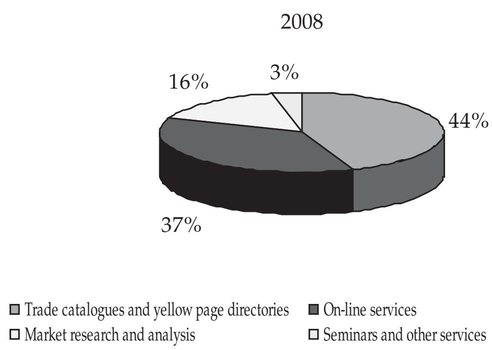
	The Group For the year ended 31st December		**The Target Group* For the year ended 31st December**	
	2008	**2009**	**2008**	**2009**
Gross profit margin	55.9%	52.5%	55.9%	52.5%
Net profit margin	0.8%	1.5%	2.2%	2.9%

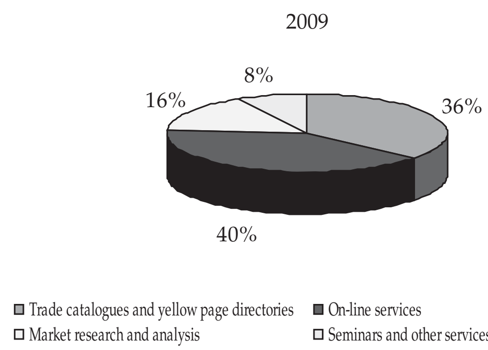
* *Only 18% Beijing Huicong will be acquired pursuant to the Agreement. The financial information in the above table represented 100% equity interests of the Target Group.*

For the two years ended 31st December 2009, the Target Group contributed to 100% of the total sales and total cost of sales of the Group, respectively.

The revenue stream of the Target Group, which also represents the total revenue stream of the Group can be divided into can be categorized into four types, namely trade catalogues and yellow page directories; on-line services; market research and analysis; and seminars and other services.

The following shows the breakdown by income stream of the Target Group for the two years ended 31st December 2009:





The largest two main revenue streams of the Target Group for the year ended 31st December 2008 were trade catalogues and yellow page directories and on-line service, which accounted for approximately 44%, and 37% of the total turnover of the Target Group, respectively. For the year ended 31st December 2009, trade catalogues and yellow page directories and on-line service accounted for approximately 36% and 40%, respectively. As stated in the 2009 Annual Report, the increased contribution from the on-line service was mainly attributable to the increase in SMEs using on-line service by obtaining information from e-commerce platform; and the online trading volume from existing SMEs is growing as a result of the financial crisis in 2009. The Directors advise that the Company will focus its development on on-line service for SMEs in the future.

Although the total income of the Target Group in 2009 only increased slightly by approximately 1.2%, the Directors considered such income growth is acceptable considering that the industry had been negatively hit by the global economic slowdown since the second quarter of 2008. On the other hand, the profit and total comprehensive income attributable to equity holders of the Target Group increased by approximately 31.4%, mainly due to the reduction in selling and marketing expenses and administrative expenses. The Directors are of the view that the Target Group will continue to have a positive contribution to the overall profitability of the Group.

(c) Growth on the on-line services industry for SMEs in China

As stated in the 2009 Annual Report, according to the iResearch 2009 China's Internet Market Annual Report, after the rapid growth in 2008, the China B2B e-commerce market transactions have been scaled down in 2009 by 6.4% as the result of the financial crisis. But the financial crisis to China's B2B e-commerce also brings opportunities for development. More SMEs obtain information from e-commerce platform and the online trading volume from existing SMEs is growing.

According to the research report "iResearch China SME B2B E-Commerce Research Report 2009–2010" issued by iResearch Inc (the "**Research Report**"), there were approximately 40 million SMEs in China that have abilities to apply e-commerce services in their business, representing an increase of approximately 3.8% as compared to the previous year. Among them, only approximately 17 million SMEs were using third parties' B2B e-commerce services.

According to the Research Report, the total transaction value of B2B e-commerce for SME in China was approximately RMB1,860 billion in 2009, representing an increase of approximately 18.5% as compared to the previous year. It is forecasted that the transaction value will increase to approximately RMB6,960 billion by 2013, representing a compound annual growth rate of approximately 39.1%.

The Directors are of the view that the market of the provision of B2B e-commerce services to the SMEs in China is growing. They are optimistic about the long term prospect of the on-line services industry for SMEs in China which will bring new opportunities to the industry.

Having taken into account of (i) the business strategy of the Group; (ii) the financial performance of Beijing Huicong despite the global economic slowdown since the second quarter of 2008; and (iii) the growth in the on-line services industry for SMEs in China, we are of the view that entering into the Transaction is in line with the Group's business strategy and in the ordinary and usual course of business of the Group.

2. Basis of the consideration and terms of the Transaction

The total consideration in respect of the Acquisition shall be RMB54,800,000 (equivalent to approximately HK$62,273,000), of which RMB27,400,000 (equivalent to approximately HK$31,136,000) shall be paid to the Vendor in cash within 10 days after the approval(s) from the PRC governmental authorities becoming effective whereas the remaining RMB27,400,000 (equivalent to approximately HK$31,136,000) shall be paid to the Vendor upon completion of the business certificate registration of Beijing Huicong with the Beijing Administration for Industry and Commerce. The consideration will be financed by internal resources of the Group. As at the Latest Practicable Date, no consideration has been paid to the Vendor.

In assessing the fairness and reasonableness of the basis for the determination of the consideration, we have taken into account the following factors:–

(a) Valuation of the Target Group

The consideration was determined after arm's length negotiation and was mutually agreed between the parties with reference to a valuation report issued by the Vigers Appraisal & Consulting Limited (the "**Valuer**") dated 9th April 2010 (the "**Valuation Report**"). The consideration is the same as the appraised market value of the Target Group.

We have reviewed the Valuation Report and discussed with the Valuer on the methodology adopted and assumptions used for the valuation of the Target Group. We are given to understand that the appraisal of the Target Group had adopted the market approach. The Valuer considers that the valuation method as adopted is an appropriate measure in the evaluation of the market value of the Target Group. The valuation has taken into account of, among others (a) the business nature of Beijing Huicong; (b) the management account of Beijing Huicong as at 31st December 2009; and (c) the economic outlook in general and the specific economic environment where Beijing Huicong is located, the competitors located in the neighborhood, and competitive advantages and disadvantages of Beijing Huicong.

In light of the above, we are of the view that the valuation and the underlying assumptions are fair and reasonable and that the Valuation Report is a good reference for the determination of the consideration of the Acquisition.

(b) Price-to-earnings ratio and the ratio of market capitalization to the latest published net asset value analysis

Apart from relying the Valuation Report, we have made comparison among Beijing Huicong and other listed companies which are engaged in similar business with that of Beijing Huicong, that is, the provision of business-to-business platform on the internet or related businesses (the "**Selection Criteria**") in terms of certain commonly adopted parameter, price-to-earnings ratio ("**P/E**") and the ratio of market capitalization to the latest published net asset value of the Industry Comparables ("**P/B**"). To our best knowledge, we have identified 9 listed companies (the "**Comparables**"), which have fulfilled our Selection Criteria, for comparison as follows:

Company	Stock code	Market capitalization as at the Latest Practicable Date ("A")	Latest published net asset value ("NAV") ("B")	P/B (=A/B)	Latest published net profit ("C")	P/E (=A/C)
		HK$ million	*HK$ million*	*Times*	*HK$ million*	*Times*
eBay Inc	EBAY US	219,791	107,544	2.0	18,635	11.8
Tencent Holdings Ltd	700 HK	228,489	13,883	16.5	5,877	38.9
Alibaba.com Ltd	1688 HK	81,414	5,674	14.3	1,155	70.5
Sohu.com Inc	SOHU US	12,692	4,756	2.7	1,153	11.0
Focus Technology Co Ltd	002315 CH	9,857	1,678	5.9	104	94.8
Zhejiang Netsun Co Ltd	002095 CH	3,677	454	8.1	47	78.2
eResearch Technology Ltd	ERES US	3,093	1,074	2.9	83	37.3
Global Sources Ltd	GSOL US	2,606	1,273	2.0	126	20.7
HC International, Inc.	8292 HK	440	244	1.8	2.4	183.3
		All Comparables	**Maximum**	**16.5**		**183.3**
			Minimum	**1.8**		**11.0**
			Average	**6.2**		**60.7**
		Hong Kong-listed Comparables	**Maximum**	**16.5**		**183.3**
			Minimum	**1.8**		**38.9**
			Average	**10.9**		**97.6**
		HK$ million	*HK$ million*	*Times*	*HK$ million*	*Times*
The Transaction		62.3 *(Note 2)*	11.5 *(Note 3)*	5.4	1.8 *(Note 4)*	34.6

Source: Bloomberg

Notes:

1. Translations of RMB into HK$ and US$ into HK$ are made for illustration purposes only at the exchange rates of RMB1.00 to HK$1.14 and US$1.00 to HK$7.8 respectively.

2. The consideration of approximately RMB54.8 million (approximately HK$62.3 million) represents the market capitalization of the Transaction.

3. The figure is the amount of net asset value attributable to 18% equity interests of Beijing Huicong as at 31st December 2009.

4. The figure is the amount of net profit attributable to 18% equity interests of Beijing Huicong for the year ended 31st December 2009.

As shown in the table above, the P/E and the P/B of the Transaction is 34.6 and 5.4, respectively.

Since the Company has the substantially the same business as the Target Group, we consider the Company the most comparable to the Target Group. The P/E and P/B of the Company is 183.3 times and 1.8 times, respectively. It is noted that P/E of the Transaction is much lower than that of the Company.

The P/E of the Comparables ranged from approximately 11.0 times to 183.3 times with an average of approximately 60.7 times. The P/E of the Hong Kong-listed Comparables ranged from approximately 38.9 times to 183.3 times with an average of approximately 97.6 times. The P/E of the Transaction of approximately 34.6 times is within the range and below the average of the P/Es among the Comparables and is also below the range of the P/Es among the Hong Kong-listed Comparables and the P/E of the Company.

The P/B of the Transaction, 5.4 times, is higher than that of the Company. As shown in the table above, the P/B of the Comparables ranged from approximately 1.8 times to 16.5 times with an average of approximately 6.2 times. The P/B of the Hong Kong-listed Comparables ranged from approximately 1.8 times to 16.5 times with an average of approximately 10.9 times. The P/B of the Transaction of approximately 5.4 times, although is above the P/B of the Company, it is within the range of the Comparables and lower than the average of the P/Bs among the Comparables and the Hong Kong-listed comparables.

We note that the market capitalization of the Comparables was larger than that of the Target Company, and the ranges of the P/B and the P/E of the Comparables are wide. We do not see any apparent correlation between the market capitalisation and either of the P/B and P/E ratios from the Comparables. As far as the Comparables are principally engaged in business similar with that of the Target Group, we consider it appropriate to include the Comparables in the P/E and P/B analysis above.

In addition, the principal business of the Target Company is in the PRC. Four Comparables, including Tencent Holdings Ltd, Alibaba.com Ltd, Sohu.com Inc and Zhejiang Netsun Co Ltd, also have their businesses focus in China ("**PRC Business Comparables**"). We note that the average of the P/B and the P/E of the PRC Business Comparables was approximately 10.4 times and approximately 49.7 times respectively, which both of them were higher than the P/B and P/E of the Transaction.

We also note that the P/B of the Transaction is higher than that of the Company. As discussed with the management of the Company, we are given to understand that the business of the Group and the Target Group is not capital intensive in nature and that the lower P/B of the Company may be attributable to the higher cash balance of the Company which is earmarked for possible acquisition. Given the above and that the consideration is determined with reference to the Valuation Report which took into account of, among others (a) the business nature of Beijing Huicong; (b) the management account of Beijing Huicong as at 31st December 2009; and (c) the economic outlook in general and the specific economic environment where Beijing Huicong is located, the competitors located in the neighborhood, and competitive advantages and disadvantages of Beijing Huicong, we are of the view that it is more appropriate to justify the fairness and reasonableness of the basis for the determination of the consideration taking into account, among others, the results of P/E analysis than that of P/B analysis. Hence, we consider that the determination basis of the consideration is fair and reasonable, despite that the P/B of the Transaction is higher than that of the Company.

(c) Financial resources of the Group

The total consideration of RMB54,800,000 (equivalent to approximately HK$62,273,000) will be payable by cash and satisfied by internal resources.

As at 31st December 2009, the Group had cash and cash equivalents of approximately RMB201.1 million, of which cash at banks of approximately RMB173,918,000 were denominated in Renminbi and deposited with banks in the PRC, while it had no short term or long term bank borrowing. Therefore, the Group has sufficient financial resources to satisfy the consideration.

Having considered (i) the appraised market value of the Target Group as conducted by the Valuer; (ii) the above analysis of P/E and P/B of the Transaction; and (iii) the company has sufficient financial resources to satisfy the consideration, we are of the opinion and concur with the Directors that the basis of the consideration and the terms of the Transaction are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

3. Possible financial effects of the Transaction on the Group

Upon completion of the Transaction, the Company's interest in Beijing Huicong will increase from 82% to 100%. As a result, the Company will consolidate the results of Beijing Huicong as a wholly-owned subsidiary into the Group's financial statements.

