HC INTERNATIONAL, INC.

慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of HC International, Inc. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

- The Group generated a revenue of approximately RMB493,732,000 (2010: RMB 391,131,000) from continuing and discontinued operations for the financial year ended 31st December 2011, this represented an increase of approximately 26.2% in revenue as compared to that in 2010.

- The Group achieved a profit of approximately RMB41,366,000 (2010: RMB8,379,000) from continuing and discontinued operations for the year ended 31st December 2011, this represented an increase of approximately 393.7% in profit as compared to that in 2010.

- Cash generated from operating activities was approximately RMB122,970,000, while it was approximately RMB99,093,000 in 2010.

- As at 31st December 2011, deferred revenue was approximately RMB290,820,000, representing an increase of 48.4% from the balance in 2010 of approximately RMB95,965,000.

- The gross profit margin of the Group from continuing operations increased by 4.7 percentage points to approximately 84.7% in 2011 (2010: 80.0%).

- The Board does not recommend payment of dividend for the year ended 31st December 2011.

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2011 together with comparative figures for the year ended 31st December 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
Continuing operations			
Revenue	*5*	**438,356**	317,651
Cost of revenue	*12*	**(67,140)**	(63,662)
Gross profit		**371,216**	253,989
Other income	*11*	**9,257**	6,076
Selling and marketing expenses	*12*	**(251,251)**	(177,702)
Administrative expenses	*12*	**(87,150)**	(80,083)
Profit before income tax		**42,072**	2,280
Income tax expense	*13*	**(9,266)**	(648)
Profit for the year from continuing operations		**32,806**	1,632
Discontinued operations			
Profit for the year from discontinued operations	*14*	**8,560**	6,747
Profit for the year		**41,366**	8,379
Other comprehensive loss:			
Currency translation difference		**(2,688)**	(645)
Total comprehensive income for the year, net of tax		**38,678**	7,734
Profit attributable to:			
Equity holders of the Company		**41,205**	6,935
Non-controlling interests		**161**	1,444
		41,366	8,379

	Note	**2011** *RMB'000*	2010 *RMB'000*
Total comprehensive income attributable to:			
Equity holders of the Company		**38,517**	6,290
Non-controlling interests		**161**	1,444
		38,678	7,734
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings/(loss) per share			
From continuing operations	*15*	**0.0636**	(0.0041)
From discontinued operations	*15*	**0.0159**	0.0183
Diluted earnings/(loss) per share			
From continuing operations	*15*	**0.0603**	(0.0041)
From discontinued operations	*15*	**0.0151**	0.0181
Dividends	*16*	**–**	–

CONSOLIDATED BALANCE SHEET
As at 31st December 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**17,725**	18,152
Intangible assets		**464**	6,731
Property, plant and equipment		**178,353**	140,468
Investment in an associated company		**–**	2,795
Deferred income tax assets		**2,563**	1,735
Long term deposits, prepayments and other receivables	*6*	**48,814**	1,749
		247,919	171,630
Current assets			
Trade receivables	*6*	**21,582**	18,848
Deposits, prepayments and other receivables	*6*	**27,380**	7,214
Direct selling costs		**69,477**	39,248
Amount due from a related company		**1,556**	981
Amount due from an associated company		**–**	23,390
Cash and cash equivalents		**254,982**	188,424
		374,977	278,105
Total assets		**622,896**	449,735
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	*7*	**56,884**	52,116
Other reserves	*8*	**270,485**	224,395
Accumulated losses		**(54,876)**	(96,081)
		272,493	180,430
Non-controlling interests		**14**	2,795
Total equity		**272,507**	183,225
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**8,904**	–
		8,904	–

	Note	**2011** *RMB'000*	2010 *RMB'000*
Current liabilities			
Trade payables	*10*	**2,285**	2,262
Accrued expenses and other payables	*10*	**29,699**	50,311
Deferred revenue	*10*	**290,820**	195,965
Other taxes payable		**9,783**	12,548
Income tax payable		**8,898**	5,424
		341,485	266,510
Total liabilities		**350,389**	266,510
Total equity and liabilities		**622,896**	449,735
Net current assets		**33,492**	11,595
Total assets less current liabilities		**281,411**	183,225

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2011

		Attributable to the Company's equity holders					
	Note	Share capital RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-Controlling interests RMB'000	Total RMB'000
Balance at 1st January 2010		52,055	265,273	(103,016)	214,312	8,999	223,311
Comprehensive income							
Profit for the year		–	–	6,935	6,935	1,444	8,379
Other comprehensive loss							
Currency translation difference		–	(645)	–	(645)	–	(645)
Total comprehensive income		–	(645)	6,935	6,290	1,444	7,734
Transactions with owners							
Share based compensation-value of employee services		–	7,931	–	7,931	–	7,931
Acquisition of additional interest in a subsidiary	9	–	(48,474)	–	(48,474)	(7,648)	(56,122)
Exercise of share options		61	310	–	371	–	371
Total transactions with owners		61	(40,233)	–	(40,172)	(7,648)	(47,820)
Balance at 31st December 2010		52,116	224,395	(96,081)	180,430	2,795	183,225
Balance at 1st January 2011		52,116	224,395	(96,081)	180,430	2,795	183,225
Comprehensive income							
Profit for the year		–	–	41,205	41,205	161	41,366
Other comprehensive loss							
Currency translation difference		–	(2,688)	–	(2,688)	–	(2,688)
Total comprehensive income		–	(2,688)	41,205	38,517	161	38,678
Transactions with owners							
Shares purchased under share reward scheme		–	(22,234)	–	(22,234)	–	(22,234)
Share based compensation-value of employee services		–	6,731	–	6,731	–	6,731
Contribution from non-controlling interest on set up of a subsidiary		–	–	–	–	150	150
Disposal of a subsidiary			–	–	–	(3,092)	(3,092)
Exercise of share options		295	1,806	–	2,101	–	2,101
Issuance of new shares	7	4,473	62,475	–	66,948	–	66,948
Total transactions with owners		4,768	48,778	–	53,546	(2,942)	50,604
Balance at 31st December 2011		56,884	270,485	(54,876)	272,493	14	272,507

NOTES:

1 GENERAL INFORMATION

HC International, Inc. (the "Company") and its subsidiaries (together the "Group") organise a business-to-business community across China by providing business information through both on-line and offline channels. The Group operates an on-line market place and provides industrial search result prioritising services through its business-to business website "hc360.com". The Group also publishes its own trade catalogues and yellow page directories in China.

