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 2009

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 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

FINANCIAL REVIEW

For the financial year ended 31st December 2009, the Company and its subsidiaries (the "Group") generated a turnover of approximately RMB317,655,000 (2008: RMB313,944,000). This represented an increase of approximately 1.2% in turnover as compared to that in 2008.

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

The gross profit margin of the Group decreased by 3.4 percentage points to approximately 52.5% in 2009 (2008: 55.9%).

During the year ended 31st December 2009, the Group reduced its operating expenses from approximately RMB185,122,000 in 2008 to approximately RMB165,425,000 due to improvement in cost efficiency.

The Group achieved a profit for the year of approximately RMB4,767,000 in 2009, while it was approximately RMB2,460,000 in 2008.

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

During the year 2009 cash generated from operating activity was RMB64,513,000, while it was RMB161,000 in 2008.

The board of Directors does not recommend payment of dividend for the year ended 31st December 2009 (2008: Nil).

BUSINESS REVIEW

According to the iResearch 2009 China's Internet Market Annual Report, after the rapid growth in 2008, the China B2B e-commerce market transactions have been scaled down in 2009 by 6.4% as the result of the financial crisis. But the financial crisis to China's B2B e-commerce also brings opportunities for development. More SMEs obtain information from e-commerce platform; and the online trading volume from existing SMEs is growing. With the macro-economy picking up, the next few years China's B2B e-commerce will show a trend of rapid growth, entering into a new stage of development.

The Group's mission is to help SMEs to reduce transaction costs and broaden their sales channels. With the continuous innovation of B2B e-commerce plateform and the development of competitive differentiation, the Group positions itself on the establishment of diversified e-commerce plateform On one hand, the Group more focuses on the integration of services to provide specialized information through the sub-vertical-oriented services, on the other hand, it actively expands to more industries and service a wider range of customers in order to obtain economies of scale and synergies. In 2009 the Group created new products and services, improved the user experience. and held more offline activities to help SMEs to better communicate with buyers to facilitate transactions. These measures have produced positive results, helping SMEs to better cope with the financial crisis.

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

(1) Mai-Mai-Tong Members

The number of Mai-Mai-Tong members has increased during the past financial years. As at 31st December 2009, the Group has approximately 10 million registered users, which represents an increase of approximately 19% when compared to approximately 8.4 million in 2008. The number of download users of HC FAFA（慧聰發發）(originally known as Mai-Mai -Tong IM), an instant communication tool for business users introduced in September 2005, amounted to approximately 7 million, which represents a growth of approximately 17% when compared to approximately 6.0 million in 2008.

(2) Products

The Group has formed a multi-facet matrix of products and resources, comprising both on-line and off-line products, which successfully build up a unique B2B marketing pattern named "on-line + yellow page +Top 10". The pattern involved in commercial opportunities search, on-line advertising, trade catalogues and other off-line products. HC provides the best product and commercial solution for customers.

On-line Products

Mai-Mai-Tong is a reliable platform for enterprise users to conduct business and meet business partners on-line. Through Mai-Mai-Tong, apart from setting up multi-functional on-line stores for product display, corporate promotion, on-line discussions and identity certification, enterprises can also maximise business opportunities by enhancing competitiveness. In 2009,HC successfully held hundreds of on-line Fairs for Trade, which helped customers to complete more than RMB100 million yuan transactions.

Jin-Bang-Ti-Ming (金榜題名)

In order to satisfy Mai-Mai-Tong members ' demand for on-line marketing services and maximize the effectiveness of the use of Mai-Mai-Tong product, the Group introduced the on-line marketing product line "Jin-Bang-Ti-Ming" in 2007. It is comprised of the Super Booth Service, the Prime Booth Service and the Rolling Ranking Service. The Super Booth and the Prime Booth Services allow users to advertise their brands beside the search results. Based on the service of business opportunity search, the Rolling Ranking Service offers suppliers operating in a competitive business environment with better business opportunities. In 2009, HC launched a new product line, received general recognition from most of its customers through helping them realize promotion of B2B+Search.

On-line Advertising

Our on-line advertising services provide precise marketing channels for enterprises aiming to expand in the SMEs market. During the year 2009, the services strengthened the promotion effect through applying for independent domain name for each industry website. In 2009, the on-line advertising business continued to grow.