(a) Net asset value

As at 31st December 2009, the Group's audited net asset value attributable to equity holders of the Company was approximately RMB214.3 million. The Directors expect that the net asset value attributable to equity holders of the Company of the enlarged Group upon completion of Acquisition will be reduced by an amount equal to RMB54.8 million, being the consideration for the Acquisition, minus the amount reduced in the minority interests as a result of the Acquisition, i.e. the net asset value attributable to 18% equity interests in Beijing Huicong upon completion of the Acquisition. Taking into account the potential growth of the on-line services industry for SMEs in China and business strategy of the Group to expand such business and the working capital position of the Group, we concur with the Directors' view that the reduction in net asset value attributable to equity holders of the Company is acceptable.

(b) Earnings

Upon completion of the Transaction, Beijing Huicong will become a wholly-owned subsidiary of the Company and thus its entire earnings, instead of 82% of which, will be attributable to the equity holders of the Company.

According to the audited financial information of the Target Group, the Target Group recorded a net profit and total comprehensive income attributable to the equity holders of approximately RMB6.7 million and RMB8.8 million respectively for each of the two years ended 31st December 2009. On the contrary, the Group's total comprehensive income attributable to the equity holders of the Company was only approximately RMB1.0 million and approximately RMB2.1 million, respectively, for each of the two years ended 31st December 2009.

Based on the historical profit-making track records of the Target Group, we concur with the Directors' view that the profitability of the enlarged Group can be enhanced after the completion of the Acquisition.

(c) Working capital

As at 31st December 2009, the Group's cash and cash equivalents amounted to approximately RMB201.1 million. The consideration will be fully settled by cash from the Group's internal resources. Hence, the working capital of the enlarged Group will be reduced by RMB54,800,000. Taking into account the potential growth of the on-line services industry for SMEs in China and business strategy of the Group to expand such business and the working capital position of the Group, we concur with the Directors' view that the reduction in working capital is acceptable.

(d) Gearing ratio

Since the Company had no short-term or long-term bank borrowing as at 31st December 2009, the Group's gearing ratio is 0%. Upon completion of the Transaction, there will be no effect on the enlarged Group's gearing ratio.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the entering into of the Transaction is in the ordinary and usual course of business of the Group, and the terms of the Transaction are fair and reasonable, normal commercial and in the interests of the Group and the Shareholders as a whole.

Yours faithfully,
For and on behalf of
Kingsway Capital Limited

Chu Tat Hoi	**Liu Kam Yin**
Executive Director	*Director*

1. THREE-YEAR FINANCIAL INFORMATION

Financial information of the Group for each of the years ended 31st December 2007, 2008 and 2009 are disclosed in the annual reports of the Company for the years ended 31st December 2007, 2008 and 2009 respectively, which are published on both the website of the Stock Exchange (www.hkgem.com) and the website of the Company (www.hcgroup.com).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30th April 2010, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Group has no bank borrowings, debt securities or loan capital issued and outstanding or agreed to be issued, term loans (whether guaranteed, unguaranteed, secured and unsecured), bank overdrafts, loans or other similar indebtedness (whether guaranteed, unguaranteed, secured and unsecured), debentures, mortgages, charges, hire purchase commitments (whether guaranteed, unguaranteed, secured and unsecured), guarantees or other material contingent liabilities as at the close of business on 30th April 2010.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account its internal resources, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

As at the Latest Practicable Date, the Group is one of the leading e-commerce communities in the PRC. 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 the transaction-based customers. 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 transaction is considered to be core to the Group's business operations at all times. The Group will continue to focus on this by facilitating communication and interaction, and providing information and value-added services.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

28th June 2010

The Directors
HC International, Inc.

Dear Sirs,

We report on the financial information (the "Financial Information") of Beijing Huicong International Information Co., Ltd. (the "Target Company") and its subsidiaries (together, the "Target Group") which comprises the consolidated and company balance sheets of the Target Company as at 31st December 2007, 2008 and 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Company for each of the years ended 31st December 2007, 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below, for inclusion in the circular of HC International, Inc. (the "Company") dated 28th June 2010 (the "Circular") in connection with the proposed acquisition of equity interests in the Target Company by a subsidiary of the Company.

The Target Company was incorporated in the People's Republic of China (the "PRC") on 8th April 1999 as a limited liability company.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries and associated companies as set out in Notes 9 and 10 of Section II below.

The statutory financial statements of the Target Company prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the PRC for each of the years ended 31st December 2007, 2008 and 2009 were audited by Beijing Xinzhengtai Certified Public Accountants.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (the "Underlying Financial Statements") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing pursuant to separate terms of engagement with the Target Company.

The Financial Information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility for the financial information

The directors of the Target Company during the Relevant Periods are responsible for the preparation and the fair presentation of the Underlying Financial Statements in accordance with HKFRSs issued by the HKICPA. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA and accounting policies presently adopted by the Company and its subsidiaries (together the "Group") as set out in the audited annual consolidated financial statements of the Company for the year ended 31st December 2009. This responsibility includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purpose of the Circular, a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31st December 2007, 2008 and 2009 and of the Target Group's results and cash flows for each of the Relevant Periods then ended.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Target Group prepared by directors of the Company as at 31st December 2007, 2008 and 2009 and for each of the years ended 31st December 2007, 2008 and 2009:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31st December		
	Note	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*
Sales	*5*	279,262	313,944	317,655
Cost of sales	*21*	(117,532)	(138,293)	(150,755)
Gross profit		161,730	175,651	166,900
Other income	*20*	1,681	2,639	2,270
Selling and marketing expenses	*21*	(103,664)	(90,676)	(77,136)
Administrative expenses	*21*	(80,681)	(84,443)	(81,537)
Loss on disposal and termination of subsidiaries and branches	*28(d)*	(2,336)	–	–
Finance costs	23	(1,512)	–	–
Impairment of an intangible asset	*7*	–	(8,471)	–
Gain on disposal of research business	*7(c), 28(c)*	–	28,425	–
Share of profit of an associated company	*10*	–	37	271
(Loss)/profit before income tax		(24,782)	23,162	10,768
Income tax credit/(expense)	*24*	2,410	(16,304)	(1,592)
(Loss)/profit and total comprehensive (loss)/income for the year		(22,372)	6,858	9,176
(Loss)/profit and total comprehensive (loss)/income attributable to:				
Equity holders of the Target Company		(22,372)	6,724	8,832
Minority interest		–	134	344
		(22,372)	6,858	9,176

CONSOLIDATED BALANCE SHEETS

	Note	2007	2008	2009
		As at 31st December		
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Land use rights	6	19,433	19,006	18,579
Property, plant and equipment	8	74,135	62,803	64,429
Intangible assets	7	26,369	13,443	10,807
Investment in an associated company	10	–	1,237	1,508
Long-term deposit	11	–	1,629	1,659
Deferred income tax assets	18	17,065	1,907	3,501
		137,002	100,025	100,483
Current assets				
Trade receivables	11	25,996	29,599	22,923
Deposits, prepayments and other receivables	11	59,316	7,534	15,924
Direct selling costs	12	–	–	10,173
Amount due from an associated company	10	–	4,626	21,899
Amounts due from related parties	13	2,568	175	861
Cash and cash equivalents	14	77,331	138,028	178,325
		165,211	179,962	250,105
Total assets		302,213	279,987	350,588
EQUITY				
Capital and reserves attributable to the Target Company's equity holders				
Paid-in capital	15	110,000	110,000	110,000
Other reserves	16	987	987	3,261
Accumulated losses		(72,644)	(65,920)	(57,088)
		38,343	45,067	56,173
Minority interest		–	2,932	3,680
Total equity		38,343	47,999	59,853

	Note	As at 31st December 2007 RMB'000	2008 RMB'000	2009 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	*18*	1,053	170	–
Current liabilities				
Trade payables	*17*	6,033	3,760	2,332
Accrued expenses and other payables	*17*	20,961	20,417	19,997
Deferred revenue	*17*	53,703	48,567	107,363
Amount due to the immediate holding company	*9*	162,980	141,201	142,817
Amount due to a related party	*13*	604	–	–
Other taxes payable	*19*	13,721	14,078	12,351
Income tax payable	*19*	4,815	3,795	5,875
		262,817	231,818	290,735
Total liabilities		263,870	231,988	290,735
Total equity and liabilities		302,213	279,987	350,588
Net current liabilities		97,606	51,856	40,630
Total assets less current liabilities		39,396	48,169	59,853

BALANCE SHEETS

	Note	As at 31st December 2007 RMB'000	2008 RMB'000	2009 RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	9	22,000	29,007	29,007
Property, plant and equipment	8	68,192	58,814	58,758
Land use rights	6	19,433	19,006	18,579
Intangible assets	7	23,519	11,026	7,695
Investment in an associated company	10	–	1,200	1,200
Long-term deposit	11	–	1,629	1,659
Deferred income tax assets	18	6,081	–	–
		139,225	120,682	116,898
Current assets				
Trade receivables	11	15,296	15,087	3,306
Deposits, prepayments and other receivables	11	55,890	5,315	5,924
Direct selling costs	12	–	–	3,769
Amount due from an associated company	10	–	662	3,758
Amount due from a related party	13	–	175	861
Amount due from subsidiaries		59,182	75,987	85,853
Cash and cash equivalents	14	24,825	66,638	76,946
		155,193	163,864	180,417
Total assets		294,418	284,546	297,315
EQUITY				
Capital and reserves attributable to the Target Company's equity holders				
Paid-in capital	15	110,000	110,000	110,000
Other reserves	16	987	987	987
(Accumulated losses)/ retained earnings	16	(8,826)	(564)	1,796
Total equity		102,161	110,423	112,783

	Note	As at 31st December 2007 RMB'000	2008 RMB'000	2009 RMB'000
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	*18*	–	170	–
Current liabilities				
Trade payables	*17*	1,918	2,847	704
Accrued expenses and other payables	*17*	5,180	5,848	8,959
Deferred revenue	*17*	19,647	20,450	28,353
Amount due to the immediate holding company	*9*	162,980	141,201	142,817
Amount due to a related party	*13*	604	–	–
Other taxes payable	*19*	1,928	1,576	1,159
Income tax payable	*19*	–	2,031	2,540
		192,257	173,953	184,532
Total liabilities		192,257	174,123	184,532
Total equity and liabilities		294,418	284,546	297,315
Net current liabilities		37,064	10,089	4,115
Total assets less current liabilities		102,161	110,593	112,783

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to the Target Company's equity holders					
	Note	**Paid-in capital**	**Other reserves**	**Accumulated losses**	**Sub-total**	**Minority interest**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1st January 2007		110,000	987	(50,272)	60,715	–	60,715
Loss and total comprehensive loss for the year		–	–	(22,372)	(22,372)	–	(22,372)
Balance at 31st December 2007		110,000	987	(72,644)	38,343	–	38,343
Balance at 1st January 2008		110,000	987	(72,644)	38,343	–	38,343
Profit and total comprehensive income for the year		–	–	6,724	6,724	134	6,858
Transactions with owners							
Contribution from a minority shareholder on set up of a subsidiary		–	–	–	–	2,798	2,798
Total transactions with owners		–	–	–	–	2,798	2,798
Balance at 31st December 2008		110,000	987	(65,920)	45,067	2,932	47,999
Balance at 1st January 2009		110,000	987	(65,920)	45,067	2,932	47,999
Profit and total comprehensive income for the year		–	–	8,832	8,832	344	9,176
Transactions with owners							
Share based payment of employee services	*16*	–	2,274	–	2,274	–	2,274
Capital injection in subsidiaries from minority shareholders		–	–	–	–	404	404
Total transactions with owners		–	2,274	–	2,274	404	2,678
Balance at 31st December 2009		110,000	3,261	(57,088)	56,173	3,680	59,853

CONSOLIDATED CASH FLOW STATEMENTS

		Year ended 31st December		
	Note	**2007**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from operations	*28(a)*	68,948	6,307	67,366
Interest received	*20*	1,681	2,639	2,270
Interest paid		(1,512)	–	–
The People's Republic of China ("PRC") income tax paid		(518)	(3,049)	(1,276)
Net cash generated from operating activities		68,599	5,897	68,360
Cash flows from investing activities				
(Purchase of)/repayment from entrusted funds		(55,000)	55,000	(10,000)
Purchase of property, plant and equipment		(7,088)	(8,947)	(17,311)
Purchase of intangible assets		–	–	(1,295)
Proceeds from sale of property, plant and equipment	*28(b)*	243	107	139
Net cash inflow from a shareholder of a newly set up subsidiary	*28(c)*	–	8,640	–
Net cash (used in)/generated from investing activities		(61,845)	54,800	(28,467)
Cash flows from financing activities				
Capital contribution from minority shareholders		–	–	404
Repayment of short-term loans		(32,000)	–	–
Net cash (used in)/generated from financing activities		(32,000)	–	404
Net increase/(decrease) in cash and cash equivalents		(25,246)	60,697	40,297
Cash and cash equivalents at beginning of the year		102,577	77,331	138,028
Cash and cash equivalents at end of the year		77,331	138,028	178,325

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Group organises a business-to-business community across the PRC by providing business information through both on-line and offline channels. The Target Group operates an on-line market place and provides industrial search result prioritising services through its business-to-business website "hc360.com". The Target Group also publishes its own trade catalogues and yellow page directories and generates market research reports in China.