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

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

This consolidated financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This consolidated financial information has been approved for issue by the Board of Directors on 20th March 2012. This financial information should be read in conjunction with consolidated financial statements for the year ended 31st December 2011, which are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention. The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2011 that would be expected to have a material impact on the Group.

HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

- The name of the government and the nature of their relationship;
- The nature and amount of any individually significant transactions; and
- The extent of any collectively-significant transactions qualitatively or quantitatively.

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2011 and have not been early adopted

		Effective for accounting period beginning on or after
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1st July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1st July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1st January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1st July 2012
HKFRS 9	Financial instruments	1st January 2013
HKFRS 10	Consolidated financial statements	1st January 2013
HKAS 27 (revised 2011)	Separate financial statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1st January 2013
HKFRS 12	Disclosures of interests in other entities	1st January 2013
HKFRS 13	Fair value measurements	1st January 2013
HKAS 19 (Amendment)	Employee benefits	1st January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities	1st January 2013
HK(IFRIC) 20	Stripping costs in the production phase of a surface mine	1st January 2013
HKAS 32	Financial instruments: Presentation – offsetting financial assets and financial liabilities	1st January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1st January 2015

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

(b) Subsidiaries

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

(i) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) An associated company

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

If the ownership interest in the associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The 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 other comprehensive income is recognised in other comprehensive income with a corresponding adjustment the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated company and its carrying value and recognises the amount adjacent to 'share of profit of an associated company' in the consolidated statement of comprehensive income.

Dilution gains and losses arising in investments in associated company are recognised in the consolidated statement of comprehensive income.

(d) 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 executive directors who make strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

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

(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 positions 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.

Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) 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.

(g) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to 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	2.3% –5%
Computer and telecommunications equipment	20%
Fixtures, fittings and office equipment	20%
Motor vehicles	10%

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

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(i)).

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

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.

(h) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associated companies and joint ventures and represents the excess of the consideration transferred over the acquiror's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) *Software development costs*

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

(i) Impairment of 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.

(j) Financial assets

The Group classifies its financial assets as loans and receivables. 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

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 end of the reporting period. These are classified as non-current assets. The Group's loan and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(k) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

(m) Direct selling costs

Direct selling costs, which principally are comprised 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 when the services are rendered.

(n) 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.

(o) Share capital

Ordinary shares are classified as equity.

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

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

(p) Current and deferred income tax

The tax expense for the year 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly equity, respectively.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

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

(i) Retirement benefit costs

The full-time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas.

The relevant government agencies are responsible for the pension liabilities to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made.

Contributions to these plans are expensed as incurred.

(ii) Bonus entitlements

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

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

(iii) Share-based compensation

The Group operates equity settled, share-based compensation plans. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Under the Share Award Plan, a director and certain employees of the Group are entitled to receive shares in the Company. The shares held under trust by a financial institution ("Trustee") for the benefit of the director and employees, have been created by capitalising the Company's reserves to pay up consideration. The Trustee has been instructed to buy shares from the market using the funds held by the Trustee to grant shares to the director and employees.

The Company has also adopted the Share Option Scheme under which options may be granted to subscribe for the Company's shares.

The fair value of the employee services received in exchange for the grant of the share options and shares awarded is recognised as an expense.

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

(iv) Termination benefits

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

(r) Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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.

(s) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is recognised as follows:

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The 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. The unrecognised portion of contract sum are recognised as deferred revenue.

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

Revenue for market research reports are either recognised using "percentage of completion method" or recognised over the contract periods by straight line basis. 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.

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

(u) 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.

(v) Government grants

Grants from the government are recognised at their fair values when there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised within other income in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(w) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Fair value interest rate risk

The Group's interest rate risk arises from fixed deposit categorised in "cash and cash equivalents" and loan to a third party categorised in "other receivables". Deposits and loan to a third party received at fixed rates expose the Group to fair value interest rate risk. As all of these deposits are highly liquid, the fair value changes resulting from the fluctuation of the market interest rate are insignificant. For loan to a third party, profit before tax for the year would have been RMB254,000 (2010: Nil) higher/lower if market interest rates had been 100 basis point higher/lower, with all other variables held costant.

(b) *Credit risk*

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

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

For balance with a related company and loan to a third party, management assesses the recoverability of the balances taking into account the history of default of these companies, financial performance, fair value of pledge assets and availability of credit facilities.

The table below shows the credit limit and balance of the five major debtors as at 31st December 2011 and 31st December 2010.

	31st December 2011	
Counterparty	**Credit limit**	**Utilised**
	RMB'000	***RMB'000***
Customer F	**1,000**	**700**
Customer G	**1,000**	**567**
Customer H	**1,000**	**366**
Customer I	**1,000**	**293**
Customer J	**1,000**	**218**

	31st December 2010	
Counterparty	Credit limit	Utilised
	RMB'000	*RMB'000*
Customer A	1,000	556
Customer B	1,000	404
Customer C	1,000	320
Customer D	1,000	293
Customer E	1,000	279

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, and not impaired as at the balance sheet date.