Off-line Products

Trade Catalogues

The Group's "Trade Catalogues" is an authoritative industry procurement 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 the industry in terms of coverage and reference.

Yellow Page Directories

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

The service purpose of HC is the industry segmentation, industry in-depth service. The activity of Top 10 enterprises Awards launched in 2008, which aims at rewarding the people who contributed to Chinese industrial development, the enterprise with outstanding brand influence and promotion enforce. In 2009, industry Top 10 enterprises Awards was successfully extended to HVAC, automobile accessories, radio and TV equipment, movie and music, automobile maintenance, automobile spare parts, electronic appliances, screen and special printing, water industry and paint covering around 30 industries, the media influence of these was promoted gradually.

Industry Market Research
The Group formed a joint venture with Dun & Bradstreet International Ltd., Dun & Bradstreet (Shanghai) International Information Consulting Co. Limited ("D&B PRC") in order to take the advantage of both parties' industry market research business and cope with increasing commercial opportunities coming from the Chinese market research industry. The Group's "Industry Market Research" is one of the pioneers in China providing professional consultation services. With the Group's unique business information database for China and advanced information technology software and resources, it offers clients all-rounded quality services in industry information advice, market survey and research, and marketing strategy. Through a networked platform, the Group's research product EIMS provides enterprises and users with comprehensive business information on a variety of enterprises, industries and rivals.

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

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

The Industry Direct Sales Team is currently the 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. After experiencing three years development, in 2009 the Industry Direct Sales team expanded to nearly 500 people, the working efficiency and market promotion ability was significantly increased. The Industry Direct Sales team has taken the important role in the on-line product marketing channels. The team concentrates on boosting number and transactions with the customers, providing standardised product and services in a dynamic consumer market, and providing trading platform with high efficiency in order to cope with rapid growth of our customers numbers.

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

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

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

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

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

PROSPECTS

Since the Group's listing 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, we realised our key competitive strengths, core resources and values, and on this basis, we developed a right direction for the Group. Our 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 characterized by low-value, high frequency and massive transactions of supply-side and demand-side, an efficient, low-cost, standardized product and service solution will satisfy the need of the transaction-based customers.

As customer behaviors of the B2B professional industrial market is characterized by high-value, low-frequency and relative small groups of supply-side and demand-side, a highly value-added, customized, 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 2009, the Group's cash and bank balances increased by approximately RMB38,517,000 from approximately RMB162,602,000 as at 31st December 2008 to approximately RMB201,119,000.

The Group had no short-term loans for the year ended 31st December 2009, representing the same as at 31st December 2008. Gearing ratio of the Group is 0% (2008: 0%) as at 31st December 2009, calculated with reference to nil short-term loans and capital and reserves attributable to the Company's equity holders of approximately RMB214,312,000 (2008: approximately RMB206,877,000). The capital and reserves attributable to the Company's equity holders increased by approximately RMB7,435,000 as compared to last year.

The Group's net current assets amounted to approximately RMB122,828,000 as at 31st December 2009, (2008: approximately RMB112,980,000). Its current ratio was approximately 1.82 times as at 31st December 2009 as compared to approximately 2.21 times as at 31st December 2008.

The Group's trade receivables turnover has slightly decreased from approximately 34.4 days in 2008 to approximately 30.2 days in 2009.

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 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition and disposals during the year ended 31st December 2009.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 488,178,960 as at 31st December 2009.

STAFF

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2009, the total number of Group's employees was 2,650. Of these, 1,549 were employed in our Sales and Marketing Division, 411 were employed in our Editorial, Research and Data Analysis Division, 153 were employed in our Information Technology Division and the remainder in other divisions of the Group.

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

CHARGES ON GROUP ASSETS

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

EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31st December 2009, the Group had no contingent liability (2008: Nil).