The Target Company is a limited liability company and a sino-foreign cooperative joint venture incorporated in the PRC on 8th April 1999. The address of its registered office is Tower B, Jingyi Technical Building, No. 9 Dazhangsi East Road, Haidian District, Beijing, PRC.

The Financial Information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The Financial Information has been prepared in accordance with HKFRS issued by the HKICPA. The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information 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 Target Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Target Group's accounting periods beginning on or after 1st January 2010 or later periods, but the Target Group has not early adopted them:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1st January 2010
HKAS 7 (Amendment)	Statement of cash flows	1st January 2010
HKAS 17 (Amendment)	Leases	1st January 2010
HKAS 24 (Revised)	Related party disclosures	1st January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1st January 2010
HKAS 32 (Amendment)	Classification of rights issue	1st February 2010
HKAS 39 (Amendment)	Eligible hedge items	1st July 2009
HKFRS 1 (Revised)	First-time adoption of HKFRSs	1st July 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction	1st January 2010
HKFRS 3 (Revised)	Business combination	1st January 2010
HKFRS 9	Financial instruments	1st January 2013
Amendment to HK(IFRIC)-Int 14	Prepayments of a minimum funding requirement	1st January 2011

		Effective for annual periods beginning on or after
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners	1st July 2009
HK(IFRIC)-Int 18	Transfers of assets from customers	1st July 2009
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1st July 2010
HKFRS 5	Non-current assets held for sale and discontinued operations (and consequence amendment to HKPRS 1 "First-time adoption")	1st July 2009

Improvements to HKFRS published by HKICPA in May 2009:

HKFRS 2	Share-based payment	1st July 2009
HKFRS 5	Non-current assets held for sale and discontinued operations	1st January 2010
HKFRS 8	Operating segments	1st January 2010
HKAS 1	Presentation of financial statements	1st January 2010
HKAS 7	Statement of cash flows	1st January 2010
HKAS 17	Leases	1st January 2010
HKAS 18	Revenue	1st January 2010
HKAS 36	Impairment of assets	1st January 2010
HKAS 38	Intangible assets	1st July 2009
HKAS 39	Financial instruments: recognition and measurement	1st January 2010
HK(IFRIC)-Int 9	Reassessment of embedded derivatives	1st July 2009
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation	1st July 2009

Improvements to HKFRS published by HKICPA in October 2008:

HKAS 1 (Amendment)	Current/non-current classification of convertible instruments	1st January 2010
HKAS 7 (Amendment)	Classification of expenditures on unrecognised assets	1st January 2010
HKAS 17 (Amendment)	Classification of leases of land and buildings	1st January 2010
HKAS 36 (Amendment)	Unit of accounting for goodwill impairment test	1st January 2010
HKAS 38 (Amendment)	Additional consequential amendments arising from HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination	1st July 2009
HKAS 39 (Amendment)	Treating loan prepayment penalties as closely related derivatives	1st January 2010
HKAS 39 (Amendment)	Cash flow hedge accounting	1st January 2010
HKAS 39 (Amendment)	Scope exemption for business combination contracts	1st January 2010
HKFRS 2 (Amendment)	Scope of HKFRS 2 and HKFRS 3 (revised)	1st July 2009

		Effective for annual periods beginning on or after
HKFRS 5 (Amendment)	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1st January 2010
HKFRS 8 (Amendment)	Disclosure of information about segment assets	1st January 2010
HK(IFRIC)-Int 9 and HKFRS 3 (Amendment)	Reassessment of embedded derivatives	1st July 2009
HK(IFRIC)-Int 16 (Amendment)	Hedges of a net investment in a foreign operation	1st July 2009

The Target 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.

At 31st December 2009, the Target Group's current liabilities exceeded its current assets by approximately RMB40,630,000. Hong Kong Huicong International Group Limited ("HKHC"), its immediate holding company, has confirmed its intention to provide continuing financial support to the Target Group and has undertaken not to require repayment of the amount due by the Target Group to HKHC until the Target Group has the ability to repay. Accordingly, the Financial Information has been prepared on a going concern basis.

(b) Consolidation

The Financial Information includes the financial information of the Target Company and all of its subsidiaries made up to 31st December.

(i) Subsidiaries

Subsidiaries are all entities over which the Target 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 Target Group controls any entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Target 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 Target 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 statement of comprehensive income.

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 Target Group.

In the Target Company's balance sheets, 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 Target Company on the basis of dividends received and receivable.

(ii) Associated company

Associated company is the entity over which the Target 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 Target 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 Target Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, 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 Target Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Target Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

In the Target Company's balance sheets, 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 Target Company on the basis of dividend received and receivable.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Target 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 statement of comprehensive income.

(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 statement of comprehensive income 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 losses, if any. Land use rights are amortised using the straight-line method over their lease terms of 50 years.

(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 Target 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 statement of comprehensive income 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 statement of comprehensive income.

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)).

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less impairment losses, if any. No provision for depreciation is made on assets under construction in progress until such time as the relevant assets are completed and available for their intended use. On completion, the relevant assets are transferred to property, plant and equipment at cost less accumulated impairment losses.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Target 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.

(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 sheets 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 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, 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

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

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 Target Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(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 Target 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 defaults 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 statement of comprehensive income. 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 statement of comprehensive income.

(k) Direct selling costs

Direct selling costs, which principally comprise of sales commissions and agency fees paid in respect of subscription revenue received in advance, are deferred and are charged ratably to the consolidated statement of comprehensive income over the term of the respective service contracts as the services are rendered.

(l) 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.

(m) Deferred revenue

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

(n) Paid-in capital

Paid-in capital is classified as equity.

(o) Current and deferred income tax

The tax expense/(credit) during the Relevant Periods comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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 Target 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 balance sheets. 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 substantively 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.

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 Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(p) Employee benefits

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

(a) Retirement benefit costs

The full-time employees of the Target 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 Target Group contributes on a monthly basis to these pension plans. Under these plans, the Target Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Target 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.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Target Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target 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 Target 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 rate 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. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less.

(s) Revenue recognition

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

The Target 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 Target 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 Target 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.

Revenue for customer-specific market research reports 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 reports are recognised 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 statement of comprehensive income on a straight-line basis over the period of the lease.

(u) Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by a central finance department (the "Finance Department") headed by the Chief Financial Officer of the Target Group. The Finance Department identifies and evaluates financial risks in close co-operation with the Target 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

Foreign exchange risk

The Target Group and Target Company operate in the PRC and majority of its transactions are denominated in RMB. The Target Group and Target Company have no material foreign currency denominated assets and liabilities and does not have material exposure on foreign exchange risk.

(b) Credit risk

Credit risk is managed on a group basis. The Target Group's and Target Company's credit risk mainly arises from cash and cash equivalents, as well as credit exposures to trade receivables. As at 31st December 2009, it also includes a banking product purchased from a commercial bank which is a listed financial institution. As at 31st December 2007, the Target Group entered into an arrangement with a commercial bank in the PRC to invest in an entrusted fund. Both are included in other receivables as at the relevant year end. The Finance Department has policies in place to monitor the exposures to these credit risks on an on-going basis.

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

For balances with related parties and an associated company, management assesses the recoverability of the balances taking into account the history of default of these companies, financial performance and availability of credit facilities.

The table below shows the credit limit of and balances due from the five major debtors as at 31st December 2007, 2008 and 2009, respectively.

	Target Group 31st December 2007	
Counterparty	**Credit limit**	**Utilised**
	RMB'000	*RMB'000*
Customer A	1,000	355
Customer B	1,000	292
Customer C	1,000	200
Customer D	1,000	184
Customer E	1,000	165

	Target Group 31st December 2008	
Counterparty	**Credit limit**	**Utilised**
	RMB'000	*RMB'000*
Customer A	1,000	403
Customer F	1,000	393
Customer G	1,000	264
Customer H	1,000	229
Customer I	1,000	210

	Target Group 31st December 2009	
Counterparty	**Credit limit**	**Utilised**
	RMB'000	*RMB'000*
Customer J	2,000	1,895
Customer K	2,000	1,249
Customer A	1,000	399
Customer L	1,000	312
Customer M	1,000	278

	Target Company 31st December 2007	
Counterparty	**Credit limit**	**Utilised**
	RMB'000	*RMB'000*
Customer A	1,000	355
Customer B	1,000	292
Customer C	1,000	200
Customer D	1,000	184
Customer E	1,000	165

Counterparty	Target Company 31st December 2008 Credit limit	Utilised
	RMB'000	*RMB'000*
Customer A	1,000	403
Customer F	1,000	393
Customer G	1,000	264
Customer H	1,000	229
Customer I	1,000	210

Counterparty	Target Company 31st December 2009 Credit limit	Utilised
	RMB'000	*RMB'000*
Customer A	1,000	399
Customer L	1,000	312
Customer M	1,000	278
Customer N	1,000	220
Customer O	1,000	142

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.

	Target Group As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Listed customers	3,049	5,760	200
Unlisted customers	14,184	13,957	20,760
Total	17,233	19,717	20,960

	Target Company As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Listed customers	3,049	5,760	200
Unlisted customers	7,091	4,290	2,823
Total	10,140	10,050	3,023

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

	Target Group		
	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and bank deposits			
Listed financial institutions	66,067	125,705	166,992
Unlisted financial institutions	10,851	11,807	7,721
Cash on hand	413	516	3,612
Total	77,331	138,028	178,325

	Target Company		
	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks and bank deposits			
Listed financial institutions	22,430	65,915	70,631
Unlisted financial institutions	2,273	532	5,140
Cash on hand	122	191	1,175
Total	24,825	66,638	76,946

(c) Liquidity risk

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

The table below analyses the Target Group's and Target Company'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.

Target Group

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31st December 2007					
Trade payables	6,033	–	–	–	6,033
Accrued expenses and other payables	20,961	–	–	–	20,961
Amount due to a related party	604	–	–	–	604
Amount due to the immediate holding company	162,980	–	–	–	162,980
At 31st December 2008					
Trade payables	3,760	–	–	–	3,760
Accrued expenses and other payables	20,417	–	–	–	20,417
Amount due to the immediate holding company	141,201	–	–	–	141,201
At 31st December 2009					
Trade payables	2,332	–	–	–	2,332
Accrued expenses and other payables	19,997	–	–	–	19,997
Amount due to the immediate holding company	142,817	–	–	–	142,817

Target Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31st December 2007					
Trade payables	1,918	–	–	–	1,918
Accrued expenses and other payables	5,180	–	–	–	5,180
Amount due to a related party	604	–	–	–	604
Amount due to the immediate holding company	162,980	–	–	–	162,980
At 31st December 2008					
Trade payables	2,847	–	–	–	2,847
Accrued expenses and other payables	5,848	–	–	–	5,848
Amount due to the immediate holding company	141,201	–	–	–	141,201
At 31st December 2009					
Trade payables	704	–	–	–	704
Accrued expenses and other payables	8,959	–	–	–	8,959
Amount due to the immediate holding company	142,817	–	–	–	142,817

3.2 Capital risk management

The Target Group's and Target Company's objectives when managing capital are to safeguard the Target Group's and Target Company'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 Target Group and Target Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Target Group and Target Company 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. The gearing ratio for the Target Group is 0% for each of the three years ended 31st December 2007, 2008 and 2009 as no debt was outstanding as at 31st December 2007, 2008 and 2009.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to interest bearing current accounts and time deposits, with appropriate maturities to manage its overall liquidity position. As at 31st December 2007, 2008 and 2009, the Target Group maintains cash and cash equivalents of approximately RMB77,331,000, RMB138,028,000 and RMB178,325,000, respectively, that are expected to be readily available to meet the cash outflows of its financial liabilities.

3.3 Fair value estimation

The carrying amounts of the Target Group's and Target Company's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade payables, accruals and other payables, amounts due from/to related parties, amount due from an associated company and amount due to the immediate holding 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 Target 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) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectability 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.

(b) Taxes

The Target Group is subject to taxes in the PRC. Significant judgement is required in determining the provision for various kinds of taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target 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 statement of comprehensive income in the period in which such determination is made.

(c) Revenue recognition

The Target 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 Target Group to estimate the services performed to date as a proportion of the total services to be performed.

5. SEGMENT INFORMATION

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

The board of directors considers the business from product perspective. From a product perspective, the board of directors assesses the performance of trade catalogues and yellow page directories, on-line services, market research and analysis and seminars and other services.

The board of directors assesses the performance of the operating segments based on a measure of profit/(loss) before income tax. This measurement basis excludes the effects of non-recurring expenditure in unallocated expenses from the operating segments.

During the Relevant Periods, the Target 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 published by the Target Group.

(ii) On-line services – provision of a reliable platform to customers to do business and meet business partners on-line.

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

(iv) Seminars and other services – services for hosting of seminars.

There were no sales or other transactions between the business segments.