	As at 31st December	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables		
Listed customers	**409**	840
Unlisted customers	**15,821**	13,901
Total	**16,230**	14,741

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

	As at 31st December	
	2011	2010
	RMB'000	*RMB'000*
Cash at banks and bank deposits		
Listed financial institutions	**245,557**	175,133
Unlisted financial institutions	**7,906**	12,063
Cash on hand	**1,519**	1,228
	254,982	188,424

(c) *Liquidity risk*

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

As at 31st December 2011, the cash and cash equivalents of the Group approximated RMB254,982,000 (2010: RMB188,424,000).

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

	Less than 1 year	**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 2011					
Trade payables	**2,285**	**–**	**–**	**–**	**2,285**
Accrued expenses and other payables	**29,661**	**–**	**–**	**–**	**29,661**
At 31st December 2010					
Trade payables	2,262	–	–	–	2,262
Accrued expenses and other payables	50,126	–	–	–	50,126

3.2 Capital risk management

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

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

The Group monitors capital on the basis based on a ratio calculated by dividing short-term loan by total equity (excluding non-controlling interest). Management considers a ratio of not more than 20% as reasonable. The gearing ratio for the Group is 0% (2010: 0%) as no debt is outstanding as at 31st December 2011 (2010: Nil).

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 2011, the Group maintains cash and cash equivalents of approximately RMB254,982,000 (2010: RMB188,424,000), 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 Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade payables, accruals and other payables, amount due from a related company, and amount due from an associated company approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) 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 Group is subject to taxes in numerous jurisdictions. 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 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.

5 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the executive directors. The executive directors review the Group's internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from product perspective. From a product perspective, the CODM 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 tax. This measurement basis excludes other income and the effects of non-recurring expenditure from the operating segments.

As at 31st December 2011, the Group is organised into the following business segments:

(i) On-line services, which generates subscription fee income by provision of a reliable platform to customers to do business and meet business partners on-line.

(ii) Trade catalogues and yellow page directories, which generates advertising income by provision of trade information through trade catalogues and yellow page directories published by the Group.

(iii) Market research and analysis, which provides business information and analysis services.

(iv) Seminars and other services, which provides hosting services of seminars.

There were no sales or other transactions between the business segments for the year ended 31st December 2011.

	Year ended 31st December 2011					
	Continuing operations				Discontinued operations	
	On-line services	Trade catalogues and yellow page directories	Seminars and other services	Total	Market research and analysis	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**289,581**	**82,289**	**66,486**	**438,356**	**55,376**	**493,732**
Segment results	**53,643**	**(28,087)**	**7,259**	**32,815**	**11,637**	**44,452**
Other income				**9,257**	**–**	**9,257**
Profit before income tax				**42,072**	**11,637**	**53,709**
Other information:						
Depreciation and amortisation (including share compensation expense)	**19,365**	**3,537**	**1,311**	**24,213**	**736**	**24,949**
Share on profit from an associated company	**–**	**–**	**–**	**–**	**2,390**	**2,390**
Pre-tax profit in on disposal of discontinued operations	**–**	**–**	**–**	**–**	**7,891**	**7,891**

	Year ended 31st December 2010						
	Continuing operations				Discontinued operations		
	On-line services	Trade catalogues and yellow page directories	Seminars and other services	Total	Overseas E-Commerce Services	Market research and analysis	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	164,412	101,437	51,802	317,651	2,005	71,475	391,131
Segment results	4,496	(9,738)	1,446	(3,796)	9,711	(1,529)	4,386
Other income				6,076	44	–	6,120
Profit before income tax				2,280	9,755	(1,529)	10,506
Other information:							
Depreciation and amortisation (including share compensation expense)	18,991	3,065	374	22,430	1,535	579	24,544
Share on profit from an associated company	–	–	–	–	–	1,287	1,287
Pre-tax profit on disposal of discontinued operations	–	–	–	–	12,585	–	12,585

The Group is domiciled in the PRC. The revenue from external customers from continuing and discontinued operations in the PRC for the year ended 31st December 2011 is RMB493,732,000 (2010: RMB391,131,000), and the total revenue from external customers from other countries is Nil (2010: Nil).

As at 31st December 2011, 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 is approximately RMB196,542,000 (2010: RMB168,146,000), and the total of these non-current assets located in other countries is Nil (2010: Nil).

6 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade receivables *(note a)*	**24,928**	20,865
Less: provision for impairment of trade receivables	**(3,346)**	(2,017)
Trade receivables – net	**21,582**	18,848
Deposits, prepayments and other receivables *(note b)*	**76,194**	8,963
	97,776	27,811
Less: Non-current deposit, prepayments and other receivables	**(48,814)**	(1,749)
Current portion	**48,962**	26,062

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Current to 90 days	**16,230**	14,741
91 to 180 days	**3,607**	2,912
181 to 365 days	**3,490**	2,388
Over 1 year	**1,601**	824
	24,928	20,865

The carrying amounts of trade receivables approximate their fair values.

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

The Group has recognised a loss of approximately RMB1,559,000 for the impairment of its trade receivables during the year ended 31st December 2011 (2010: RMB618,000).

As at 31st December 2011, trade receivables of approximately RMB3,346,000 (2010: RMB2,017,000) 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 2011, trade receivables of approximately RMB5,352,000 (2010: RMB4,107,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2011	2010
	RMB'000	*RMB'000*
91 to 180 days	**3,607**	2,912
181 to 365 days	**1,745**	1,195
	5,352	4,107

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

	2011	2010
	RMB'000	*RMB'000*
At beginning of the year	**2,017**	4,445
Impairment of receivables	**1,559**	618
Write off for impaired receivables	**(230)**	(3,046)
At end of the year	**3,346**	2,017

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

The other classes within trade and other receivables includes a provision of other receivables amounted approximately RMB2,284,000.

The maximum exposure to credit risk at the reporting date is the fair values of trade receivables disclosed above. The Group does not hold any collateral as security.