AUDIT COMMITTEE

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

The primary duties of the audit committee are to review and supervise the financial 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 has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Group for the year ended 31st December 2009 and 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 2009. The audit committee held 4 meetings during the period.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that none of them had any business or interest in any company that materially competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the year ended 31st December 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules during the year ended 31st December 2009.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	Note	**2009 RMB'000**	2008 RMB'000
Sales	5	**317,655**	313,944
Cost of sales		**(150,755)**	(138,293)
Gross profit		**166,900**	175,651
Other income	11	**2,513**	15,059
Selling and marketing expenses	12	**(77,136)**	(90,676)
Administrative expenses	12	**(88,289)**	(94,446)
Gain on disposal of a jointly controlled entity		**2,100**	–
Write back of provision for impairment of amount due from a jointly controlled entity		**–**	14,130
Share of loss of a jointly controlled entity		**–**	(12,000)
Impairment of an intangible asset		**–**	(8,471)
Impairment of an available-for-sale financial asset	6	**–**	(8,945)
Gain on disposal of research business		**–**	28,425
Share of profit of an associated company		**271**	37
Profit before income tax		**6,359**	18,764
Income tax	13	**(1,592)**	(16,304)
Profit for the year		**4,767**	2,460
Other comprehensive loss:			
Currency translation difference		**(33)**	(834)
Total comprehensive income for the year		**4,734**	1,626
Profit attributable to:			
Equity holders of the Company		**2,130**	1,861
Minority interest		**2,637**	599
		4,767	2,460
Total comprehensive income attributable to:			
– Equity holders of the Company		**2,097**	1,027
– Minority interest		**2,637**	599
		4,734	1,626
Earnings per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
Basic	14	**0.0044**	0.0038
Diluted	14	**0.0044**	0.0038
Dividends	15	**–**	–

Consolidated Balance Sheet

As at 31st December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights		**18,579**	19,006
Intangible assets		**10,807**	13,443
Property, plant and equipment		**64,429**	62,803
Investment in an associated company		**1,508**	1,237
Interests in a jointly controlled entity		**–**	–
Deferred income tax assets		**3,501**	1,907
Available-for-sale financial assets	6	**–**	–
Long term deposit	7	**1,659**	1,629
		100,483	100,025
Current assets			
Trade receivables	7	**22,923**	29,599
Deposits, prepayments and other receivables	7	**16,053**	9,591
Direct selling costs		**10,173**	–
Amounts due from a related company		**861**	175
Amount due from an associated company		**21,899**	4,626
Cash and cash equivalents		**201,119**	162,602
		273,028	206,593
Total assets		**373,511**	306,618
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	**52,055**	52,055
Other reserves	9	**265,273**	259,968
Accumulated losses		**(103,016)**	(105,146)
		214,312	206,877
Minority interest		**8,999**	5,958
Total equity		**223,311**	212,835

	Note	**2009** **RMB'000**	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**–**	170
Current liabilities			
Trade payables	10	**2,332**	3,760
Accrued expenses and other payables	10	**22,279**	23,413
Deferred revenue	10	**107,363**	48,567
Other taxes payable		**12,351**	14,078
Income tax payable		**5,875**	3,795
		150,200	93,613
Total liabilities		**150,200**	93,783
Total equity and liabilities		**373,511**	306,618
Net current assets		**122,828**	112,980
Total assets less current liabilities		**223,311**	213,005

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

	Note	Attributable to the Company's equity holders					
		Share capital	Other reserves	(Accumulated losses)	Sub-total	Minority interest	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2008		52,551	261,885	(109,385)	205,051	2,561	207,612
Comprehensive income							
Profit for the year		–	–	1,861	1,861	599	2,460
Other comprehensive income							
Currency translation difference	9	–	(834)	–	(834)	–	(834)
Total comprehensive income		–	(834)	1,861	1,027	599	1,626
Transactions with owners							
Repurchase of own shares	8	(496)	(4,417)	2,378	(2,535)	–	(2,535)
Share option scheme-value of employee services	9	–	3,334	–	3,334	–	3,334
Contribution from minority interest on set of a subsidiary		–	–	–	–	2,798	2,798
Total transactions with owners		(496)	(1,083)	2,378	799	2,798	3,597
Balance at 31st December 2008		52,055	259,968	(105,146)	206,877	5,958	212,835
Balance at 1st January 2009		52,055	259,968	(105,146)	206,877	5,958	212,835
Comprehensive income							
Profit for the year		–	–	2,130	2,130	2,637	4,767
Other comprehensive income							
Currency translation difference	9	–	(33)	–	(33)	–	(33)
Total comprehensive income		–	(33)	2,130	2,097	2,637	4,734
Transactions with owners							
Share option scheme-value of employee services	9	–	5,338	–	5,338	–	5,338
Contribution from minority interest		–	–	–	–	404	404
Total transactions with owners		–	5,338	–	5,338	404	5,742
Balance at 31st December 2009		52,055	265,273	(103,016)	214,312	8,999	223,311

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 and generates market research reports in China.