	Year ended 31st December 2007				
	Trade catalogues and yellow page directories	**On-line services**	**Market research and analysis**	**Seminars and other services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	136,247	107,826	32,990	2,199	279,262
Segment results	(6,819)	(10,773)	(2,750)	(2,273)	(22,615)
Other income					1,681
Loss on disposal and termination of subsidiaries and branches					(2,336)
Finance costs					(1,512)
Loss before income tax					(24,782)
Depreciation and amortisation	1,599	18,887	2,615	146	23,247
As at 31st December 2007					
Total assets	59,813	206,173	26,813	9,414	302,213
For the year ended 31st December 2007					
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,039	8,859	190	–	10,088

	Year ended 31st December 2008				
	Trade catalogues and yellow page directories	**On-line services**	**Market research and analysis**	**Seminars and other services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	138,723	114,938	49,464	10,819	313,944
Segment results	7,788	(5,258)	(3,977)	2,016	569
Other income					2,639
Impairment of an intangible asset					(8,471)
Gain on disposal of research business					28,425
Profit before income tax					23,162
Depreciation and amortisation	3,895	15,442	3,060	806	23,203
Share on profit from an associated company	–	–	37	–	37
As at 31st December 2008					
Total assets	55,288	191,557	24,923	8,219	279,987
Total assets include: investment in an associated company	–	–	1,237	–	1,237
For the year ended 31st December 2008					
Additions to non-current assets (other than financial instruments and deferred income tax assets)	939	8,008	167	–	9,114

	Year ended 31st December 2009				
	Trade catalogues and yellow page directories	**On-line services**	**Market research and analysis**	**Seminars and other services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	114,720	126,137	51,231	25,567	317,655
Segment results	(3,776)	3,612	2,812	5,850	8,498
Other income					2,270
Profit before income tax					10,768
Depreciation and amortisation (including share option expense)	1,502	17,315	2,547	496	21,860
Share of profit of an associated company	–	–	271	–	271
As at 31st December 2009					
Total assets	81,619	227,522	29,102	12,345	350,588
Total assets include: investment in an associated company	–	–	1,508	–	1,508
For the year ended 31st December 2009					
Additions to non-current assets (other than financial instruments and deferred income tax assets)	–	6,216	12,390	–	18,606

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the Financial Information. These assets are allocated based on the operations of the segments. The Target Group is domiciled in the PRC. The revenue from external customers in the PRC for the years ended 31st December 2007, 2008 and 2009 are RMB279,262,000, RMB313,944,000 and RMB317,655,000, respectively. The total revenue from external customers from other countries is nil for each of the three years.

As at 31st December 2007, 2008 and 2009, the total non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC are RMB119,937,000, RMB96,489,000 and RMB95,323,000, respectively, and the total of these non-current assets located in other countries is nil.

6. LAND USE RIGHTS – TARGET GROUP AND TARGET COMPANY

The Target Group's and Target Company's interests in land use rights in the PRC represent prepaid operating lease payments with a lease period of 50 years and their net book value is analysed as follows:

	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Opening net book amount	19,860	19,433	19,006
Amortisation	(427)	(427)	(427)
Closing net book amount	19,433	19,006	18,579

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Cost	21,324	21,324	21,324
Accumulated amortisation	(1,891)	(2,318)	(2,745)
Closing net book amount	19,433	19,006	18,579

Amortisation of the Target Group's land use rights is included in administrative expenses in the consolidated statements of comprehensive income for the years ended 31st December 2007, 2008 and 2009.

7. INTANGIBLE ASSETS

Target Group

	Goodwill	Software development costs	Data library	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2007				
Cost	4,900	22,388	21,986	49,274
Accumulated amortisation and impairment	(4,900)	(8,510)	(7,696)	(21,106)
Net book amount	–	13,878	14,290	28,168
Year ended 31st December 2007				
Opening net book amount	–	13,878	14,290	28,168
Addition	–	3,000	–	3,000
Amortisation *(a)*	–	(2,600)	(2,199)	(4,799)
Closing net book amount	–	14,278	12,091	26,369

	Goodwill	Software development costs	Data library	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31st December 2007				
Cost	–	25,388	21,986	47,374
Accumulated amortisation and impairment	–	(11,110)	(9,895)	(21,005)
Net book amount	–	14,278	12,091	26,369
Year ended 31st December 2008				
Opening net book amount	–	14,278	12,091	26,369
Addition *(c)*	167	–	–	167
Amortisation *(a)*	–	(2,424)	(2,198)	(4,622)
Impairment *(b)*	–	(8,471)	–	(8,471)
Closing net book amount	167	3,383	9,893	13,443
At 31st December 2008				
Cost	167	25,388	21,986	47,541
Accumulated amortisation and impairment	–	(22,005)	(12,093)	(34,098)
Net book amount	167	3,383	9,893	13,443
Year ended 31st December 2009				
Opening net book amount	167	3,383	9,893	13,443
Addition	–	1,295	–	1,295
Amortisation *(a)*	–	(1,733)	(2,198)	(3,931)
Closing net book amount	167	2,945	7,695	10,807
At 31st December 2009				
Cost	167	26,683	21,986	48,836
Accumulated amortisation and impairment	–	(23,738)	(14,291)	(38,029)
Net book amount	167	2,945	7,695	10,807

Target Company

	Software development costs	**Data library**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1st January 2007			
Cost	22,388	21,986	44,374
Accumulated amortisation and impairment	(8,510)	(7,696)	(16,206)
Net book amount	13,878	14,290	28,168
Year ended 31st December 2007			
Opening net book amount	13,878	14,290	28,168
Amortisation *(a)*	(2,450)	(2,199)	(4,649)
Closing net book amount	11,428	12,091	23,519
At 31st December 2007			
Cost	22,388	21,986	44,374
Accumulated amortisation and impairment	(10,960)	(9,895)	(20,855)
Net book amount	11,428	12,091	23,519
Year ended 31st December 2008			
Opening net book amount	11,428	12,091	23,519
Amortisation *(a)*	(1,824)	(2,198)	(4,022)
Impairment *(b)*	(8,471)	–	(8,471)
Closing net book amount	1,133	9,893	11,026
At 31st December 2008			
Cost	22,388	21,986	44,374
Accumulated amortisation and impairment	(21,255)	(12,093)	(33,348)
Net book amount	1,133	9,893	11,026
Year ended 31st December 2009			
Opening net book amount	1,133	9,893	11,026
Amortisation *(a)*	(1,133)	(2,198)	(3,331)
Closing net book amount	–	7,695	7,695
At 31st December 2009			
Cost	22,388	21,986	44,374
Accumulated amortisation and impairment	(22,388)	(14,291)	(36,679)
Net book amount	–	7,695	7,695

(a) Amortisation of intangible assets is included in selling and marketing expenses in the Target Group's and Target Company's statements of comprehensive income for the years ended 31st December 2007, 2008 and 2009.

(b) During the year ended 31st December 2008, management underwent a review for impairment of intangible assets and considered the carrying amount of software, 中英互譯軟件, may not be recoverable, taking into consideration its revenue generating ability, technological changes and other factors. An impairment loss of approximately RMB8,471,000 was recognised in the Target Group's and Target Company's statements of comprehensive income.

(c) On 17th October 2008, the Target Company and its immediate holding company entered into a Co-operation and Framework agreement with Dun & Bradstreet International, Ltd., Dun & Bradstreet (Shanghai) International Information Consulting Co. Limited, and Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co. Limited, (collectively referred to as "D&B Group") pursuant to which two companies, namely Beijing D&B HuiCong Market Research Co., Ltd. ("Sales JV Co") and Beijing HuiCong Market Research Co. Ltd ("Fulfilment JV Co"), were established to operate and engage in the market research business in the PRC. The arrangement was completed on 28th November 2008.

The registered capital of Sales JV Co and Fulfillment JV Co were approximately RMB2,440,000 and RMB9,330,000 respectively. Under this arrangement, the Target Company holds 40% and 70% of the equity interests in Sales JV Co and Fulfillment JV Co, respectively.

Under this arrangement, both the Target Company and D&B Group injected their existing market research business in the PRC into the Sales JV Co. and the Fulfillment JV Co.. Both parties also injected tangible assets (in the form of property, plant and equipment and cash) into the Sales JV Co. and Fulfillment JV Co. As a consideration to induce the Target Company and its immediate holding company to enter into this arrangement, D&B Group paid an additional cash consideration of US$3,085,000, which was equivalent to approximately RMB21,084,000, to the Target Company's immediate holding company.

In the context of HKFRS 3 – Business Combination, this arrangement was perceived to fall under the regime of bringing together of business, which resulted in a partial disposal of market research business, and acquisition of a new subsidiary and an associated company. A gain on disposal of market research business of RMB28,425,000 was credited to the consolidated statement of comprehensive income for the year ended 31st December 2008. Fulfillment JV Co. is accounted for as a subsidiary, while Sales JV Co. is accounted for as an associated company. The arrangement resulted in the recognition of goodwill of RMB222,000 in respect of Sales JV Co. (recorded in investment in an associated company) and RMB167,000 in respect of Fulfillment JV Co. as at 31st December 2008.

8. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Construction in progress	Buildings	Computer and telecom-munications equipment	Fixtures, fittings and office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2007							
Cost	–	38,943	86,485	11,295	3,461	3,144	143,328
Accumulated depreciation	–	(5,935)	(40,499)	(7,352)	(1,997)	(1,678)	(57,461)
Net book amount	–	33,008	45,986	3,943	1,464	1,466	85,867

	Construction in progress	Buildings	Computer and telecom-munications equipment	Fixtures, fittings and office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31st December 2007							
Opening net book amount	–	33,008	45,986	3,943	1,464	1,466	85,867
Additions	–	–	7,055	28	5	–	7,088
Disposals	–	–	(17)	(192)	–	(301)	(510)
Disposal and termination of subsidiaries and branches *(note 28(d))*	–	–	(83)	–	(206)	–	(289)
Depreciation *(a)*	–	(1,938)	(13,844)	(1,330)	(563)	(346)	(18,021)
Closing net book amount	–	31,070	39,097	2,449	700	819	74,135
At 31st December 2007							
Cost	–	38,943	93,132	11,046	3,153	2,397	148,671
Accumulated depreciation	–	(7,873)	(54,035)	(8,597)	(2,453)	(1,578)	(74,536)
Net book amount	–	31,070	39,097	2,449	700	819	74,135
Year ended 31st December 2008							
Opening net book amount	–	31,070	39,097	2,449	700	819	74,135
Set up of a new subsidiary *(note 28(c))*	–	–	145	–	–	–	145
Additions	–	930	4,469	154	3,394	–	8,947
Disposals	–	–	(1,857)	(25)	–	(388)	(2,270)
Depreciation *(a)*	–	(1,948)	(14,376)	(1,018)	(529)	(283)	(18,154)
Closing net book amount	–	30,052	27,478	1,560	3,565	148	62,803
At 31st December 2008							
Cost	–	39,873	89,489	11,110	5,209	983	146,664
Accumulated depreciation	–	(9,821)	(62,011)	(9,550)	(1,644)	(835)	(83,861)
Net book amount	–	30,052	27,478	1,560	3,565	148	62,803

	Construction in progress	Buildings	Computer and telecom-munications equipment	Fixtures, fittings and office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31st December 2009							
Opening net book amount	–	30,052	27,478	1,560	3,565	148	62,803
Additions	12,395	515	4,099	96	206	–	17,311
Disposals	–	–	(125)	(8)	(237)	(87)	(457)
Depreciation *(a)*	–	(2,101)	(11,787)	(463)	(819)	(58)	(15,228)
Closing net book amount	12,395	28,466	19,665	1,185	2,715	3	64,429
At 31st December 2009							
Cost	12,395	40,388	74,726	10,989	5,178	706	144,382
Accumulated depreciation	–	(11,922)	(55,061)	(9,804)	(2,463)	(703)	(79,953)
Net book amount	12,395	28,466	19,665	1,185	2,715	3	64,429

(a) For the years ended 31st December 2007, 2008 and 2009, depreciation of RMB3,258,000, RMB3,287,000 and RMB1,377,000 are included in selling and marketing expenses; and RMB14,763,000, RMB14,867,000 and RMB13,851,000 in administrative expenses in the consolidated statements of comprehensive income.

