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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 2010

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

GEM has been positioned as a market designed to accommodate companies to which a 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 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 purposes only*

FINANCIAL HIGHLIGHTS

- The Group generated a turnover from continuing and discontinued operations of approximately RMB391,131,000 (2009: RMB317,655,000) for the financial year ended 31st December 2010, this represented an increase of approximately 23.1% in turnover as compared to that in 2009.

- The Group achieved a profit for the year of approximately RMB8,379,000 in 2010, while it was approximately RMB4,767,000 in 2009.

- Cash generated from operating activities increased by 53.6% to RMB99,093,000 in 2010 from RMB64,513,000 in 2009.

- As at 31st December 2010, deferred revenue was RMB195,965,000, representing an increase of 82.5% from the balance in 2009 of RMB107,363,000.

- The gross profit margin of the Group from continuing and discontinued operations decreased by 3.3 percentage points to approximately 71.6% in 2010 (2009:74.9%).

- During the year ended 31st December 2010, the Group increased its operating expenses from continuing and discontinued operations from approximately RMB236, 527,000 in 2009 to approximately RMB289,674,000.

- The Board does not recommend payment of a dividend for the year ended 31st December 2010.

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 2010 together with the comparative figures for the year ended 31st December 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	Note	2010 RMB'000	2009 RMB'000 (Restated)
Continuing operations			
Revenue	5	**389,126**	317,088
Cost of revenue	12	**(110,943)**	(79,653)
Gross profit		**278,183**	237,435
Other income	11	**6,076**	2,504
Selling and marketing expenses	12	**(194,388)**	(140,518)
Administrative expenses	12	**(90,407)**	(89,659)
Gains on disposal of a jointly controlled entity		**–**	2,100
Share of profit of an associated company		**1,287**	271
Profit before income tax		**751**	12,133
Income tax expense	13	**(648)**	(2,350)
Profit for the year from continuing operations		**103**	9,783
Discontinued operations			
Profit/(loss) for the year from discontinued operations	14	**8,276**	(5,016)
Profit for the year		**8,379**	4,767
Other comprehensive loss:			
Currency translation difference		**(645)**	(33)
Total comprehensive income for the year, net of tax		**7,734**	4,734
Profit attributable to:			
Equity holders of the Company		**6,935**	2,130
Non-controlling interests		**1,444**	2,637
		8,379	4,767

	Note	**2010**	2009
		RMB'000	*RMB'000*
			(Restated)
Total comprehensive income attributable to:			
Equity holders of the Company		**6,290**	2,097
Non-controlling interests		**1,444**	2,637
		7,734	4,734
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company (expressed in RMB per share)			
Basic (loss)/earnings per share			
From continuing operations	*15*	**(0.0027)**	0.0147
From discontinued operations	*15*	**0.0169**	(0.0103)
Diluted (loss)/earnings per share			
From continuing operations	*15*	**(0.0027)**	0.0147
From discontinued operations	*15*	**0.0167**	(0.0103)
Dividends	*16*	**–**	–

CONSOLIDATED BALANCE SHEET
As at 31st December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Land use rights		**18,152**	18,579
Intangible assets		**6,731**	10,807
Property, plant and equipment		**140,468**	64,429
Investment in an associated company		**2,795**	1,508
Deferred income tax assets		**1,735**	3,501
Long term deposit	6	**1,749**	1,659
		171,630	100,483
Current assets			
Trade receivables	6	**18,848**	22,923
Deposits, prepayments and other receivables	6	**7,214**	16,053
Direct selling costs		**39,248**	10,173
Amount due from a related company		**981**	861
Amount due from an associated company		**23,390**	21,899
Cash and cash equivalents		**188,424**	201,119
		278,105	273,028
Total assets		**449,735**	373,511
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	7	**52,116**	52,055
Other reserves	8	**224,395**	265,273
Accumulated losses		**(96,081)**	(103,016)
		180,430	214,312
Non-controlling interests		**2,795**	8,999
Total equity		**183,225**	223,311