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

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

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. The consolidated financial statements have been approved for issue by the Board of Directors on 23rd March 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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, as modified by the revaluation of available-for-sale financial assets.

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.

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

The Group has adopted the following new standards and amended HKFRS as at 1st January 2009:

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board of directors that makes strategic decisions.

- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2009, but are not currently relevant to the Group:

HKFRS 2 (amendment)	'Share-based payment'
HKAS 23 (amendment)	'Borrowing costs'
HKAS 32 (amendment)	'Financial instruments: presentation'
HK(IFRIC) 9 (amendment)	'Reassessment of embedded derivatives'
HKAS 39 (amendment)	'Financial instruments: Recognition and measurement'
HK(IFRIC) 13	'Customer loyalty programmes'
HK(IFRIC) 15	'Agreements for the construction of real estate'
HK(IFRIC) 16	'Hedges of a net investment in a foreign operation'

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st July 2009 or later periods, but the Group has not early adopted them:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1st January 2010
HKAS 7 (Amendment)	Statement of cash flows	1st January 2010
HKAS 17 (Amendment)	Leases	1st January 2010
HKAS 24 (Revised)	Related party disclosures	1st January 2011
HKAS 27 (Revised)	Consolidated and separate financial statements	1st January 2010
HKAS 32 (Amendment)	Classification of rights issue	1st February 2010
HKAS 39 (Amendment)	Eligible hedge items	1st July 2009
HKFRS 1 (Revised)	First-time adoption of HKFRSs	1st July 2009
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction	1st January 2010
HKFRS 3 (Revised)	Business combination	1st January 2010
HKFRS 9	Financial instruments	1st January 2013
Amendment to HK(IFRIC)14	Prepayments of a minimum funding requirement	1st January 2011
HK(IFRIC) 17	Distribution of non-cash assets to owners	1st July 2009
HK(IFRIC) 19	Extinguishing financial liabilities with equity instruments	1st July 2010

		Effective for annual periods beginning on or after
HKFRS 5	Non-current assets held for sale and discontinued operations (and consequence amendment to HKPRS 1 "First-time adoption")	1st July 2009

Improvements to HKFRS published by HKICPA in October 2008:

HKAS 1 (Amendment)	Current/non-current classification of convertible instruments	1st January 2010
HKAS 7 (Amendment)	Classification of expenditures on unrecognised assets	1st January 2010
HKAS 17 (Amendment)	Classification of leases of land and buildings	1st January 2010
HKAS 36 (Amendment)	Unit of accounting for goodwill impairment test	1st January 2010
HKAS 38 (Amendment)	Additional consequential amendments arising from HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination	1st July 2009
HKAS 39 (Amendment)	Treating loan prepayment penalties as closely related derivatives	1st January 2010
HKAS 39 (Amendment)	Cash flow hedge accounting	1st January 2010
HKAS 39 (Amendment)	Scope exemption for business combination contracts	1st January 2010
HKFRS 2 (Amendment)	Scope of HKFRS 2 and HKFRS 3 (revised)	1st July 2009
HKFRS 5 (Amendment)	Disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1st January 2010
HKFRS 8 (Amendment)	Disclosure of information about segment assets	1st January 2010
HK(IFRIC) and HKFRS 3 (Amendment)	Reassessment of embedded derivatives	1st July 2009
HK(IFRIC) 16 (Amendment)	Hedges of a net investment in a foreign operation	1st July 2009

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

(b) Consolidation

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

(i) Subsidiaries

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

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

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

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

(ii) *Associated company*

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

The Group's share of its associated company's post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the 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.

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

(iii) *Jointly controlled entity*

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

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

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

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

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

(e) Land use rights

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

(f) Property, plant and equipment

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

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

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

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

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

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

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

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

(g) Intangible assets

(i) Goodwill

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

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

(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.

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

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

(i) Financial assets

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

(a) *Loans and receivables*

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

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

(b) *Available-for-sale financial assets*

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

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

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

(j) Trade and other receivables

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

(k) Direct selling costs

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

(l) Cash and cash equivalents

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

(m) Deferred revenue

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

(n) Share capital

Ordinary shares are classified as equity.