Target Company

	Construction in progress	Buildings	Computer and telecom-munications equipment	Fixtures, fittings and office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2007							
Cost	–	37,577	59,237	5,382	1,388	2,098	105,682
Accumulated depreciation	–	(5,838)	(19,085)	(2,302)	(713)	(1,079)	(29,017)
Net book amount	–	31,739	40,152	3,080	675	1,019	76,665
Year ended 31st December 2007							
Opening net book amount	–	31,739	40,152	3,080	675	1,019	76,665
Additions	–	–	7,064	23	–	–	7,087
Disposals	–	–	–	(132)	–	(218)	(350)
Depreciation	–	(1,874)	(11,973)	(912)	(213)	(238)	(15,210)
Closing net book amount	–	29,865	35,243	2,059	462	563	68,192

	Construction in progress	Buildings	Computer and telecom-munications equipment	Fixtures, fittings and office equipment	Leasehold improvements	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31st December 2007							
Cost	–	37,577	66,301	5,272	1,388	1,662	112,200
Accumulated depreciation	–	(7,712)	(31,058)	(3,213)	(926)	(1,099)	(44,008)
Net book amount	–	29,865	35,243	2,059	462	563	68,192
Year ended 31st December 2008							
Opening net book amount	–	29,865	35,243	2,059	462	563	68,192
Additions	–	930	3,827	100	3,382	–	8,239
Disposals	–	–	(1,490)	–	–	(355)	(1,845)
Depreciation	–	(1,880)	(12,587)	(783)	(341)	(181)	(15,772)
Closing net book amount	–	28,915	24,993	1,376	3,501	27	58,814
At 31st December 2008							
Cost	–	38,507	65,353	5,371	3,618	563	113,412
Accumulated depreciation	–	(9,592)	(40,360)	(3,995)	(115)	(536)	(54,598)
Net book amount	–	28,915	24,993	1,376	3,503	27	58,814
Year ended 31st December 2009							
Opening net book amount	–	28,915	24,993	1,376	3,503	27	58,814
Additions	12,395	515	902	–	27	–	13,839
Disposals	–	–	(81)	–	(237)	–	(318)
Depreciation	–	(2,032)	(10,455)	(357)	(706)	(27)	(13,577)
Closing net book amount	12,395	27,398	15,359	1,019	2,587	–	58,758
At 31st December 2009							
Cost	12,395	39,022	60,672	5,371	3,407	563	121,430
Accumulated depreciation	–	(11,624)	(45,313)	(4,352)	(820)	(563)	(62,672)
Net book amount	12,395	27,398	15,359	1,019	2,587	–	58,758

9. INVESTMENTS IN SUBSIDIARIES AND AMOUNT DUE TO THE IMMEDIATE HOLDING COMPANY

	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Investments, unlisted, at cost *(a)*	22,000	29,007	29,007

(a) Target Company – investment in subsidiaries

The following is a list of the principal subsidiaries as at the date of this report:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of paid-up capital	Effective interest held
北京慧聰互聯信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB10,000,000	100%
北京慧翔網絡技術有限公司[1]	The PRC, limited liability company	Provision of business information in the PRC	RMB10,000,000	100%
北京慧聰再創科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB5,000,000	100%
北京京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%
慧聰商情廣告(北京)有限公司	The PRC, limited liability company	Advertising in the PRC	RMB2,000,000	100%
上海新慧聰網廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%
上海慧網網絡信息資訊有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,000,000	100%
南京慧聰網廣告資訊有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%
杭州慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%
廣州市慧聰商情廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,500,000	100%
廣州慧聰網絡科技有限公司 (formerly known as 廣州市慧穎廣告有限公司)	The PRC, limited liability company	Advertising in the PRC	RMB5,000,000	100%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of paid-up capital	Effective interest held
廈門市京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%
深圳市京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB2,000,000	100%
深圳市慧聰網廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%
濟南金慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%
寧波慧聰網絡技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,500,000	100%
北京花開富貴信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB6,000,000	60%
北京慧聰博信信息諮詢有限公司	The PRC, limited liability	Provision of market research services in the PRC	RMB10,010,000	70%

[1] Shares wholly held directly by the Target Company.

(b) Target Group and Target Company – amount due to the immediate holding company

Amount due to the immediate holding company is unsecured, interest free and repayable on demand. The carrying value of this balance approximates its fair value.

10. INTERESTS IN AN ASSOCIATED COMPANY

(a) Investment in an associated company

	Target Group			Target Company		
	As at 31st December			As at 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	–	–	1,237	–	–	1,200
Investment in an associated company *(note i)*	–	1,200	–	–	1,200	–
Share of net profit	–	37	271	–	–	–
At 31st December	–	1,237	1,508	–	1,200	1,200

Interests in an associated company of the Target Group as at 31st December 2008 and 2009 include goodwill of RMB220,000.

(i) The amount represents the Target Group's investment in an associated company, Sales JV Co. which was established in 2008. Details of the acquisition are stated in Note 28(c).

Below represents the Target Group's share of the assets, liabilities and results of an associated company shared by the Target Group as at 31st December 2008 and 2009:

	Country of incorporation	**Assets**	**Liabilities**	**Revenues**	**Net profit**	**Effective interest held**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
		2008				
Sales JV Co.	The PRC	1,913	1,681	1,736	37	40%
		2009				
		18,980	17,688	22,505	271	40%

(b) Amount due from an associated company

Amount due from an associated company is unsecured, interest-free, and with a credit period of 90 days. The carrying value of this amount approximates its fair value.

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Target Group As at 31st December			**Target Company As at 31st December**		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(note a)*	26,411	34,448	27,368	15,539	17,558	3,947
Less: provision for impairment of trade receivables	(415)	(4,849)	(4,445)	(243)	(2,471)	(641)
Trade receivables – net	25,996	29,599	22,923	15,296	15,087	3,306
Deposits, prepayments and other receivables *(note b)*	59,316	9,163	17,583	55,890	6,944	7,583
	85,312	38,762	40,506	71,186	22,031	10,889
Less: Non-current deposit	–	(1,629)	(1,659)	–	(1,629)	(1,659)
Current portion	85,312	37,133	38,847	71,186	20,402	9,230

(a) The Target Group and Target Company generally grant a credit period of 30 days to 90 days to customers. The ageing analysis of the gross trade receivables by due date is as follows:

	Target Group As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current to 90 days	17,233	19,717	20,960
91 to 180 days	3,583	6,647	1,299
181 to 365 days	4,211	6,469	1,328
Over 1 year	1,384	1,615	3,781
	26,411	34,448	27,368

	Target Company As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current to 90 days	10,140	10,050	3,023
91 to 180 days	2,107	3,388	187
181 to 365 days	2,478	3,297	192
Over 1 year	814	823	545
	15,539	17,558	3,947

The carrying amounts of trade receivables, net approximate their fair values.

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

The Target Group has recognised a provision of loss of approximately RMB8,478,000, RMB9,297,000 and reversal of loss of RMB1,026,000 for the impairment and direct write-off of its trade receivables during the years ended 31st December 2007, 2008 and 2009 respectively.

As at 31st December 2007, 2008 and 2009, trade receivables of Target Group of approximately RMB415,000, RMB4,849,000 and RMB4,445,000 were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

As at 31st December 2007, 2008 and 2009, trade receivables of Target Group of approximately RMB8,763,000, RMB9,882,000 and RMB1,963,000 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:

	Target Group		
	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
91 to 180 days	3,583	6,647	1,299
181 to 365 days	4,211	3,235	664
Over 1 year	969	–	–
	8,763	9,882	1,963

As at 31st December 2007, 2008 and 2009, trade receivables of Target Company of approximately RMB5,156,000, RMB5,037,000 and RMB283,000 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:

	Target Company		
	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
91 to 180 days	2,107	3,388	187
181 to 365 days	2,478	1,649	96
Over 1 year	571	–	–
	5,156	5,037	283

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

	Target Group		
	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	2,020	415	4,849
Impairment of receivables	–	4,434	–
Reversal of impairment of receivables	(1,605)	–	(404)
At end of the year	415	4,849	4,445

	Target Company		
	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	1,189	243	2,471
Impairment of receivables	–	2,228	–
Reversal of impairment of receivables	(946)	–	(1,830)
At end of the year	243	2,471	641

The creation and release of provision for impaired receivables have been included in the consolidated statements of comprehensive income. 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 reporting date is the fair values of trade receivables disclosed above.

(b) Deposits, prepayments and other receivables

	Target Group			Target Company		
	As at 31st December			As at 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Long-term deposits	–	1,629	1,659	–	1,629	1,659
Short-term deposits	2,065	2,378	984	–	221	984
Prepayments	295	62	2,528	–	–	2,528
Other receivables						
– Amount due from an entity (北京慧美印刷有限公司) formerly held by a major shareholder of the ultimate holding company of Target Company	–	3,421	1,051	–	3,421	1,051
– Others *(Notes i and ii)*	56,956	1,673	11,361	55,890	1,673	1,361
	59,316	9,163	17,583	55,890	6,944	7,583
The fair values are as follows:						
Deposits	2,065	4,007	2,643	–	1,850	2,643
Prepayments	295	62	2,528	–	–	2,528
Other receivables	56,956	5,094	12,412	55,890	5,094	2,412
	59,316	9,163	17,583	55,890	6,944	7,583
Denominated in:						
RMB	59,316	9,163	17,583	55,890	6,944	7,583

Note (i): Included in "others" in 2009 balance is an investment in a banking product of a commercial bank which is a listed financial institution in the PRC amounting to RMB10,000,000.

Note (ii): Included in "others" in 2007 balance is an investment in an entrusted fund amounting to RMB55,000,000 which is arranged with a commercial bank in the PRC. The fund bears interest at 4.2% per annum.

12. DIRECT SELLING COSTS

Upon the receipt of subscription revenue from third party customers, the Target Group is obligated to pay sales commissions and agency fees to the salespersons and agents. The subscription revenue are initially deferred and recongised in the consolidated statement of comprehensive income in the period in which the services are rendered. Accordingly, the commissions and agency fees, which are directly attributable to earn such subscription revenue during the service period, are deferred and recognised in the consolidated statement of comprehensive income in the same period.

13. AMOUNTS DUE FROM/TO RELATED PARTIES

Target Group

		As at 31st December		
		2007	**2008**	**2009**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties:				
北京慧聰建設信息資訊有限公司	*(a)*	–	175	861
北京慧美印刷有限公司	*(a), (b)*	2,568	–	–
		2,568	175	861
Amount due to a related party:				
北京慧聰建設信息資訊有限公司	*(c)*	604	–	–

Target Company

		As at 31st December		
		2007	**2008**	**2009**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Amount due (to)/from a related party:				
北京慧聰建設信息資訊有限公司	*(a)*	(604)	175	861

(a) The amounts due from related companies that arose from normal course of business are denominated in RMB, unsecured, interest-free and with a credit period of approximately 30 days. These related companies have no default history. The carrying values of these balances approximate their fair values.

(b) On 24th November 2008, 北京慧聰建設信息資訊有限公司 transferred its 65% equity interest in 北京慧美印刷有限公司 to independent third parties. As a result, 北京慧美印刷有限公司 ceased to be a related party of the Target Group since then.

(c) The amount is denominated in RMB, unsecured, interest free and repayable upon demand. The carrying value of the payable approximates its fair value.

14. CASH AND CASH EQUIVALENTS

	Target Group			Target Company		
	As at 31st December			As at 31st December		
	2007	2008	2009	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and on hand	77,331	71,028	90,875	24,825	16,638	21,496
Fixed deposit	–	67,000	87,450	–	50,000	55,450
	77,331	138,028	178,325	24,825	66,638	76,946
Denominated in:						
– HK dollar	20	18	20	20	18	20
– RMB	74,987	136,608	177,530	22,555	65,306	76,151
– US dollar	2,250	1,314	775	2,250	1,314	775
– Other currencies	74	88	–	–	–	–
	77,331	138,028	178,325	24,825	66,638	76,946

The fixed deposits are highly liquid with original maturities of three months or less. As at 31st December 2007, 2008 and 2009, cash at banks of approximately RMB74,692,000, RMB136,288,000 and RMB173,918,000 of the Target Group were denominated in Renminbi and deposited with banks in the PRC. The conversion of the Renminbi denominated balance into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statements:

	Target Group		
	As at 31st December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	77,331	138,028	178,325

15. PAID-IN CAPITAL

	Registered/ paid-in capital
	RMB'000
At 31st December 2007	110,000
At 31st December 2008	110,000
At 31st December 2009	110,000

16. OTHER RESERVES

Target Group

	Capital reserve	Share-based compensation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31st December 2007			
At 1st January	987	–	987
At 31st December	987	–	987
Year ended 31st December 2008			
At 1st January	987	–	987
At 31st December	987	–	987
Year ended 31st December 2009			
At 1st January	987	–	987
Share based payment for employee services	–	2,274	2,274
At 31st December	987	2,274	3,261

Target Company

	Capital reserve	(Accumulated losses)/ retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31st December 2007			
At 1st January	987	(7,533)	(6,546)
Loss for the year	–	(1,293)	(1,293)
At 31st December	987	(8,826)	(7,839)
Year ended 31st December 2008			
At 1st January	987	(8,826)	(7,839)
Profit for the year	–	8,262	8,262
At 31st December	987	(564)	423
Year ended 31st December 2009			
At 1st January	987	(564)	423
Profit for the year	–	2,360	2,360
At 31st December	987	1,796	2,783

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

	Target Group			Target Company		
	As at 31st December			As at 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(a)*	6,033	3,760	2,332	1,918	2,847	704
Deferred revenue	53,703	48,567	107,363	19,647	20,450	28,353
Accrued expenses and other payables *(b)*	20,961	20,417	19,997	5,180	5,848	8,959
	80,697	72,744	129,692	26,745	29,145	38,016

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

(a) The ageing analysis of trade payables of the Target Group and Target Company are as follows:

	Target Group		
	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current to 90 days	5,192	3,245	1,574
91 to 180 days	759	274	440
181 to 365 days	43	129	132
Over 1 year	39	112	186
	6,033	3,760	2,332

	Target Company		
	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current to 90 days	1,651	2,457	475
91 to 180 days	241	207	133
181 to 365 days	14	98	40
Over 1 year	12	85	56
	1,918	2,847	704

(b) As at 31st December 2007, 2008 and 2009, the amount of the Target Group includes accruals for statutory benefits funds in the PRC of approximately RMB101,000, RMB145,000 and RMB276,000, respectively. In accordance with the PRC regulations, the Target 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.

18. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities and when the deferred income tax relates to the same tax jurisdiction. The offset amounts are as follows:

	Target Group As at 31st December			Target Company As at 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets (to be recovered after more than 12 months)	17,065	1,907	3,501	6,081	–	–
Deferred income tax liabilities (to be settled after more than 12 months)	(1,053)	(170)	–	–	(170)	–
	16,012	1,737	3,501	6,081	(170)	–

The net movement on the deferred income tax account is as follows:

	Target Group Year ended 31st December			Target Company Year ended 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	11,131	16,012	1,737	5,755	6,081	(170)
Credited/(charged) to statements of comprehensive income *(note 24)*	4,881	(14,275)	1,764	326	(6,251)	170
At 31st December	16,012	1,737	3,501	6,081	(170)	–

The movements in deferred tax assets and liabilities during the Relevant Periods without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

Target Group

	Write-off and provision for impairment of trade receivables			Tax losses			Total		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	9,125	11,319	–	7,026	6,831	1,907	16,151	18,150	1,907
Credited/(charged) to the consolidated statements of comprehensive income	2,194	(11,319)	–	(195)	(4,924)	1,594	1,999	(16,243)	1,594
At 31st December	11,319	–	–	6,831	1,907	3,501	18,150	1,907	3,501

Target Company

	Write-off and provision for impairment of trade receivables			Tax losses			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	5,755	6,081	–	–	–	–	5,755	6,081	–
Credited/(charged) to the statements of comprehensive income	326	(6,081)	–	–	–	–	326	(6,081)	–
At 31st December	6,081	–	–	–	–	–	6,081	–	–

Deferred tax liabilities

Target Group

	Deferred development costs			Accrued staff and welfare benefits			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	(478)	(277)	(170)	(4,542)	(1,861)	–	(5,020)	(2,138)	(170)
Credited to the consolidated statements of comprehensive income	201	107	170	2,681	1,861	–	2,882	1,968	170
At 31st December	(277)	(170)	–	(1,861)	–	–	(2,138)	(170)	–

Target Company

	Deferred development costs			Accrued staff and welfare benefits			Total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	–	–	(170)	–	–	–	–	–	(170)
(Charged)/credited to the consolidated statements of comprehensive income	–	(170)	170	–	–	–	–	(170)	170
At 31st December	–	(170)	–	–	–	–	–	(170)	–

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2007, 2008 and 2009, the Target Group did not recognise deferred tax assets of RMB5,134,000, RMB4,657,000 and RMB2,713,000, respectively in respect of tax losses amounting to RMB20,536,000, RMB18,052,000 and RMB10,853,000, respectively, that can be carried forward against future taxable income. The tax losses will expire within 5 years.

19. INCOME TAX PAYABLE AND OTHER TAXES PAYABLE

	Target Group As at 31st December			Target Company As at 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payable:						
Corporate income tax	4,815	3,795	5,875	–	2,031	2,540
Other taxes payable:						
Business tax	8,774	8,999	6,580	1,888	1,541	1,134
Cultural and development tax	1,721	1,843	1,718	–	–	–
Other taxes	3,226	3,236	4,053	40	35	25
	13,721	14,078	12,351	1,928	1,576	1,159

20. OTHER INCOME

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	1,681	2,639	2,270

21. EXPENSES BY NATURE

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Direct cost of trade catalogues and yellow page directories	42,520	41,679	37,802
Direct cost of on-line services	1,500	11,856	15,151
Direct cost of market research and analysis	10,352	19,882	19,881
Direct cost of seminars and other services	546	5,988	15,508
Marketing expenses	20,176	15,836	13,422
Network and telephone expenses	15,322	14,168	11,366
Auditors' remuneration	450	546	265
Staff costs, including directors' emoluments *(note 22)*	143,178	132,969	141,727
Amortisation of land use rights *(note 6)*	427	427	427
Amortisation of intangible assets *(note 7)*	4,799	4,622	3,931
Depreciation of property, plant and equipment *(note 8)*	18,021	18,154	15,228
Provision for/(reversal of) impairment and write off of trade and other receivables	10,256	8,606	(1,026)
Loss on disposal of property, plant and equipment *(note 28(b))*	267	2,163	318
Operating lease payments in respect of land and buildings	14,710	16,915	14,424
Other expenses	19,353	19,601	21,004
Total cost of sales, selling and marketing expenses and administrative expenses	301,877	313,412	309,428

22. EMPLOYEE BENEFIT EXPENSE

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	138,991	126,367	129,638
Retirement benefits costs *(a)*	4,187	6,602	9,815
Share option scheme – value of employee services (e)	–	–	2,274
	143,178	132,969	141,727

(a) In accordance with the PRC regulations, the Target Group is required to make annual contribution to the state retirement plans calculated at 20% of the basic salaries of the employees, and employees are required to contribute 8% of their basic salaries to the plans. The Target Group has no obligations for further pension payments or any post-retirement benefits beyond these annual contributions. The retirement benefits are paid directly from the plan assets to the retired employees and are calculated by reference to their monthly basic salaries at the date of retirement and periods of service rendered.

As at 31st December 2007, 2008 and 2009, the Target Group had outstanding contribution payable of approximately RMB46,000, RMB94,000 and RMB50,000, respectively, to the retirement plans participated by the Target Group, and there was no forfeited contributions available to offset future retirement benefit obligations of the Target Group.

(b) **Directors' and senior management's emoluments**

The remuneration of every director for the year ended 31st December 2007 is set out below:

		Fees	**Salary**	**Employer's contribution to pension scheme**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Director	Mr. GUO Fansheng	–	600	14	614
	Mr. GUO Jiang	–	560	14	574
	Mr. LI Jianguang	–	–	–	–

The remuneration of every director for the year ended 31st December 2008 is set out below:

		Fees	**Salary**	**Employer's contribution to pension scheme**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Director	Mr. GUO Fansheng	–	600	34	634
	Mr. GUO Jiang	–	600	33	633
	Mr. LI Jianguang	–	–	–	–

The remuneration of every director for the year ended 31st December 2009 is set out below:

		Fees	Salary	Employer's contribution to pension scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Director	Mr. GUO Fansheng	–	600	42	642
	Mr. GUO Jiang	–	600	43	643
	Mr. LI Jianguang	–	–	–	–

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the year ended 31st December 2007, 2008 and 2009 include two, two and one directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three, three and four individuals during the years ended 31st December 2007, 2008 and 2009 are as follows:

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	1,772	1,920	2,960
Retirement plan contributions	22	47	61
	1,794	1,967	3,021

The emoluments fell within the following bands:

	Year ended 31st December		
	2007	**2008**	**2009**
Nil to HKD1,000,000	5	4	4
HKD1,000,001 to HKD1,500,000	–	1	1
HKD1,500,001 to HKD2,000,000	–	–	–

(d) During the years ended 31st December 2007, 2008 and 2009, no emoluments have been paid by the Target Group to the Directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Target Group, or as compensation for loss of office.

(e) During the year ended 31st December 2009, a minority share holder of newly established subsidiary injected an amount of RMB200,000 in this subsidiary. The difference between this amount of capital injection and the fair value of the minority share holder's share of interest in the newly established subsidiary is deemed as a share based compensation as the minority share holder is also an employee of the Group. The fair value of minority share holder's share of interest in the newly established subsidiary was the minority share holder's share of net asset value injected into the subsidiary by the Group and the minority shareholder. The net assets injected were in the form of cash and cash equivalents, with carrying value equals to its fair value.

23. FINANCE COST

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense:			
– short-term loan	1,512	–	–

24. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– The PRC Corporate income tax ("CIT") *(note a)*	2,471	2,029	3,356
Deferred income tax *(note 18)*	(4,881)	14,275	(1,764)
Income tax (credit)/expense	(2,410)	16,304	1,592

(a) 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 Target Group operates.

For the year ended 31st December 2007, the Target Company and its subsidiaries are generally subject to income tax on their taxable income at a combined national and local tax rate of 33%. Certain subsidiaries enjoyed tax preferential rights and subject to a tax rate of 0% to 15% during the year ended 31st December 2007.

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 20%, respectively.

The tax on the Target Group's (loss)/profit before tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Target Company are as follows:

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(24,782)	23,162	10,768
Tax calculated at the domestic rates	(8,178)	5,791	2,692
Effect of different taxation rates in other cities	(2,952)	(1,314)	(1,430)
Income not subject to tax	–	(2,991)	–
Expenses not deductible for tax purposes	2,620	6,668	2,342
Write-off of deferred tax assets	–	8,771	–
Utilisation of previously unrecognised tax losses	(1,176)	(2,926)	(2,723)
Tax losses for which no deferred income tax asset was recognised	6,582	2,305	711
Impact of change in enacted tax rate on deferred taxation	586	–	–
Others	108	–	–
Income tax (credit)/expense	(2,410)	16,304	1,592

25. LOSS/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE TARGET COMPANY

The loss/profit attributable to equity holders of the Target Company is dealt with in the financial statements of the Target Company to the extent of loss of RMB1,293,000, profit of RMB8,262,000 and profit of RMB2,360,000 for the years ended 31st December 2007, 2008 and 2009 respectively.

26. DIVIDENDS

No dividend was paid or declared by the Target Company during the years ended 31st December 2007, 2008 and 2009.

27. EARNINGS PER SHARE

No earnings per share information is presented as the Target Company is not a company registered with share capital and the calculation of earning per share is not relevant for the Target Group.

28. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of (loss)/profit before income tax to net cash generated from operating activities

	Year ended 31st December		
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before income tax	(24,782)	23,162	10,768
Adjustments for:			
Depreciation of property, plant and equipment *(note 8)*	18,021	18,154	15,228
Amortisation of intangible assets *(note 7)*	4,799	4,622	3,931
Impairment of intangible asset *(note 7)*	–	8,471	–
Provision for/(reversal of) impairment and write off of trade and other receivables, net *(note 21)*	10,256	8,606	(1,026)
Amortisation of land use rights *(note 6)*	427	427	427
Share based payment for employee services *(note 22)*	–	–	2,274
Loss on disposal of property, plant and equipment *(note b)*	267	2,163	318
Gain on disposal of research business	–	(28,425)	–
Loss on disposal and termination of subsidiaries and branches *(note d)*	2,336	–	–
Share of profit of an associated company *(note 10)*	–	(37)	(271)
Interest income *(note 20)*	(1,681)	(2,639)	(2,270)
Interest expense *(note 23)*	1,512	–	–
	11,155	34,504	29,379
Increase in trade receivables, deposits, prepayments and other receivables, amount due from related parties, direct selling costs, amount due from an associated company and long-term deposit	(9,542)	(19,302)	(18,850)
Decrease/(increase) in trade payables, deferred revenue, accrued expenses and other payables, amount due to a related party, amount due to the immediate holding company and other taxes payable	67,335	(8,895)	56,837
Cash generated from operations	68,948	6,307	67,366

(b) Proceeds from disposal of property, plant and equipment

In the consolidated cash flow statements, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net book amount:			
– Property, plant and equipment *(note 8)*	510	2,270	457
Loss on disposal of property, plant and equipment *(note 21)*	(267)	(2,163)	(318)
Proceeds from disposal of property, plant and equipment	243	107	139

(c) Set-up of a subsidiary and an associated company

As mentioned in note 7(c), during the year ended 31st December 2008, the Target Company acquired 70% of Fulfilment JV Co. and 40% of Sales JV Co., which are accounted for as a subsidiary and an associated company respectively.

Details of net assets acquired and goodwill are as follows:

	Fulfilment JV Co. Fair value/ carrying value	**Sales JV Co. Fair value/ carrying value**
	RMB'000	*RMB'000*
Property, plant and equipment	145	32
Cash and cash equivalents	8,640	2,400
Fair value of net assets acquired	8,785	2,432
Percentage of ownership	70%	40%
Share of fair value of net assets acquired	6,150	973
Additional cash consideration received by the immediate holding company on behalf of the Target Company	7,028	14,056
Total assets acquired	13,178	15,029
Goodwill	167	222
Total purchase consideration	13,345	15,251
Settled in:		
Transfer of property, plant and equipment	164	7
Gain on disposal of research business	13,181	15,244
Total purchase consideration	13,345	15,251
Cash and cash equivalents acquired in Fulfilment JV Co.	8,640	–
Net cash inflow on set up of Fulfilment JV Co./Sales JV Co.	8,640	–

During the year ended 31st December 2009, a subsidiary of the Target Company, 北京花開富貴信息技術有限公司 is set up, RMB200,000 has been injected from a minority shareholder upon establishment of the subsidiary.

(d) Disposal and termination of subsidiaries and branches

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Net assets disposed of:			
Property, plant and equipment	289	–	–
Trade receivables, deposits, prepayment and other receivable	2,047	–	–
	2,336	–	–
Loss on disposal and termination of subsidiaries and branches	(2,336)	–	–
Proceeds receivables	–	–	–

(e) Non-cash transaction represented addition of intangible asset of RMB3,000,000 for the year ended 31st December 2007, which was transferred from the immediate holding company and settled through intercompany balances.