	Note	2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**–**	–
Current liabilities			
Trade payables	*10*	**2,262**	2,332
Accrued expenses and other payables	*10*	**50,311**	22,279
Deferred revenue	*10*	**195,965**	107,363
Other taxes payable		**12,548**	12,351
Income tax payable		**5,424**	5,875
Total liabilities		**266,510**	150,200
Total equity and liabilities		**449,735**	373,511
Net current assets		**11,595**	122,828
Total assets less current liabilities		**183,225**	223,311

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2010

		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 interest RMB'000	Total RMB'000
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 loss							
Currency translation difference	8	–	(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	8	–	5,338	–	5,338	–	5,338
Contribution from non-controlling 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
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	8	–	(645)	–	(645)	–	(645)
Total comprehensive income		–	(645)	6,935	6,290	1,444	7,734
Transactions with owners							
Share option scheme-value of employee services	8	–	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

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 information are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial information have been approved for issue by the Board of Directors on 23rd March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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.

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 classification of certain items on the consolidated statement of comprehensive income for the year ended 31st December 2010 has been changed, primarily as a result of continued expansion of on-line services. In prior years, the Group can be regarded as a conglomerate, which included on-line service, trade catalogues, market research and other service businesses. Payroll costs of salesmen and agents' commission costs were classified as part of cost of revenue. In the current year, such costs were classified as selling and marketing expenses in the consolidated statement of comprehensive income. Management considers the change in classification can provide more relevant financial information to the users about the business performance and operations of the Group as the Group continues to focus on its on-line business. The revised classification is consistent with common industry practice for on-line service business. The reclassification is applied retrospectively, and hence, the comparative figures in the consolidated statement of comprehensive income for the year ended 31st December 2009 are restated. The following is the effect of the reclassification:

	2009
	RMB'000
Increase in selling and marketing expenses	65,054
Increase in administrative expenses	6,048
Decrease in cost of revenue	(71,102)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2010.

- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measured that non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs are expensed.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and gain or loss is recognised in profit or loss.

  During the year, the Group acquired 18% the issued and paid share capital in an existing subsidiary of the Company, the impact on this transaction is recorded in equity at carrying value. Please refer to Note 9 for details.

- HKAS 17 (amendment), Leases, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating leases using the general principles of HKAS 17, i.e., whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1st January 2010, in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases and conclude that the land use rights remain, as operating lease, and thus there is no impact for this amendment.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2010, but are not currently relevant to the Group:

HKFRS 1 (Revised)	First time adoption of HKFRSs
HKAS 39 (Amendment)	Eligible hedge items
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction

Improvements to HKFRS published by HKICPA in October 2008:

HKFRS 5	Non-current assets held for sale and discontinued operations (and consequence amendment) to HKFRS 1 "First-time adoption")

Improvements to HKFRS published by HKICPA in May 2009:

HKAS 36	Unit of accounting for goodwill impairment test
HKAS 38	Additional consequential amendments arising from HKFRS 3 (revised) and measuring the fair value of an intangible asset acquired in business combination
HKAS 39	Treating loan prepayment penalties as closely related derivatives
HKAS 39	Cash flow hedge accounting
HK(IFRIC) 16	Hedges of a net investment in a foreign operation
HKFRS 2	Scope of HKFRS 2 and HKFRS 3 (revised)
HKAS 39	Scope exemption for business combination contracts
HK(IFRIC)-Int 9 and HKFRS 3 (revised)	Reassessment of embedded derivatives
HKAS 1 (Amendment)	Current/non-current classification of convertible instruments
HKAS 7	Classification of expenditures on unrecognised assets
HKAS 18	Determining whether an entity is acting as a principal or as an agent

New standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Classification of rights issue	1st February 2010
HK(IFRIC)-Int 19	Extinguishing financial liabilities with equity instruments	1st July 2010
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1st July 2010
HKAS 24 (Revised)	Related party disclosures	1st January 2011
Amendment to HK(IFRIC)-14	Prepayments of a minimum funding requirement	1st January 2011
HKFRS 9	Financial instruments	1st January 2013
Improvements to HKFRS published by HKICPA in May 2010:		
HKFRS 3 (Revised)	Business combinations	1st July 2010
HKFRS 1	First-time adoption of HKFRS	1st January 2011
HKFRS 7	Financial instruments: disclosures	1st January 2011
HKAS 1	Clarification of statement of changes in equity	1st January 2011
HKAS 27	Consolidated and separate financial statements	1st July 2010
HKAS 34	Interim financial reporting	1st January 2011
HK(IFRIC)-Int 13	Customer loyalty programmes	1st January 2011

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value or any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchases, the difference is recognised directly in the 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.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with owners of the Group. For purchases from non-controlling interests, the difference between 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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, 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, a joint venture or a 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.

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

(iii) 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.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(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 executive directors who make 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 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.

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	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.

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)).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised with other income 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.

(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 identified according to operating segments.

(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 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 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 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.

(j) Impairment of financial assets, subsidiaries and an associated company

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.

The Group first assesses whether objective evidence of impairment exists.

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 or held-to-maturity investment 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.

Impairment testing of the investments in subsidiaries or an associated company is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or an associated company 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.

(k) 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.

(l) 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.

(m) 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.

(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 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.

(p) 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 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 Group 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.

(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.

(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 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.

(s) 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.

(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) 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.

(v) 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 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.

Fair value interest rate risk

The Group's interest rate risk arises from fixed deposit categorised in "cash and cash equivalents". Deposits 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.

(b) Credit risk

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

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

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 these companies, 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 2010 and 31st December 2009.

Counterparty	31st December 2010 Credit limit *RMB'000*	Utilised *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

Counterparty	31st December 2009 Credit limit *RMB'000*	Utilised *RMB'000*
Customer F	2,000	1,895
Customer G	2,000	1,249
Customer H	1,000	399
Customer I	1,000	312
Customer J	1,000	278

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 **2010** ***RMB'000***	2009 *RMB'000*
Trade receivables		
Listed customers	**840**	200
Unlisted customers	**13,901**	20,760
Total	**14,741**	20,960

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

	As at 31st December **2010** ***RMB'000***	2009 *RMB'000*
Cash at banks and bank deposits		
Listed financial institutions	**175,133**	189,786
Unlisted financial institutions	**12,063**	7,721
Cash on hand	**1,228**	3,612
Total	**188,424**	201,119

(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 2010, the cash and cash equivalents of the Group approximated RMB188,424,000 (2009: RMB201,119,000).

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 2010					
Trade payables	2,262	–	–	–	2,262
Accrued expenses and other payables	50,126	–	–	–	50,126
At 31st December 2009					
Trade payables	2,332	–	–	–	2,332
Accrued expenses and other payables	22,003	–	–	–	22,003

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% (2009: 0%) as no debt is outstanding as at 31st December 2010 (2009: 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 2010, the Group maintains cash and cash equivalents of approximately RMB188,424,000 (2009: RMB201,119,000), 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 2010, the Group is organised into the following business segments:

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

(ii) On-line services – generate subscription fee income by 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 for the year ended 31st December 2010.

	Year ended 31st December 2010					
	Continuing operations					Discontinued operations
	Trade catalogues and yellow page directories	On-line services RMB'000	Market research and analysis	Seminars and other services	Total	Overseas E-Commerce services
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**101,437**	**164,412**	**71,475**	**51,802**	**389,126**	**2,005**
Segment results	**(10,668)**	**4,496**	**(599)**	**1,446**	**(5,325)**	**9,711**
Other income					**6,076**	**44**
Profit before income tax					**751**	**9,755**
Other information:						
Depreciation and amortisation (including share option expense)	**3,065**	**15,986**	**3,584**	**374**	**23,009**	**1,535**
Share on profit from an associated company	**–**	**–**	**1,287**	**–**	**1,287**	**–**