(b) Deposits, prepayments and other receivables

	Group	
	2011	2010
	RMB'000	*RMB'000*
Long-term deposits	**1,810**	1,749
Short-term deposits	**2,960**	1,389
Short-term prepayments	**16,287**	3,710
Long-term prepayments	**21,600**	–
Other receivables		
– Amount due from a third party (北京慧美印刷有限公司), formerly held by a major shareholder of the Company	**–**	520
– Short-term others *(Note i)*	**8,133**	1,595
– Long-term others	**25,404**	–
	76,194	8,963

The fair values are as follows:

Deposits	**4,771**	3,138
Prepayments	**37,887**	3,710
Other receivables	**33,536**	2,115
	76,194	8,963

Denominated in:		
HK dollar	**117**	122
RMB	**76,077**	8,841
	76,194	8,963

Note (i): Included in "others" in 2011 is approximately RMB25,404,000 loan receivable from a private company incorporated in the PRC. The borrower is one of the new shareholders of the disposed market research and analysis business. The loan will mature in 2 years and bears an interest at 8% per annum.

7 SHARE CAPITAL

	Number of ordinary shares	**Par value**
		RMB'000
At 1st January 2010 and 31st December 2010	488,878,960	52,116
Exercise of share options	3,560,000	295
Issuance of new shares	53,809,685	4,473
At 31st December 2011	546,248,645	56,884

The total authorised number of ordinary shares is 1,000,000,000 shares (2010: 1,000,000,000 shares) with a par value of HK$0.1 per share (2010: HK$0.1 per share). All issued shares are fully paid.

During the year, the Company has allotted and issued a total number of 53,809,685 new shares, at the subscription price of HK$1.5 to Talent Gain Developments Limited, a company incorporated in the British Virgin Islands and an independent third party.

Share options

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

Each option under the Pre-IPO Share Option Scheme has a 10-year exercisable period, which may be exercised after the expiry of twelve months from the date on which trading in the shares of the Company first commenced on GEM, being 17th December 2003 ("Listing Date"). Commencing from the first, second and third anniversaries of the Listing Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively. No additional share options were granted pursuant to the Pre-IPO Share Option Scheme during the year.

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

During the year ended 31st December 2004, a total of 26,000,000 share options were granted to two executive directors and certain employees pursuant to the Share Option Scheme, of which 7,850,000, 9,350,000, 1,080,000, 581,000, 265,000 and 245,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008, 2009, 2010 and 2011, respectively. The grantees can exercise these options at an exercise price of HK$2.40 per share in a ten-year period starting from the expiry of twelve months from the date of the granting of options, being 18 February 2004. Commencing from the first, second and third anniversaries of the Offer Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively.

During the year ended 31st December 2006, a total of 10,000,000 share options were granted to one executive Director and certain employees pursuant to the Share Option Scheme, of which 2,460,000, 2,908,000, 346,000, 644,000 and 274,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009, 2010 and 2011 respectively. The grantees can exercise 100% of these options at an exercise price of HK$1.49 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 23rd June 2006.

During the year ended 31st December 2007, a total of 23,000,000 share options were granted to two executive Directors and certain employees pursuant to Share Option Scheme, of which 10,267,000, 1,035,000, 2,403,000 and 668,000 share options were lapsed during the year ended 31st December 2008, 2009, 2010 and 2011 respectively. During the year ended 31st December 2011, 260,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$1.24 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 11th July 2007. Commencing from the first and second anniversaries of the Offer Date, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2008, a total of 14,600,000 share options were granted to one executive Director and certain employees pursuant to Share Option Scheme, of which 500,000, 1,180,000 and 120,000 share options were lapsed during the year ended 31st December 2009, 2010 and 2011 respectively. During the year ended 31st December 2010 and 2011, 700,000 and 2,300,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$0.604 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 29th September 2008. Commencing from the first anniversary of the Offer Date, the relevant grantee may exercise options 100%.

During the year ended 31st December 2010, a total of 33,800,000 share options were granted to one executive Director and certain employees pursuant to Share Option Scheme, of which 700,000 and 400,000 share options were lapsed during the year ended 31st December 2010 and 2011 respectively. During the year ended 31st December 2011, 1,000,000 share options were exercised. The granters can exercise these options at an exercise price of HK$0.82 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 7th April 2010. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2011, a total of 3,000,000 share options were granted to certain employees pursuant to share option scheme, of which 100,000 share options were lapsed during the year ended 31st December 2011. The granters can exercise these options at an exercise price of HK$1.108 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 28th March 2011. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

The assumptions used are as follows:

	18th February 2004	**23rd June 2006**	**11th July 2007**	**29th September 2008**	**7th April 2010**	**28th March 2011**
Exercise price (in HK dollar)	2.40	1.49	1.24	0.604	0.82	1.108
Fair value of the options (in RMB)	20,193,000	3,919,000	9,390,000	2,756,000	12,527,000	1,377,000
Risk free interest rate (in %)	1.34–4.43	4.911	4.757	3.133	2.865	2.820
Expected life (in years)	5.4–6.6	3.2–5.5	2.4–6.2	3.8–4.8	3.4–5.9	3.8–4.9
Volatility (in %)	32	34.8	49	72.2	79.8	77.6
Expected dividend per share (cents)	0	0	0	0	0	0

At the working date before options were granted, 17th February 2004, 22nd June 2006, 10th July 2007, 26th September 2008, 6th April 2010 and 25th March 2011, the market value per share was HK$2.45, HK$1.45, HK$1.24, HK$0.55, HK$0.82 and HK$1.1 respectively.