29. COMMITMENTS

Commitments under operating leases

At 31st December 2007, 2008 and 2009, the Target Group and Target Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	Target Group As at 31st December			Target Company As at 31st December		
	2007	**2008**	**2009**	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	10,337	9,607	10,115	7,798	7,777	7,777
In the second to fifth year inclusive	448	33,131	25,700	–	31,108	23,331
	10,785	42,738	35,815	7,798	38,885	31,108

Capital commitments – Target Group and Target Company

	As at 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Buildings construction in progress contracted but not provided for	–	–	11,456

30. CONTINGENT LIABILITIES

At 31st December 2007, 2008 and 2009, there were no material contingent liabilities to the Target Group.

31. RELATED-PARTY TRANSACTIONS

Parties are considered to be related to the Target Group if the Target Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related party of the Target Group where those parties are individuals.

The following significant transactions were carried out with related parties:

(a) Sales of services

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Sales of services			
– 北京慧聰建設信息諮詢有限公司 (technology services) *(i)*	211	211	211
– 北京慧聰建設信息諮詢有限公司 (be granted the right to use the domain names and trademark) *(ii)*	240	240	240
– 北京慧美印刷有限公司(rental services) *(iii)*	729	369	–
– Sales JV Co *(iv)*	–	4,637	53,214
	1,180	5,457	53,665

(i) 北京慧聰建設信息諮詢有限公司, a company owned as to 80% by Mr. Guo Fansheng, an executive director of the Target Company, entered into a three-year Technology Services Agreement with the Target Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the Technology Services Agreement to 31st December 2007 and on 30th December 2007 and 30th December 2009, the parties entered into another supplemental agreements which extended the term of the Technology Services Agreement to 31st December 2009 and 31st December 2011 respectively.

Pursuant to the agreement, the Target Group received technical service income from 北京慧聰建設信息諮詢有限公司 based on the working hours devoted to the service and support.

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

Pursuant to the agreement, 北京慧聰建設信息諮詢有限公司 was granted the right to use the domain names and trademark owned or attained by the Target Group during the agreement period for a fixed fee.

(iii) Rental income of RMB729,000 and RMB369,000 was received from 北京慧美印刷有限公司, a company owned as to 65% by 北京慧聰建設信息諮詢有限公司 and as to 35% by Mr. Fan Yousheng, for the years ended 31st December 2007 and 2008 and the fee was payable at market price no less favourable than as charged by independent third parties on a monthly basis. On 24th November 2008, 北京慧聰建設信息諮詢有限公司 transferred its 65% equity interest in 北京慧美印刷有限公司 to independent third parties. As a result, 北京慧美印刷有限公司 ceased to be a related party of the Target Group since then. Therefore, the rental income represents rental income prior to its cessation as a related party of the Target Group.

(iv) Fulfillment JV Co. entered into a fulfilment service agreement with Sales JV Co. for a period of 3 years in 2008, under which Fulfillment JV Co. will provide fulfilment service to Sales JV Co in relation to market research fulfilment services, at a price charged at 66.7%, 67.3% and 66.2%, for the 3 years respectively, on the net annual revenue of the counterparty. The fulfilment charge for the years ended 31st December 2008 and 2009 amounted to RMB3,975,000 and RMB44,698,000.

Target Company entered into another fulfilment service agreement with Sales JV Co, under which the Target Group would sell e-Eyes products, at a charge of actual costs plus 12% markup. The fulfilment charge for the years ended 31st December 2008 and 2009 amounted to RMB662,000 and RMB8,516,000.

(b) Purchases of services

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Purchases of services:			
– 北京慧聰建設信息諮詢有限公司 (online information distribution services) *(i)*	240	240	240
– 北京慧聰建設信息諮詢有限公司 (online advertisement publication services) *(ii)*	100	100	100
– 北京慧美印刷有限公司 (printing services) *(iii)*	25,310	24,224	–
	25,650	24,564	340

(i) 北京慧聰建設信息諮詢有限公司 entered into a three-year Online Information Distribution Agreement with the Target Group in 2002, and on 31st December 2004, 30th December 2007 and 30th December 2009, the parties entered into supplemental Agreements which extended the term of the Online Information Distribution Agreement to 31st December 2007, 31st December 2009 and 31st December 2011, respectively. Pursuant to the Online Information Distribution Agreement, 北京慧聰建設信息諮詢有限公司 received distribution income from the Target Group at a fixed fee. It disseminated the Target Group's business information and research reports on its web-site and on those as stipulated by the Target Group.

(ii) 北京慧聰建設信息諮詢有限公司 entered into a three-year Online Advertisement Publication Agreement with the Target Group in 2002, and on 31st December 2004, 30th December 2007 and 30th December 2009, the parties entered into supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2007, 31st December 2009 and 31st December 2011 respectively. Pursuant to the Online Advertisement Publication Agreement, 北京慧聰建設信息諮詢有限公司received publication income from the

Target Group at a fixed fee. It published the Target Group's advertisements on its website and on those as stipulated by the Target Group.

(iii) On 1st September 2002, 北京慧美印刷有限公司 ("Huimei") and 慧聰商情廣告(北京)有限公司 (formally known as 北京慧聰商情廣告有限公司) ("HC Advertising"), a subsidiary of the Target Company, entered into a printing agreement (the "Printing Agreement") for a term of three years, and on 18th November 2003 and on 1st September 2005, the parties separately have entered into two supplemental agreements which extended the term of the Printing Agreement to 31st December 2007. On 19th May 2008, Huimei and HC Advertising entered into a new printing supplemental agreement, pursuant to which the term was extended to 31st December 2010.

Pursuant to the Printing Agreement, 北京慧美印刷有限公司 was appointed by HC Advertising to print various publications published by 慧聰商情廣告(北京)有限公司, including but not limited to Huicong Trade Catalogues《慧聰商情廣告》(the "Printing Services"). The fee payable by 慧聰商情廣告(北京)有限公司 shall be the actual amount for the provision of the Printing Services by 北京慧美印刷有限公司 at market price no less favourable than as charged by independent third parties on a monthly basis.

北京慧美印刷有限公司ceased to be a related party of the Target Group since 24th November 2008. Therefore, the printing service cost represents printing service cost prior to its cessation as a related party of the Target Group.

(c) Key management compensation

	Year ended 31st December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other short-term employee benefits	5,878	3,906	4,900

(d) The Target Group and Target Company are controlled by HC International Inc. (incorporated in Cayman Islands), the ultimate holding company, which beneficially owns 82% of the Target Company's shares. The ultimate holding company is listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31st December 2009. No dividend has been declared, made or paid by the Target Company or any of its subsidiaries in respect of any period subsequent to 31st December 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if it had taken place on 31st December 2009.

This unaudited pro forma statement of assets and liabilities of the Group as at 31st December 2009 has been prepared using the accounting policies consistent with that of the Group and based on the audited balance sheet of the Group as at 31st December 2009 as included in the published audited financial statements of the Group as set out in the annual report of the Company for the year ended 31st December 2009, after making pro forma adjustment as set out in note 2 below. This unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Acquisition been completed as at 31st December 2009 or at any future date.

(a) Unaudited pro forma assets and liabilities of the Group

	Audited consolidated assets and liabilities of the Group as at 31st December 2009	Pro forma adjustment	Unaudited pro forma consolidated assets and liabilities of the Group as at 31st December 2009
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
ASSETS			
Non-current assets			
Land use rights	18,579		18,579
Intangible assets	10,807		10,807
Property, plant and equipment	64,429		64,429
Investment in an associated company	1,508		1,508
Deferred income tax assets	3,501		3,501
Long term deposit	1,659		1,659
	100,483		100,483

	Audited consolidated assets and liabilities of the Group as at 31st December 2009	Pro forma adjustment	Unaudited pro forma consolidated assets and liabilities of the Group as at 31st December 2009
	RMB'000	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	
Current assets			
Trade receivables	22,923		22,923
Deposits, prepayments and other receivables	16,053		16,053
Direct selling costs	10,173		10,173
Amounts due from a related company	861		861
Amount due from an associated company	21,899		21,899
Cash and cash equivalents	201,119	(54,800)	146,319
	273,028	(54,800)	218,228
Total assets	373,511	(54,800)	318,711
LIABILITIES			
Current liabilities			
Trade payables	2,332		2,332
Accrued expenses and other payables	22,279		22,279
Deferred revenue	107,363		107,363
Other taxes payable	12,351		12,351
Income tax payable	5,875		5,875
	150,200		150,200
Total liabilities	152,200		152,200
Net assets	223,311	(54,800)	168,511

(b) Notes to unaudited pro forma financial information of the Group

1. The audited consolidated assets and liabilities of the Group is extracted from the published audited financial statements of the Group for the year ended 31st December 2009 as set out in the annual report of the Company for the year ended 31st December 2009.

2. The adjustment represents the purchase consideration for the additional equity interests in Beijing Huicong amounting to RMB54,800,000, which is to be satisfied by the Group in cash, and a corresponding decrease in minority interest's share of net assets of Beijing Huicong.

   Professional fees attributable to the Acquisition had not been taken into account for the purpose of the preparation of this unaudited pro forma financial information since the amount involved is not considered to be significant.

B. REPORT FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF HC INTERNATIONAL, INC.

We report on the unaudited pro forma financial information set out on pages 81 to 83 under the heading of "Unaudited Pro Forma Financial Information of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 28th June 2010 (the "Circular") of HC International, Inc. (the "Company"), in connection with the proposed acquisition (the "Transaction") of 18% equity interest in Beijing Huicong International Information Co., Ltd. by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page 81 to 83 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated statement of assets and liabilities as at 31st December 2009 as set out in the section headed "Unaudited Pro forma Financial Information of the Group" in Appendix III of the Circular with the audited financial statements of the Group for the year ended 31st December 2009 as set out in the 2009 annual report of the Company, considering the evidence supporting the adjustment and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustment is appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31st December 2009 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustment is appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th June 2010

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31st December 2009

Financial Review

For the financial year ended 31st December 2009, Beijing Huicong generated a turnover of approximately RMB317,655,000.

For Beijing Huicong's financial performance in different segments, Beijing Huicong recorded a decrease of approximately 17.3% in revenue generated from the trade catalogues and yellow page directories segment due to the impact of financial crisis on traditional media market, from approximately RMB138,723,000 in 2008 to approximately RMB114,720,000 in 2009. A total revenue of approximately RMB126,137,000 was achieved from the on-line services segment in 2009, and represented an increase of approximately 9.7% from approximately RMB114,938,000 in 2008. Total revenue of approximately RMB51,231,000 was generated from the market research and analysis segment, which represented an increase of approximately 3.6% from approximately RMB49,464,000 in 2008. Revenue derived from Seminar and other service was RMB25,567,000, which represents an increase of approximately 136% from RMB10,819,000 in 2008.

The gross profit margin of Beijing Huicong decreased by 3.4 percentage points to approximately 52.5% in 2009.

During the year ended 31st December 2009, Beijing Huicong reduced its operating expenses from approximately RMB175,119,000 in 2008 to approximately RMB158,673,000 due to improvement in cost efficiency.

Beijing Huicong achieved a profit and total comprehensive income for the year of approximately RMB9,176,000 in 2009.

As at 31st December 2009, deferred revenue was RMB107,363,000, representing an increase of 121% from the balance in 2008 of RMB48,567,000, due to the increase in multi-year service contracts from paid customers.

During the year ended 31st December 2009, cash generated from operating activities was RMB67,366,000.

Liquidity and Financial Resources

As at 31st December 2009, Beijing Huicong's cash and bank balances increased by approximately RMB40,297,000 from approximately RMB138,028,000 as at 31st December 2008 to approximately RMB178,325,000.

Beijing Huicong had no bank and other loans as at 31st December 2009, Beijing Huicong's net current liabilities amounted to approximately RMB40,630,000 as at 31st December 2009. Its current ratio was approximately 0.86 times as at 31st December 2009.

Significant Investment

Beijing Huicong had no significant investment held in the year ended 31st December 2009.

Material acquisitions and Disposals

Beijing Huicong had no material acquisition and disposal during the year ended 31st December 2009.

Staff

As at 31st December 2009, the total number of Beijing Huicong's employees was 2,650. Of these, 1,549 were employed in its Sales and Marketing Division, 411 were employed in its Editorial, Research and Data Analysis Division, 153 were employed in its Information Technology Division and the remainder in other divisions of Beijing Huicong.

Charges on Beijing Huicong's Assets

As at 31st December 2009, no asset was pledged to secure any of Beijing Huicong's loan.

Exchange Risk

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

Contingent Liabilities

As at 31st December 2009, Beijing Huicong had no contingent liability.

For the year ended 31st December 2008

Financial Review

For the financial year ended 31st December 2008, Beijing Huicong generated a turnover of approximately RMB313,944,000.

For Beijing Huicong's financial performance in different segments, Beijing Huicong 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 Beijing Huicong's total revenue and represented 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 represented an increase of approximately 49.9% from approximately RMB32,990,000 in 2007.

The gross profit margin of Beijing Huicong decreased by 2.0 percentage points to approximately 55.9% in 2008.

During the year ended 31st December 2008, Beijing Huicong reduced its operating expenses from approximately RMB184,345,000 in 2007 to approximately RMB175,119,000.