	Year ended 31st December 2009					
	Continuing operations					Discontinued operations
	Trade catalogues and yellow page directories	On-line services RMB'000	Market research and analysis	Seminars and other services	Total	Overseas E-Commerce services
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	114,720	125,570	51,231	25,567	317,088	567
Segment results	(3,776)	9,395	2,812	(902)	7,529	(5,783)
Other income					2,504	9
Gain on disposal of a jointly controlled entity					2,100	–
Profit/ (loss) before income tax					12,133	(5,774)
Other information:						
Depreciation and amortisation (including share option expense)	2,763	16,238	2,820	492	22,313	2,611
Share on profit from an associated company	–	–	271	–	271	–

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 2010 is RMB391,131,000 (2009: RMB317,655,000), and the total revenue from external customers from other countries is Nil (2009: Nil).

As at 31st December 2010, 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 RMB168,146,000 (2009: RMB95,323,000), and the total of these non-current assets located in other countries is Nil (2009: Nil).

6 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables *(note a)*	**20,865**	27,368
Less: provision for impairment of trade receivables	**(2,017)**	(4,445)
Trade receivables – net	**18,848**	22,923
Deposits, prepayments and other receivables *(note b)*	**8,963**	17,712
	27,811	40,635
Less: Non-current deposit	**(1,749)**	(1,659)
Current portion	**26,062**	38,976

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

	2010	2009
	RMB'000	*RMB'000*
Current to 90 days	**14,741**	20,960
91 to 180 days	**2,912**	1,299
181 to 365 days	**2,388**	1,328
Over 1 year	**824**	3,781
	20,865	27,368

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 RMB618,000 for the impairment of its trade receivables during the year ended 31st December 2010 (2009: reversal of impairment provision and direct wirte-off of loss of approximately RMB1,026,000).

As at 31st December 2010, trade receivables of approximately RMB2,017,000 (2009: RMB4,445,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

As at 31st December 2010, trade receivables of approximately RMB4,107,000 (2009: RMB1,963,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2010	2009
	RMB'000	*RMB'000*
91 to 180 days	**2,912**	1,299
181 to 365 days	**1,195**	664
	4,107	1,963

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

	2010	2009
	RMB'000	*RMB'000*
At beginning of the year	**4,445**	4,849
Impairment of receivables	**618**	–
Write off for impaired receivables	**(3,046)**	–
Reversal of impairment of receivables	**–**	(404)
At end of the year	**2,017**	4,445

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 do not contain impaired assets.

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

	2010	2009
	RMB'000	*RMB'000*
Long-term deposits	**1,749**	1,659
Short-term deposits	**1,389**	984
Prepayments	**3,710**	2,528
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**	1,051
– Others *(Note i)*	**1,595**	11,490
	8,963	17,712

The fair values are as follows:

Deposits	**3,138**	2,643
Prepayments	**3,710**	2,528
Other receivables	**2,115**	12,541
	8,963	17,712

Denominated in:		
HK dollar	**122**	127
RMB	**8,841**	17,585
	8,963	17,712

Note (i): Included in "others" in 2009 is RMB10,000,000 investment in a banking product from 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. This investment product was matured in 2010.

7 SHARE CAPITAL

	Number of shares	Ordinary shares *RMB'000*
At 1st January 2009 and 31st December 2009	488,178,960	52,055
Exercise of share options	700,000	61
At 31st December 2010	488,878,960	52,116

The total authorised number of ordinary shares is 1,000,000,000 shares (2009: 1,000,000,000 shares) with a par value of HK$0.1 per share (2009: HK$0.1 per share). All issued shares are fully paid.

(a) 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, 581,000 and 265,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008, 2009 and 2010, 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 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, 346,000 and 644,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009 and 2010. 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 and 2,403,000 share options were lapsed during the year ended 31st December 2008, 2009 and 2010 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 and 1,180,000 share options were lapsed during the year ended 31st December 2009 and 2010 respectively. During the year ended 31st December 2010, 700,000 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 share options were lapsed during the year ended 31st December 2010. 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.