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

(i) Pre-IPO Share Option Scheme

	Expiry date	**2011** Exercise price in HK$ per share	**2011** Share options	2010 Exercise price in HK$ per share	2010 Share options
At 1st January		**0.44**	**9,147,120**	0.44	9,147,120
Exercised		**–**	**–**	–	–
At 31st December	17th December 2013	**0.44**	**9,147,120**	0.44	9,147,120

(ii) Share Option Scheme

	Expiry date	**2011** Exercise price in HK$ per share	**2011** Share options	2010 Exercise price in HK$ per share	2010 Share options
At 1st January		**2.40**	**6,874,000**	2.40	7,139,000
		1.49	**3,642,000**	1.49	4,286,000
		1.24	**9,295,000**	1.24	11,698,000
		0.604	**12,220,000**	0.604	14,100,000
		0.82	**33,100,000**	0.82	–
		1.108	**–**	1.108	–
Granted		**2.40**	**–**	2.40	–
		1.49	**–**	1.49	–
		1.24	**–**	1.24	–
		0.604	**–**	0.604	–
		0.82	**–**	0.82	33,800,000
		1.108	**3,000,000**	1.108	–
Lapsed and exercised		**2.40**	**(245,000)**	2.40	(265,000)
		1.49	**(274,000)**	1.49	(644,000)
		1.24	**(928,000)**	1.24	(2,403,000)
		0.604	**(2,420,000)**	0.604	(1,880,000)
		0.82	**(1,400,000)**	0.82	(700,000)
		1.108	**(100,000)**	1.108	–
At 31st December	18th February 2014	**2.40**	**6,629,000**	2.40	6,874,000
	23rd June 2016	**1.49**	**3,368,000**	1.49	3,642,000
	11th July 2017	**1.24**	**8,367,000**	1.24	9,295,000
	29th September 2018	**0.604**	**9,800,000**	0.604	12,220,000
	7th April 2020	**0.82**	**31,700,000**	0.82	33,100,000
	27th March 2021	**1.108**	**2,900,000**	1.108	–

Share Award Scheme

On 23rd November 2011 and pursuant to the Share Award Scheme, the Board resolved to grant an aggregate of 24,181,000 shares to 72 selected employees (including, an executive director of the Company).

As at 31st December 2011, 17,654,000 shares had been purchased by the trustee as awarded shares pursuant to the terms of the Share Award Scheme. The awarded shares will be held by the trustee in accordance with the rules of the Share Award Scheme and the relevant trust period. The awarded shares are subject to vesting periods from 6 months to 42 months.

The following table represents the movements for number of shares under the Share Award Scheme for the year ended 31st December 2011.

	Number of Shares
As at 1st January 2011	–
Shares purchased from the market	17,654,000
Shares vested during the year	–
As at 31st December 2011	17,654,000

The following is a summary of the shares granted, vested and lapsed during the year since the set up of the Share Award Scheme:

	Number of shares (in thousand unit)	
	Cumulative Total	**2011**
Granted during the year	**24,181**	**24,181**
Shares lapsed	**–**	**–**
Shares vested	**–**	**–**
Allocated but not vested	**24,181**	**24,181**

The Group has adopted the requirements under HKFRS 2 to account for the equity compensation expenses of the shares granted at the date of grant at fair value.

8 OTHER RESERVES

	Share premium	Capital reserve	Other reserve	Merger reserve	Share-based compensation reserves	Share redemption reserve	Exchange reserve	Shares held for share reward scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2010	132,734	987	–	108,830	29,071	496	(6,845)	–	265,273
Share based compensation – value of employee services	–	–	–	–	7,931	–	–	–	7,931
Exercise of share options	310	–	–	–	–	–	–	–	310
Acquisition of additional interests in a subsidiary *(Note 9)*	–	–	(48,474)	–	–	–	–	–	(48,474)
Currency translation difference	–	–	–	–	–	–	(645)	–	(645)
At 31st December 2010	133,044	987	(48,474)	108,830	37,002	496	(7,490)	–	224,395
At 1st January 2011	133,044	987	(48,474)	108,830	37,002	496	(7,490)	–	224,395
Share based compensation – value of employee services	–	–	–	–	6,731	–	–	–	6,731
Exercise of share options	1,806	–	–	–	–	–	–	–	1,806
									–
Currency translation difference	–	–	–	–	–	–	(2,688)	–	(2,688)
Issuance of new shares	62,475	–	–	–	–	–	–	–	62,475
Shares purchased for share award scheme	–	–	–	–	–	–	–	(22,234)	(22,234)
At 31st December 2011	197,325	987	(48,474)	108,830	43,733	496	(10,178)	(22,234)	270,485

9 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 28th October 2010, the Group acquired an additional 18% of the issued and paid-up share capital in ("Beijing Huicong"), a subsidiary of the Group for a purchase consideration, including transaction costs of approximately RMB56,122,000 from the non-controlling shareholder.

The carrying amount of the non-controlling interest acquired and consideration paid in excess of carrying value recognised within equity as a result of the transaction with non-controlling interests were as follows:

	2010
	RMB'000
Carrying amount of non-controlling interests acquired	7,648
Consideration paid for the non-controlling interests, including transaction costs	(56,122)
Consideration paid in excess of carrying value recognised within equity	(48,474)

The effect of transaction with non-controlling interests on the equity attributable to the Company's equity holders for the year ended 31st December 2010 was summarised as follows:

	2010
	RMB'000
Total comprehensive income for the year attributable to the equity holders of the Company	6,290
Changes in equity attributable to shareholders of the Company arising from the acquisition of additional interests in a subsidiary	(48,474)
	(42,184)

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

	Group	
	2011	2010
	RMB'000	*RMB'000*
Trade payables (a)	**2,285**	2,262
Deferred revenue	**290,820**	195,965
Accrued expenses and other payables	**29,699**	50,311
	322,804	248,538

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

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

	2011	2010
	RMB'000	*RMB'000*
Current to 90 days	**2,052**	1,083
91 to 180 days	**8**	898
181 to 365 days	**25**	279
Over 1 year	**200**	2
	2,285	2,262

11 OTHER INCOME

	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Interest income	**3,777**	2,033
Government grants	**5,480**	4,043
	9,257	6,076

The Group received grants mainly from 北京財政局 for promoting electronic trading platform amongst the entities in the PRC, the conditions specified in the government approval were fully achieved during the year.