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

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

(o) Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the 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.

(p) Employee benefits

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

(a) *Retirement benefit costs*

The full-time employees of the 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.

(b) *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.

(c) *Share-based compensation*

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

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

(d) *Termination benefits*

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

(q) Provisions

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

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

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

(r) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less.

(s) Revenue recognition

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

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

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

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

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

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

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

(t) Leases

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

(u) Dividend distribution

Dividend distribution to the 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*

Foreign exchange risk

The Group operates in 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.

(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. It also includes a banking product purchased from a commercial bank which is a listed financial institution. It is included other receivables balance as at year end. 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 an associated company, management assesses the recoverability of the balances taking into account the history of default of the related companies, than financial performance and availability of credit facilities.

The table below shows the credit limit and balance of the five major debtors as at 31st December 2009 and 31st December 2008.

	31st December 2009	
Counterparty	**Credit limit RMB’000**	**Utilised RMB’000**
Customer A	**2,000**	**1,895**
Customer B	**2,000**	**1,249**
Customer C	**1,000**	**399**
Customer D	**1,000**	**312**
Customer E	**1,000**	**278**

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

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

	As at 31st December	
	2009	2008
	RMB'000	RMB'000
Trade receivables		
Listed customers	**200**	5,760
Unlisted customers	**20,760**	13,957
Total	**20,960**	19,717

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

	As at 31st December	
	2009	2008
	RMB'000	RMB'000
Cash at banks and bank deposits		
Listed financial institutions	**189,786**	150,279
Unlisted financial institutions	**7,721**	11,807
Cash on hand	**3,612**	516
Total	**201,119**	162,602

(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 2009, the cash and cash equivalents of the Group approximated RMB201,119,000 (2008: RMB162,602,000).

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 RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31st December 2009					
Trade payables	2,332	–	–	–	2,332
Accrued expenses and other payables	22,003	–	–	–	22,003
At 31st December 2008					
Trade payables	3,760	–	–	–	3,760
Accrued expenses and other payables	23,268	–	–	–	23,268

3.2 Capital risk management

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

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

The Group monitors capital on the basis based on a ratio calculated by dividing short-term loan by total equity (excluding minority interest). Management considers a ratio of not more than 20% as reasonable. The gearing ratio for the Group is 0% (2008:0%) as no debt is outstanding as at 31st December 2009.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to interest bearing current accounts and time deposits, with appropriate maturities to manage its overall liquidity position. As at 31st December 2009, the Group maintains cash and cash equivalents of approximately RMB201,119,000 (2008: RMB162,602,000), respectively, that are expected to be readily available to meet the cash outflows of its financial liabilities.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade payables, accruals and other payables, amounts due from a related company, 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.

(c) Revenue recognition

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

5. SEGMENT INFORMATION

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

The board of directors considers the business from product perspective. From a product perspective, the board of directors assesses the performance of trade catalogues and yellow page directories, on-line services, market research and analysis, as well as 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 the effects of non-recurring expenditure in unallocated expenses from the operating segments.

(a) Primary reporting format – business segments

As at 31st December 2009, the Group is organised into the following business segments:

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

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

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

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

There were no sales or other transactions between the business segments in 2009.

	Year ended 31st December 2009				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Seminars and other services RMB'000	Total RMB'000
Revenue	**114,720**	**126,137**	**51,231**	**25,567**	**317,655**
Segment results	**(3,776)**	**3,612**	**2,812**	**(902)**	**1,746**
Other income					**2,513**
Gain on disposal of a jointly controlled entity					**2,100**
Profit before income tax					**6,359**
Depreciation and amortisation (including share option expense)	**2,763**	**18,849**	**2,820**	**492**	**24,924**
Share on profit from an associated company	**–**	**–**	**271**	**–**	**271**
As at 31st December 2009					
Total assets	**81,619**	**227,522**	**29,102**	**35,268**	**373,511**
Total assets include					
Investment in an associated company	**–**	**–**	**1,508**	**–**	**1,508**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**–**	**6,216**	**12,390**	**–**	**18,606**