The weighted average assumptions used are as follows:

	18th February 2004	**23rd June 2006**	**11th July 2007**	**29th September 2008**	**7th April 2010**
Exercise price (in HK dollar)	2.40	1.49	1.24	0.604	0.82
Fair value of the options (in RMB)	20,193,000	3,919,000	9,390,000	2,756,000	14,825,000
Risk free interest rate (in %)	1.34 – 4.43	4.911	4.757	3.133	2.865
Expected life (in years)	5.4 – 6.6	3.2 – 5.5	2.4 – 6.2	3.8 – 4.8	3.4 – 5.9
Volatility (in %)	32	34.8	49	72.2	79.8
Expected dividend per share (cents)	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 and 6th April 2010, the market value per share was HK$2.45, HK$1.45, HK$1.24, HK$0.55 and HK$0.82 respectively.

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

(i) Pre-IPO Share Option Scheme

	Expiry date	**2010** Exercise price in HK$ per share	**2010** Share options	2009 Exercise price in HK$ per share	2009 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	**2010** Exercise price in HK$ per share	**2010** Share options	2009 Exercise price in HK$ per share	2009 Share options
At 1st January		**2.40**	**7,139,000**	2.40	7,720,000
		1.49	**4,286,000**	1.49	4,632,000
		1.24	**11,698,000**	1.24	12,733,000
		0.604	**14,100,000**	0.604	14,600,000
		0.82	**–**	–	–
Granted		**2.40**	**–**	2.40	–
		1.49	**–**	1.49	–
		1.24	**–**	1.24	–
		0.604	**–**	0.604	–
		0.82	**33,800,000**	–	–
Lapsed and exercised		**2.40**	**(265,000)**	2.40	(581,000)
		1.49	**(644,000)**	1.49	(346,000)
		1.24	**(2,403,000)**	1.24	(1,035,000)
		0.604	**(1,880,000)**	0.604	(500,000)
		0.82	**(700,000)**	–	–
At 31st December	18th February 2014	**2.40**	**6,874,000**	2.40	7,139,000
	23rd June 2016	**1.49**	**3,642,000**	1.49	4,286,000
	11th July 2017	**1.24**	**9,295,000**	1.24	11,698,000
	29th September 2018	**0.604**	**12,220,000**	0.604	14,100,000
	7th April 2020	**0.82**	**33,100,000**	–	–

8 OTHER RESERVES

	Share premium *RMB'000*	Capital reserve *RMB'000*	Other reserve *RMB'000*	Merger reserve *RMB'000*	Group Share-based compensation reserves *RMB'000*	Share redemption reserve *RMB'000*	Exchange reserve *RMB'000*	Total *RMB'000*
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
At 1st January 2010	132,734	987	–	108,830	29,071	496	(6,845)	265,273
Share option scheme-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

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 北京慧聰國際資訊有限公司 ("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

	2010	2009
	RMB'000	*RMB'000*
Trade payables (a)	**2,262**	2,332
Deferred revenue	**195,965**	107,363
Accrued expenses and other payables (b)	**50,311**	22,279
	248,538	131,974

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:

	2010	2009
	RMB'000	*RMB'000*
Current to 90 days	**1,083**	1,574
91 to 180 days	**898**	440
181 to 365 days	**279**	132
Over 1 year	**2**	186
	2,262	2,332

(b) The amount mainly includes accruals for out-sourcing cost of market research of approximately RMB15,329,000 (2009: approximately RMB5,529,000) and other payables for assets acquisition of HC Garden of approximately RMB12,832,000 (2009: approximately RMB301,000).