Beijing Huicong achieved a profit before income tax of approximately RMB23,162,000 in 2008.

Liquidity and Financial Resources

As at 31st December 2008, Beijing Huicong's cash and bank balances increased by approximately RMB60,697,000 to approximately RMB138,028,000, from approximately RMB77,331,000, as at the end of the previous financial year.

Beijing Huicong had no bank or other loans as at 31st December 2008.

Beijing Huicong's net current liabilities totalled approximately RMB51,856,000 as at 31st December 2008. Its current ratio was approximately 0.78 as at 31st December 2008.

Significant Investment

Beijing Huicong had no significant investment held in the year ended 31st December 2008.

Material acquisitions and Disposals

On 17th October 2008, the Purchaser and Beijing Huicong, 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 and Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co. Limited, 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.

Staff

As at 31st December 2008, the total number of Beijing Huicong's employees was 2,272. Of these, 1,034 were employed in its Sales and Marketing Division, 511 were employed in its Editorial, Research and Data Analysis Division, 124 were employed in its Information Technology Division and the remainder in other divisions of Beijing Huicong.

Exchange Risk

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

Contingent Liabilities

As at 31st December 2008, Beijing Huicong had no contingent liability.

For the year ended 31st December 2007

Financial Review

For the financial year ended 31st December 2007, Beijing Huicong generated a turnover of approximately RMB279,262,000.

For Beijing Huicong's financial performance in different segments, Beijing Huicong recorded a decrease of approximately 6.6% in revenue generated from the trade catalogues and yellow page directories segment, from approximately RMB145,909,000 in 2006 to approximately RMB136,247,000 in 2007. In 2007, a total revenue of approximately RMB107,826,000 was achieved from the search engine business segment, which accounted for approximately 38.6% of Beijing Huicong's total revenue and represented an increase of approximately 13.6% from approximately RMB94,904,000 in 2006. Total revenue of approximately RMB32,990,000 was generated from the market research and analysis segment, which represented an increase of approximately 12.9% from approximately RMB29,212,000 in 2006.

Due to the termination of part of Beijing Huicong's printed periodicals businesses and the increase in revenue contribution from the search engine services to Beijing Huicong, the gross profit margin of Beijing Huicong increased by 6.6 percentage points to approximately 57.9% in 2007. The gross profit margin of Beijing Huicong's search engine business segment remained steady at approximately 75.4% in 2007). The gross profit margin of Beijing Huicong's trade catalogues and yellow page directories segment increased by 3.9 percentage points from approximately 46.2% in 2006 to approximately 50.1% in 2007.

During the year ended 31st December 2007, Beijing Huicong reduced its operating expenses to approximately RMB184,345,000. Beijing Huicong also reduced its loss before income tax to approximately RMB24,782,000 in 2007.

Liquidity and Financial Resources

As at 31st December 2007, Beijing Huicong's cash and bank balances was approximately RMB77,331,000.

Beijing Huicong had no bank or other loans as at 31st December 2007. Beijing Huicong's net current liabilities totalled approximately RMB97,606,000 as at 31st December 2007. Its current ratio was approximately 0.63 as at 31st December 2007.

The financial position of Beijing Huicong has remained liquid and healthy.

Significant Investment

Beijing Huicong had no significant investment held in the year ended 31st December 2007.

Material acquisitions and Disposals

Beijing Huicong had no material acquisition and disposal in the year ended 31st December 2007.

Staff

As at 31st December 2007, the total number of Beijing Huicong's employees were 2,362. Of these, 1,071 were employed in our Sales and Marketing Division, 497 were employed in our Editorial, Research and Data Analysis Division, 179 were employed in our Information Technology Division and the remainder in other divisions of the Group.

Charges on Beijing Huicong's Assets

As at 31st December 2007, no asset was pledged to secure any of Beijing Huicong's loan.

Exchange Risk

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

Contingent Liabilities

As at 31st December 2007, Beijing Huicong had no contingent liability.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive; and

(b) there are no other matters the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, the underlying Shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or (b) or pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and Supervisors to be notified to the Companies and the Stock Exchange are as follows:

Long Position in Shares

Name of Directors	Number of ordinary shares		Number of underlying shares held under equity derivatives	Total number of ordinary shares	Approximate Percentage of issued share capital
	Corporate interests	Personal/ Family interest			
Guo Fansheng	–	39,447,015	–	39,447,015	8.07%
Li Jianguang *(Note 1)*	40,000,384	–	–	40,000,384	8.18%
Guo Jiang *(Note 2)*	–	29,223,771	16,934,000	46,157,771	9.44%

Notes:

1. The references to 40,000,384 shares of the Company relate to the same block of shares of the Company held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li.

2. (a) 29,223,771 shares of the Company includes 1,074,625 shares of the Company which are held by Ms. Gengyi, Mr. Guo Jiang's spouse, and

   (b) 16,934,000 underlying shares were derived from the share options granted under the share option scheme adopted on 30th November 2003, of which 5,934,000 underlying shares derived from the share options granted to Ms.Geng Yi under the share option scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or the chairman or their respective associates of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which will be required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at the Latest Practicable Date, so far as the Directors are aware, the persons or companies (not being a Director or chief executive of the Company) who have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group are as follows:

Long position in Shares:

Name	**Capacity/nature of interest**	**Number of shares/ Underlying shares held**	**Percentage of issued share capital**
McCarthy Kent C. *(Note 1)*	Interest in controlled corporation	120,732,000	24.70%
McGovern Patrick J. *(Note 2)*	Interest in controlled corporation	104,790,697	21.44%
Zhou Quan *(Note 3)*	Interest in controlled corporation	79,346,743	16.23%

Notes:

1. Such interest in the Company comprises 113,689,365 shares, and 7,042,635 shares owned by Jayhawk Private Equity Fund, L.P. and Jayhawk Equity Co-Invest Fund, L.P., respectively. The entire issued share capital of each of the above companies is owned by Mr. McCarthy Kent.

2. Such interest in the Company comprises 25,473,954 shares, 16,664,743 and 62,652,000 shares owned by Technology Venture Investment, Inc., a wholly-owned subsidiary of International Data Group Inc., the majority shareholder of which is Mr. Patrick McGovern, IDG Technology Venture Investments, L.P. a Delaware limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Patrick McGovern and Mr. Zhou Quan, and IDG Technology Venture Investment III, L.P. a Delaware limited partnership controlled by IDG Technology Venture Investment III, LLC, which is in turn jointly controlled by Mr. Patrick McGovern and Mr. Zhou Quan, respectively.

3. Such interest in the Company comprises 16,664,743 shares and 62,652,000 shares owned by IDG Technology Venture Investments, L.P., a limited partnership controlled by IDG Technology Venture Investments, LLC, which is in turn jointly controlled by Mr. Patrick McGovern and Mr. Zhou Quan, and IDG Technology Venture Investment III, L.P., a Delaware limited partnership controlled by IDG Technology Venture Investment III, LLC, which is in turn jointly controlled by Mr. Patrick McGovern and Mr. Zhou Quan, respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors, Supervisors and chief executives of the Company are not aware of any person (other than the Directors, Supervisors, chief executives or the chairman or their respective associates of the Company) who, as at the Latest Practicable Date, has interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which will be recorded in the register required to be kept under section 336 of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. COMPETING INTERESTS

None of the Directors, the substantial Shareholders of the Company and their respective associates has an interest in any business which competes or may compete with the business of the Company.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

6. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of or leased to any member of the Group, since 31st December 2009, being the date to which the latest published audited accounts of the Company were made up, save for the Acquisition, details of which has been disclosed in this circular.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company and its subsidiaries since 31st December 2009, the date to which the latest published financial statements of the Group were made up.

9. CONSENT OF EXPERT

The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or reference to its name in the form and context in which it respectively appears:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Kingsway Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of the Company and its subsidiaries nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the Latest Practicable Date, the above experts did not have any direct or indirect interest in any assets which have since 31st December 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to the Company and its subsidiaries, or were proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

10. GENERAL

(a) The registered office of the Company is located at 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies.

(b) The principal place of business of the Company in Hong Kong is located at 43/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong

(c) The branch share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Ms. Leung Pei Ki.

(e) The compliance officer of the Company is Mr. Guo Fansheng who is also an executive Director.

(f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

(a) the co-operation and framework agreement dated 17th October 2008 entered into among others, the Purchaser, Beijing Huicong, Dun & Bradstreet International, Ltd., Dun & Bradstreet (Shanghai) International Information Consulting Co. Limited and Shanghai Huaxia Dun & Bradstreet Business Information Consulting Co. Limited in relation to the establishment of two joint venture companies, namely Beijing D&B Huicong Market Research Co., Ltd. and Beijing Huicong Market Research Co. Ltd.;

(b) the joint venture agreement dated 9th April 2009 entered into between 北京慧翔網絡技術有限公司 and 卜凱軍先生 in relation to establishment of a joint venture company 北京花開富貴信息技術有限公司;

(c) the construction works implementation contract dated 9th November 2009 entered into between Beijing Huicong and 北京昌建建築工程公司;

(d) the construction works implementation Contract dated 9th November 2009 entered into between Beijing Huicong and 河北建工集團有限責任公司; and

(e) the Sale and Purchase Agreement.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Li & Partners at 22/F, World Wide House, Central, Hong Kong during normal business hours on any weekday (except Saturdays and public holidays) for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out on page 9 of this circular;

(d) the letter from Kingsway Capital Limited, the text of which is set out from pages 10 to 21 of this circular;

(e) the written consent referred to under the section headed "Consent of expert" in this appendix;

(f) the accountant's report of Beijing Huicong, the text of which is set out in Appendix II to this circular;

(g) the report on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular;

(h) the material contracts referred to under the section headed "Material Contracts" in this appendix; and

(i) this circular.

HC INTERNATIONAL, INC.

慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 08292)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of HC International Inc. (the "Company") will be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the PRC (100098) on 15th July 2010 (Thursday), at 4:00 p.m. for the following purpose:

AS AN ORDINARY RESOLUTION

"**THAT**:-

(a) the terms of the sale and purchase agreement dated 27th April 2010 entered into between Hong Kong Huicong International Group Limited as purchaser and Beijing Huicong Construction Information Technology Consulting Co., Ltd. as vendor (the "**Agreement**"), a copy of which has been produced to the meeting and contained in the document marked "A" and for the purpose of identification, and the transaction contemplated under the Agreement, be and is hereby approved, confirmed and ratified; and

(b) the directors be and are hereby authorised for and on behalf of the Company to sign, execute, perfect and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to carry the Agreement into effect."

By order of the Board
Guo Jiang
Chief Executive Officer and
Executive Director

Hong Kong, 28th June 2010

* *For identification purposes only*

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, in the event of a poll, to vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power or authority) must be deposited at the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(3) Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the meeting or any adjournment thereof and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(5) The register of members of the Company will be closed for a period commencing from 12 July 2010 to 15 July 2010, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar, Hong Kong Registrars Limited at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 9 July 2010.

HC INTERNATIONAL, INC.
慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock code: 08292)

FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING

I/We, *(Note 1)* ______________________________
of ______________________________
being the registered holder(s) of *(Note 2)* ______________________________
ordinary shares of HK$0.10 each in the capital of HC International, Inc. (the "Company"), HEREBY APPOINT *(Note 3)*
the Chairman of the Meeting, or failing him ______________________________
of ______________________________
as my/our proxy to attend, act and vote for me/us and on my/our behalf at the Extraordinary General Meeting (the "Meeting") (or any adjournment thereof) of the Company to be held at Tower B, Jingyi Technical Building, No.9 Dazhongsi East Road, Haidan District, Beijing, the People's Republic of China (100098) at 4:00 p.m. on 15 July 2010 (Thursday) in respect of the resolutions set out in the notice of Extraordinary General Meeting (the "Notice") as indicated below, and if no such indication is given, as my/our proxy thinks fit.

	ORDINARY RESOLUTIONS	FOR *(Note 4)*	AGAINST *(Note 4)*
(a)	To approve the terms of the sale and purchase agreement dated 27 April 2010 and the transactions contemplated thereunder		
(b)	To authorize any director of the Company to sign, execute and deliver all such documents and deeds, and do all such acts, matters and things for and on behalf of the Company as he may in his discretion consider necessary or desirable to carry out the sale and purchase agreement into effect		

Signature *(Note 5)*: ______________________ Dated this __________ day of __________ 2010

Notes:

1. Full name(s) and address(es) (as shown in the Register of Members) to be inserted in **BLOCK CAPITALS**.
2. Please insert the number of ordinary shares of the Company registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, please delete the words "**the Chairman of the Meeting, or**" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON(S) WHO SIGNS IT**.
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE ABOVE RESOLUTION, TICK IN THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE ABOVE RESOLUTION, TICK IN THE BOX MARKED "AGAINST"**. Failure to complete the box will entitle your proxy to vote or abstain at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the Meeting other than those referred to in the notice convening the Meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of any officer or attorney or other person duly authorised.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s). For this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
7. To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or any adjournment thereof).
8. A proxy need not be a member of the Company but must attend the Meeting in person to represent you.
9. Completion and return of this form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof if you so wish.

* *For identification purposes only*