	2011	2010
	RMB'000	*RMB'000*
Discontinued operations		
Interest income	**–**	44

12 EXPENSES BY NATURE

	2011	2010
	RMB'000	*RMB'000*
Continuing operations		
Cost of trade catalogues and yellow page directories	**32,544**	34,143
Cost of on-line services	**50,915**	23,606
Cost of seminars and other services	**30,349**	24,062
Marketing expenses	**20,345**	15,318
Network and telephone expenses	**13,393**	13,752
Auditor's remuneration	**1,975**	1,996
Staff costs, including directors' emoluments	**196,742**	156,509
Amortisation of land use rights	**427**	427
Amortisation of intangible assets	**2,619**	2,997
Depreciation of property, plant and equipment	**14,815**	12,590
Provision for impairment and write off of trade receivables *(note 6)*	**1,559**	618
Gain on disposal of property, plant and equipment	**(98)**	(49)
Operating lease payments in respect of land and buildings	**13,617**	13,384
Provision for impairment of other receivables	**2,284**	405
Over provision of other tax payables	**(7,430)**	–
Provision for impairment of intangible assets	**3,481**	–
Other expenses	**28,004**	21,689
Total cost of revenue, selling and marketing expenses and administrative expenses	**405,541**	321,447
Discontinued operations		
Direct cost of market research and analysis	**26,942**	42,779
Marketing expenses	**–**	728
Network and telephone expenses	**376**	533
Auditor's remuneration	**–**	–
Staff costs, including directors' emoluments	**19,936**	26,050
Depreciation of property, plant and equipment	**357**	599
Operating lease payments in respect of land and building	**2,134**	2,844
Other expenses	**4,275**	5,637
Total cost of revenue, selling and marketing expenses and administrative expense (a)	**54,020**	79,170

(a) The expenses by nature of year 2011 only contained from January to September.

13 INCOME TAX EXPENSE

	2011	2010
	RMB'000	*RMB'000*
Continuing operations:		
Current income tax expense		
– Hong Kong profits tax *(note a)*	**–**	–
– The PRC Corporate income tax ("CIT") *(note b)*	**1,190**	361
Deferred income tax expense	**8,076**	287
	9,266	648
Discontinued operations:		
Current income tax expenses		
– CIT	**3,077**	–
Deferred income tax expense	**–**	1,479
	3,077	1,479

(a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2010: Nil).

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

The 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 24%, respectively.

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

	2011	2010
	RMB'000	*RMB'000*
Profit before income tax	**42,072**	2,280
Tax calculated at 25% (2010: 25%)	**10,518**	570
Effect of different taxation rates in other cities	**(1,824)**	(44)
Income not subject to tax	**–**	(193)
Expenses not deductible for tax purposes	**2,158**	1,824
Utilisation of previously unrecognised tax losses	**(1,155)**	(1,859)
Tax losses for which no deferred income tax asset was recognised	**–**	350
Recognition of deferred tax assets for previously unrecognised tax losses	**(431)**	–
Income tax expense	**9,266**	648

14 DISCONTINUED OPERATIONS

In 2011, the Group disposed of its equity interest in 北京慧聰博信信息諮詢有限公司 and Beijing D&B Huicong Market Research Company ("Sales JV Co."), an associated company which were engaged in market research and analysis businesses in the PRC, for a consideration of approximately RMB21,548,000.

Analysis of the result of discontinued operations, and the result recognised on the disposal of the subsidiary including the associated company is as follows:

	2011	2010
	RMB'000	*RMB'000*
Revenue	**55,376**	71,475
Expenses *(note 12)*	**(54,020)**	(74,291)
Share of net profit of an associate company	**2,390**	1,287
Profit/(loss) before tax of discontinued operations	**3,746**	(1,529)
Income tax credit	**–**	–
Profit/(loss) after tax of discontinued operations	**3,746**	(1,529)
Pre-tax gain on disposal of discontinued operations	**7,891**	–
Income tax on disposal of discontinued operations	**(3,077)**	–
Profit/(loss) for the year from discontinued operations	**8,560**	(1,529)

The cash flows for the discontinued operations are as follows:

	2011	2010
	RMB'000	*RMB'000*
Operating cash flows	**1,382**	4,004
Investing cash flows	**(22)**	(32)
Financing cash flows	**–**	–
Total cash flows	**1,360**	3,972

In 2010, the Group disposed of its equity interest in 北京花開富貴信息技術有限公司, which was engaged in business-to-business e-commerce involving foreign trade and related business in the PRC, for a consideration of approximately RMB16,033,000.

Analysis of the result of discontinued operations in 2010, and the result recognised on the disposal of the subsidiary is as follows:

	2010
	RMB'000
Revenue	2,005
Other income	44
Expenses	(4,879)
Loss before tax of discontinued operations	(2,830)
Income tax credit	–
Loss after tax of discontinued operations	(2,830)
Pre-tax gain on disposal of discontinued operations	12,585
Income tax on disposal of discontinued operations	(1,479)
Profit for the year from discontinued operations	8,276

The cash flows for the discontinued operations are as follows:

	2010
	RMB'000
Operating cash flows	(1,816)
Investing cash flows	(6)
Financing cash flows	2,700
Total cash flows	878

15 EARNINGS/(LOSS) PER SHARE

	2011	2010
	RMB'000	*RMB'000*
Profit/(loss) from continuing operations attributable to equity holders of the Company	**32,942**	(2,021)
Profit from discontinued operations attributable to equity holders of the Company	**8,263**	8,956
	41,205	6,935

	2011	2010
	No. of shares	No. of shares
	('000)	*('000)*
Weighted average number of shares in issue	**518,190**	488,658
Incremental shares from assumed exercise of share options granted	**27,925**	6,742
Diluted weighted average number of shares	**546,115**	495,400
Basic earnings/(loss) per share – from continuing operations (in RMB)	**0.0636**	(0.0041)
Basic earnings per share – from discontinued operations (in RMB)	**0.0159**	0.0183
Diluted earnings/(loss) per share – from continuing operations (in RMB)	**0.0603**	(0.0041)
Diluted earnings per share – from discontinued operations (in RMB)	**0.0151**	0.0181

16 DIVIDENDS

No dividend was paid or declared by the Company during the year (2010: Nil).