	Year ended 31st December 2008				
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Seminars and other services RMB'000	Total RMB'000
Revenue	138,723	114,938	49,464	10,819	313,944
Segment results	3,598	(11,286)	(3,977)	2,231	(9,434)
Other income					15,059
Reversal of impairment of amount due from a jointly controlled entity					14,130
Share of loss of a jointly controlled entity					(12,000)
Impairment of an intangible asset					(8,471)
Impairment of an available-for-sale financial asset					(8,945)
Gain on disposal of research business					28,425
Profit before tax					18,764
Depreciation and amortisation (including share option expense)	3,895	18,846	3,060	806	26,607
Share on profit from an associated company	–	–	37	–	37
As at 31st December 2008					
Total assets	55,288	191,557	24,923	34,850	306,618
Total assets include					
Investment in an associated company	–	–	1,237	–	1,237
Additions to non-current assets (other than financial instruments and deferred tax assets)	939	8,008	167	–	9,114

The amounts provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segments. The Group is domiciled in the PRC. The revenue from external customers in the PRC for the year ended 31st December 2009 is RMB317,655,000 (2008: RMB313,944,000), and the total revenue from external customers from other countries is Nil (2008: Nil).

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

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2009 RMB'000	2008 RMB'000
At 1st January	–	–
Acquisition (a)	–	8,945
Impairment (b)	–	(8,945)
At 31st December	–	–

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

(b) Madeinchina ceased operation due to significant management turnover and the poor economic environment in the global market in the second half of 2008. Management considered this as an indicator of impairment, as it signified a significant decline in the fair value of the investment. As a result, full provision regarding the carrying value of the investment of RMB8,945,000 has charged to the consolidated statement of comprehensive income for the year ended 31st December 2008.

7. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2009 RMB'000	2008 RMB'000
Trade receivables (note a)	27,368	34,448
Less: provision for impairment of trade receivables	(4,445)	(4,849)
Trade receivables – net	22,923	29,599
Deposits, prepayments and other receivables (note b)	17,712	11,220
	40,635	40,819
Less: Non-current deposit	(1,659)	(1,629)
Current portion	38,976	39,190

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

	Group	
	2009	2008
	RMB'000	RMB'000
Current to 90 days	**20,960**	19,717
91 to 180 days	**1,299**	6,647
181 to 365 days	**1,328**	6,469
Over 1 year	**3,781**	1,615
	27,368	34,448

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 reversal of loss of approximately RMB1,026,000 (2008: loss of approximately RMB9,297,000) for the impairment and direct write-off of its trade receivables during the year ended 31st December 2009.

As at 31st December 2009, trade receivables of approximately RMB4,445,000 (2008: RMB4,849,000) 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 2009, trade receivables of approximately RMB1,963,000 (2008: RMB9,882,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
91 to 180 days	**1,299**	6,647
181 to 365 days	**664**	3,235
	1,963	9,882

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

	Group	
	2009	2008
	RMB'000	RMB'000
At beginning of the year	**4,849**	415
Impairment of receivables	**–**	4,434
Reversal of impairment of receivables	**(404)**	–
At end of the year	**4,445**	4,849

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

(b) Deposits, prepayments and other receivables

	Group	
	2009	2008
	RMB'000	RMB'000
Long-term deposits	**1,659**	1,629
Short-term deposits	**984**	2,378
Prepayments	**2,528**	1,917
Other receivables		
– Amount due from an entity (北京慧美印刷有限公司), formerly held by a major shareholder of the Company	**1,051**	3,421
– Others (Note i)	**11,490**	1,875
	17,712	11,220
The fair values are as follows:		
Deposits	**2,643**	4,007
Prepayments	**2,528**	1,917
Other receivables	**12,541**	5,296
	17,712	11,220
Denominated in:		
HK dollar	**127**	282
RMB	**17,585**	10,938
	17,712	11,220

Note (i): Included in "others" in 2009 is an RMB10,000,000 investment in a banking product form a commercial bank which is a listed financial institution in the PRC. The investment is principal guaranteed, has a maturity period of 9 months and bears a maximum interest at 2.7% per annum.

8. SHARE CAPITAL

	Number of shares	Ordinary shares RMB'000
At 1st January 2008	492,836,960	52,551
Cancellation upon repurchase of own shares (a)	(4,658,000)	(496)
At 31st December 2008	488,178,960	52,055
At 31st December 2009	**488,178,960**	**52,055**

The total authorised number of ordinary shares is 1,000,000,000 shares (2008: 1,000,000,000 shares) with a par value of HK$0.1 per share (2008: HK$0.1 per share). All issued shares are fully paid.