17 COMMITMENTS

Commitments under operating leases

At 31st December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2011	2010
	RMB'000	*RMB'000*
Within one year	**9,880**	10,730
In the second to fifth year inclusive	**7,866**	18,180
	17,746	28,910

18 CONTINGENT LIABILITIES

As at 31st December 2011, there were no material contingent liabilities to the Group (2010: Nil).

19 EVENTS AFTER THE BALANCE SHEET DATE

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

BUSINESS REVIEW

According to the conclusion and prospects set out in iResearch 2011 China SME B2B E-Commerce Report, China SME B2B e-commerce transactions in 2011 amounted to approximately RMB3,400 billion, representing an increase of 35.7% when compared to 2010. E-commerce operators focus on establishing a credit system among enterprises, promoting the implementation of creditability system within the industry. The market barrier of entry become higher accordingly. The strategy of differentiation must be adopted to capture users and enhance the competitiveness in the market. According to the analysis of iResearch, a "mass and comprehensive" B2B platform was difficult to fulfill the diversed and customised needs of customers. In the future, the niche markets within the SME B2B e-commerce will be the major growth driver. The B2B business module tends to be of "deep and professional" nature and customised service for SMEs will be more emphasized.

As one of the core e-commerce operators, the Group adopted vertical markets as its strategies. While the Group continues to deepen professional development of its original B2B e-commerce industrial and consumers industries, it continues to explore new industries with the aim to provide service for more SMEs. For products, we upgrade e-commerce products continuously. The Group targets to provide complete service to the sellers as well as to address the needs of purchasers. We design and develop e-commerce products that is suitable for purchasers to enhance the effect of the SME B2B e-commerce marketing, and improve the success rate of transactions.

(1) Products

The Group has established a product portfolio with Mai-Mai-Tong and Biao-Wang search website as core products and internet advertisement, business information advertisement and China information collection as supplementary products. The Group has also actively promoted on-line and off-line products and service such as Top 10 activities and off-line exhibition. By leveraging on strong advantages of the e-commerce platform and industry media, we will provide the users with the best products or business solution to a maximum degree.

On-line Products

Mai-Mai-Tong, as the B2B flagship product of the Company, has targeted to establish a reliable and diversified vertical-industrial oriented trade platform for SMEs since its debut in 2004. In addition to functions like product display, precise search, product speed match, tailor-made services and direct business opportunities, Mai-Mai-Tong also allows its customers to grasp every business opportunity promptly by providing integrated e-commerce services such as industry news access, on-line discussion and smart internet operation. Besides, the Group appointed a reputable third party certification company to provide identity certification for the enterprises.

In 2011, hc360.com upgraded the product function of Mai-Mai-Tong continuously, conducted two major upgrade in versions of industry Mai-Mai-Tong 3.0 and industry Mai-Mai-Tong 4.0 respectively, and unveiled a number of industry leading products with special feature. For example, the Golden Compass which guides internet merchants how to do business in internet, Buyer Radar, Top Shop Manager, intelligent Xuan-Pu 2.0 all of which helps internet merchants to identify and search for potential customers, and provision of procurement application function for a huge number of buyers.

Search Products

Search products is one of the key products of the Group's B2B business. Along with robust development of the search engine industry, search service has become a critical tool for SMEs to promote their brands, seize opportunities and complete transactions. By launching search paid listing and search golden exhibition stand, the Group further upgraded its search product in 2011 and co-operated with search engines like Baidu, Google, Sogou and Soso to provide clients with unique products and services that promoted simultaneously across multi-search engines, from which the enterprises can achieve targeted marketing and maximise their marketing cost efficiency.

On-line Advertising

The on-line advertising service of the Group provides an effective promotion platform for SMEs to explore markets. Each of the industry specific website under hc360.com has entered into strategic co-operation with the renowned enterprises of various dedicated industry to facilitate corporate branding as well as products and services in comprehensive manner.

Off-line Products

Trade Catalogues

"HC Trade Catalogues" is an authoritative purchasing guide in China. It covers information on over a thousand enterprises and quotations of over ten thousand products. It is one of the leading catalogues in B2B industry in terms of coverage and influence.

Yellow Page Directories

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

Top 10 Enterprises Awards

hc360.com launched the Top 10 Enterprises Awards in 2008, which aims at rewarding the people who made significant contribution to Chinese industrial development, the enterprises with outstanding brand influence and promotion efforts. The theme of Top 10 Enterprises Awards in 2011 is "brand, responsibility and influence", with an aim of raising corporate responsibility and brand influence. In 2011, the Top 10 Enterprises Awards successfully extended to niche markets such as professional lighting and audio, pure water treatment and engineering mechanical parts, which covered around 50 sectors and recognised over thousand of domestic enterprises.

(2) Marketing Channels

To maximise its revenue, the Group established three key sales teams, namely the Industry Direct Sales, the Agency Sales and the Telemarketing Sales Teams since 2006, to market its on-line and off-line products and services to different target market segments.

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

The Telemarketing Sales Team was formed in August 2006 to meet the needs of consumer market. It has been expanded rapidly in recent years. By strengthening the managing system of the Telemarketing Sales Team, its working efficiency and market promotion ability has been significantly improved. The Telemarketing Sales Team has taken the important role in the on-line product marketing channels. The team concentrates on providing standardised products and services in fast moving consumer goods market, and providing trading platform with high efficiency in order to cope with rapid growth of the Group's customer base.