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year.

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. No additional share options were granted pursuant to the Share Option Scheme during the year.

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 and 581,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008 and 2009, respectively. The grantees can exercise these options at an exercise price of HK$2.40 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 18th February 2004. Commencing from the first, second and third anniversaries of the Offer Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively.

During the year ended 31st December 2006, a total of 10,000,000 share options were granted to one executive Director and certain employees pursuant to the Share Option Scheme, of which 2,460,000, 2,908,000 and 346,000 share options were lapsed during the year ended 31st December 2007, 2008 and 2009. 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 and 1,035,000 share options were lapsed during the year ended 31st December 2008 and 2009 respectively. 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 share options were lapsed during the year ended 31st December 2009. 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%.

The weighted average assumptions used are as follows:

	Options granted on			
	18th February 2004	**23rd June 2006**	**11th July 2007**	**29th September 2008**
Exercise price (in HK dollar)	2.4	1.49	1.24	0.604
Fair value of the options (in RMB)	20,193,000	3,919,000	9,390,000	2,756,000
Risk free interest rate (in %)	1.34 -4.43	4.911	4.757	3.133
Expected life (in years)	5.4- 6.6	3.2-5.5	2.4-6.2	3.8- 4.8
Volatility (in %)	32	34.8	49	72.2
Expected dividend per share (cents)	0	0	0	0

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

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

(b) Pre-IPO Share Option Scheme

	Expiry date	**2009** Exercise price in HK$ per share	**2009** Share options	2008 Exercise price in HK$ per share	2008 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

(c) Share Option Scheme

	Expiry date	**2009** Exercise price in HK$ per share	**2009** Share options	2008 Exercise price in HK$ per share	2008 Share options
At 1st January		**2.40**	**7,720,000**	2.40	8,800,000
		1.49	**4,632,000**	1.49	7,540,000
		1.24	**12,733,000**	1.24	23,000,000
		0.604	**14,600,000**	–	–
Grant		**2.40**	**–**	2.40	–
		1.49	**–**	1.49	–
		1.24	**–**	1.24	–
		0.604	**–**	0.604	14,600,000
Lapsed		**2.40**	**(581,000)**	2.40	(1,080,000)
		1.49	**(346,000)**	1.49	(2,908,000)
		1.24	**(1,035,000)**	1.24	(10,267,000)
		0.604	**(500,000)**	0.604	–
At 31st December	18th February 2014	**2.40**	**7,139,000**	2.40	7,720,000
	23rd June 2016	**1.49**	**4,286,000**	1.49	4,632,000
	11th July 2017	**1.24**	**11,698,000**	1.24	12,733,000
	29th September 2018	**0.604**	**14,100,000**	0.604	14,600,000

9. OTHER RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Group Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Total
At 1st January 2008	137,647	987	108,830	20,399	–	(5,978)	261,885
Repurchase of own shares	(4,913)	–	–	–	496	–	(4,417)
Share option scheme-value of employee services	–	–	–	3,334	–	–	3,334
Currency translation difference	–	–	–	–	–	(834)	(834)
At 31st December 2008	132,734	987	108,830	23,733	496	(6,812)	259,968
At 1st January 2009	132,734	987	108,830	23,733	496	(6,812)	259,968
Share option scheme-value of employee services	–	–	–	5,338	–	–	5,338
Currency translation difference	–	–	–	–	–	(33)	(33)
At 31st December 2009	**132,734**	**987**	**108,830**	**29,071**	**496**	**(6,845)**	**265,273**

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

	Group	
	2009	2008
	RMB'000	RMB'000
Trade payables (a)	**2,332**	3,760
Deferred revenue	**107,363**	48,567
Accrued expenses and other payables (b)	**22,279**	23,413
	131,974	75,740

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

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

	2009	2008
	RMB'000	RMB'000
Current to 90 days	**1,574**	3,245
91 to 180 days	**440**	274
181 to 365 days	**132**	129
Over 1 year	**186**	112
	2,332	3,760

(b) The amount includes accruals for statutory benefits funds in the PRC of approximately RMB276,000 (2008: approximately RMB145,000). In accordance with the PRC regulations, the Group is required to make contributions to the retirement benefit fund, medical benefit fund and housing benefit fund, calculated at 20%, 10% and 12% of the basic salaries of the employees, respectively.

11. OTHER INCOME

	2009 **RMB'000**	2008 RMB'000
Interest income	**2,513**	2,639
Write back of short-term loan	**–**	3,001
Gain on disposal of intangible assets	**–**	8,399
Interest accretion	**–**	1,020
	2,513	15,059

12. EXPENSES BY NATURE

	2009 **RMB'000**	2008 RMB'000
Direct cost of trade catalogues and yellow page directories	**37,802**	41,679
Direct cost of on-line services	**15,151**	11,856
Direct cost of market research and analysis	**19,881**	19,882
Direct cost of seminars and other services	**15,508**	5,988
Marketing expenses	**13,422**	15,836
Network and telephone expenses	**11,366**	14,168
Auditor's remuneration	**2,113**	2,304
Staff costs, including directors' emoluments	**144,791**	136,843
Amortisation of land use rights	**427**	427
Amortisation of intangible assets	**3,931**	4,692
Depreciation of property, plant and equipment	**15,228**	18,154
(Reversal of)/provision for impairment and write off of trade and other receivables	**(1,026)**	8,606
Loss on disposal of property, plant and equipment	**318**	2,163
Operating lease payments in respect of land and buildings	**14,424**	16,915
Other expenses	**22,844**	23,902
Total cost of sales, selling and marketing expenses and administrative expenses	**316,180**	323,415

13. INCOME TAX

	2009 **RMB'000**	2008 RMB'000
Current income tax		
– Hong Kong profits tax (note a)	**–**	–
– The PRC Corporate income tax ("CIT") (note b)	**3,356**	2,029
Deferred income tax	**(1,764)**	14,275
	1,592	16,304

(a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2008: Nil).

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

The new Corporate Income Tax Law in the PRC became effective from 1st January 2008 and the tax rate applicable to the subsidiaries in the PRC is 25%, except for subsidiaries granted with preferential tax treatment as High/New Technology Enterprise, and subsidiaries established in Special Economic Zone in the PRC, of which the applicable tax rates are 15% and 20%, respectively.

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

	2009 **RMB'000**	2008 RMB'000
Profit before income tax	**6,359**	18,764
Tax calculated at 25% (2008: 25%)	**1,590**	4,691
Effect of different taxation rates in other cities	**(1,055)**	(940)
Income not subject to tax	**(347)**	(5,040)
Expenses not deductible for tax purposes	**3,416**	9,443
Write-off of deferred tax assets	**–**	8,771
Utilisation of previously unrecognised tax losses	**(2,723)**	(2,926)
Tax losses for which no deferred income tax asset was recognised	**711**	2,305
Impact of change in enacted tax rate on deferred taxation	**–**	–
Others	**–**	–
Income tax	**1,592**	16,304

14. EARNINGS PER SHARE

	2009 RMB'000	2008 RMB'000
Profit attributable to equity holders	**2,130**	1,861

	No. of shares '000	No. of shares '000
Weighted average number of shares in issue	**488,179**	491,385
Incremental shares from assumed exercise of share options granted	**296**	1,736
Diluted weighted average number of shares	**488,475**	493,121
Basic earnings per share	**RMB0.0044**	RMB0.0038
Diluted earnings per share	**RMB0.0044**	RMB0.0038

The calculation of basic earnings per share is based on the earnings attributable to the equity holders of the Company of approximately RMB 2,130,000 (2008: RMB1,861,000) for the year ended 31st December 2009 and the weighted average of approximately 488,179,000 (2008: 491,385,000) ordinary shares in issue during the year.

15. DIVIDENDS

No dividend was paid or declared by the Company during the year (2008: Nil).

16. COMMITMENTS

Commitments under operating leases

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

	2009 RMB'000	2008 RMB'000
Within one year	**10,115**	9,607
In the second to fifth year inclusive	**25,700**	33,131
	35,815	42,738

Capital commitments

	2009 RMB'000	2008 RMB'000
Buildings construction in progress contracted for but not provided	**11,456**	–

17. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

Beijing, PRC, 23rd March 2010

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.