The Agency Sales Team was established to supplement the Industry Direct Sales Team, covering over 70 cities in China. Agencies would extend the Group's market coverage to regional areas and promote its brand name to the greatest extent.

(3) Customer Service

The Group's professional service team serving both purchasers and clients covers over 60 sectors. It facilitates transactions by way of supply-and-demand content match, on-line negotiations, off-line supply-and-demand meetings and purchaser tours. Further, the Group integrated resources from various aspects to issue "Report on Purchasers" Practice Analysis" and "Report on Industrial Products Index Analysis", in order to thoroughly study the industry characteristics, member type and distribution, process of making buying decision, buying practice, buying cycle and change of concern, and also made predictions and justifications on buying trend to assist purchasers to complete their transactions in a more effective way.

Member Care

The Group aims at investing more resources in research and development for network products and the operation of on-line items to introduce products and service systems that can meet the changing requirements of the customers. The Group set up and improved customer ratings system on the basis of the integration of various features such as HC FAFA, forums and blogs. The Group launched tailor-made services in accordance with the status of the members, such as training seminar, in order to further enrich the experience and increase the degree of customer satisfaction and reinforce the effect of internet business communities gradually.

PROSPECTS

Since the listing of the shares of the Company on GEM in 2003, the Group has transformed itself from a traditional media firm to a B2B internet enterprise, and has been actively exploring its most appropriate development path through transitions. Especially during these two years, the Group realised its key competitive strengths, core resources and values, and on this basis, the Group developed a right direction for the Group. The Group's in-depth understanding of customers' needs, the market, the products and services, and business operations are the key factors for the Group's future success.

As customer behaviors 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.

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

Facilitation of transactions is considered to be core to the 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2011, the Group's cash and bank balances increased by approximately RMB66,558,000 from approximately RMB188,424,000 as at 31st December 2010 to approximately RMB254,982,000.

The Group had no short-term loans as at 31st December 2011 (2010:Nil). Gearing ratio of the Group is 0% (2010: 0%) as at 31st December 2011, calculated with reference to nil short-term loans and capital and reserves attributable to the Company's equity holders of approximately RMB272,493,000 (2010: approximately RMB180,430,000). The capital and reserves attributable to the Company's equity holders increased by approximately RMB92,063,000 as compared to last year.

The Group's net current assets amounted to approximately RMB33,492,000 as at 31st December 2011 (2010: approximately RMB11,595,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.10 times as at 31st December 2011 as compared to approximately 1.04 times as at 31st December 2010.

The Group's trade receivables turnover has decreased from approximately 19.5 days in 2010 to approximately 16.8 days in 2011.

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

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31st December 2011.

MATERIAL ACQUISITIONS AND DISPOSALS

On 30th May 2011, 北京慧聰國際資訊有限公司 (Beijing HC International Information Co. Limited) ("Beijing Huicong"), a wholly-owned subsidiary of the Company, entered into two share transfer agreements (the "Disposal Agreements") with 慧聰投資管理(北京)有限公司 (Huicong Investment Management (Beijing) Co. Ltd.) ("the Purchaser"). Pursuant to the Disposal Agreements, Beijing Huicong has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire, in aggregate 70% of the equity interests in 北京慧聰博信信息諮詢有限公司 (Beijing Huicong Boxin Information Consulting Co. Limited) ("Fulfilment JV Co") at a consideration of RMB7,979,000 and 40% of the equity interest in 北京鄧白氏慧聰市場信息諮詢有限公司 (Beijing Dun & Bradstreet Market Information Consulting Co. Ltd.) ("Sales JV Co") at a consideration of RMB13,569,000 respectively. As the relevant applicable percentage ratios calculated pursuant to the GEM Listing Rules in respect of above disposal transactions ("Disposals"), in aggregate, are less than 25%, the Disposals constitute discloseable transactions of the Company under Chapter 19 of the GEM Listing Rules.

As the Purchaser is owned as to 50% by Mr. Guo Fansheng, an executive Director and the Chairman and as to 50% by Mr. Guo Jiang, an executive Director and chief executive officer of the Company, the Purchaser is an associate of each of Mr. Guo Fansheng and Mr. Guo Jiang, and thus a connected person of the Company. Accordingly, the Disposals constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. The Disposals have been completed as at the end of September 2011. Further details of the Disposals are set out in the announcements of the Company dated 30th May 2011, 6th July 2011 and the circular of the Company dated 20th June 2011 respectively.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 546,248,645 as at 31st December 2011.

STAFF

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2011, the total number of Group's employees were 2,941, among which 2,307 were employed in the Sales and Marketing Division, 131 were employed in the Editorial Division, 162 were employed in the Information Technology Division and the remainder in other divisions of the Group.

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

CHARGES ON GROUP ASSETS

As at 31st December 2011, no asset was pledged to secure any of the Group's loan.

EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31st December 2011, the Group had no contingent liability (2010: Nil).

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee comprises two independent non-executive Directors, Mr. Zhang Ke and Mr. Xiang Bing and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the Chairman of the audit committee.

The audit committee of the Company has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Company for the year ended 31st December 2011 and has met with external auditors and discussed the financial matters of the Group that arose during the course of audit for the year ended 31st December 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company had complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules throughout the reporting period.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31st December 2011.

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

Beijing, the PRC, 20th March 2012

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

Mr. Guo Fansheng *(Executive Director and Chairman)*
Mr. Guo Jiang *(Executive Director and Chief Executive Officer)*
Ms. Guo Bingbing *(Executive Director and Chief Financial Officer)*
Mr. Li Jianguang *(Non-executive Director)*
Mr. Guo Wei *(Non-executive Director)*
Mr. Zhang Ke *(Independent non-executive Director)*
Mr. Xiang Bing *(Independent non-executive Director)*
Mr. Lee Wee Ong *(Independent non-executive Director)*
Mr. Zhang Tim Tianwei *(Independent non-executive Director)*

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