The amount includes accruals for statutory benefits funds in the PRC of approximately RMB185,000 (2009: approximately RMB276,000). 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

	2010 *RMB'000*	2009 *RMB'000*
Continuing operations		
Interest income	**2,033**	2,504
Government grants	**4,043**	–
	6,076	2,504

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

	2010 *RMB'000*	2009 *RMB'000*
Discontinued operations		
Interest income	**44**	9

12 EXPENSES BY NATURE

	2010 *RMB'000*	2009 *RMB'000* (Restated)
Continuing operations		
Cost of trade catalogues and yellow page directories	**34,143**	37,802
Cost of on-line services	**23,606**	15,151
Cost of market research and analysis	**42,779**	19,881
Cost of seminars and other services	**24,062**	15,508
Marketing expenses	**15,318**	12,880
Network and telephone expenses	**14,223**	11,325
Auditor's remuneration	**1,996**	2,113
Staff costs, including directors' emoluments	**179,374**	139,818
Amortisation of land use rights	**427**	427
Amortisation of intangible assets	**2,802**	3,931
Depreciation of property, plant and equipment	**12,929**	14,891
Provision for/(reversal of) impairment and write off of trade and other receivables	**1,023**	(1,026)
(Gain)/loss on disposal of property, plant and equipment	**(49)**	318
Operating lease payments in respect of land and buildings	**15,977**	14,155
Other expenses	**27,128**	22,656
Total cost of revenue, selling and marketing expenses and administrative expenses	**395,738**	309,830

	2010	2009
	RMB'000	*RMB'000*
Discontinued operations		
Marketing expenses	**728**	542
Network and telephone expenses	**62**	41
Auditor's remuneration	**–**	–
Staff costs, including directors' emoluments	**3,185**	4,973
Amortisation of intangible assets	**195**	–
Depreciation of property, plant and equipment	**260**	337
Operating lease payments in respect of land and building	**251**	269
Other expenses	**198**	188
Total cost of revenue, selling and marketing expenses and administrative expense	**4,879**	6,350

13 INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
Continuing operations:		
Current income tax expense		
– Hong Kong profits tax *(note a)*	**–**	–
– The PRC Corporate income tax ("CIT") *(note b)*	**361**	3,356
Deferred income tax expense/(credit)	**287**	(1,006)
	648	2,350
Discontinued operations:		
Deferred income tax expense/(credit)	**1,479**	(758)
	1,479	(758)

(a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2009: 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 20%, 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:

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**751**	12,133
Tax calculated at 25% (2009: 25%)	**188**	3,033
Effect of different taxation rates in other cities	**(44)**	(1,055)
Income not subject to tax	**(193)**	(347)
Expenses not deductible for tax purposes	**1,824**	2,731
Utilisation of previously unrecognised tax losses	**(1,859)**	(2,723)
Tax losses for which no deferred income tax asset was recognised	**732**	711
Income tax expense	**648**	2,350

14 DISCONTINUED OPERATIONS

During the year, the Group disposed of its equity interest in 北京花開富貴信息技術有限公司, which is engaged in business-to-business e-commence involving foreign trade and related business in the PRC for a consideration of RMB16,033,472.

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

	2010	2009
	RMB'000	*RMB'000*
Revenue	**2,005**	567
Other income	**44**	9
Expenses	**(4,879)**	(6,350)
Loss before tax of discontinued operations	**(2,830)**	(5,774)
Income tax credit	**–**	758
Loss after tax of discontinued operations	**(2,830)**	(5,016)
Pre-tax gain on disposal of discontinued operations	**12,585**	–
Income tax on disposal of discontinued operations	**(1,479)**	–
Profit/(loss) for the year from discontinued operations	**8,276**	(5,016)

The cash flows for the discontinued operations are as follows:

Operating cash flows	**(1,816)**	(242)
Investing cash flows	**(6)**	(3,021)
Financing cash flows	**2,700**	6,000
Total cash flows	**878**	2,737

15 (LOSS)/EARNINGS PER SHARE

	2010 *RMB'000*	2009 *RMB'000*
(Loss)/profit from continuing operations attributable to equity holders of the Company	**(1,341)**	7,146
Profit/(loss) from discontinued operations attributable to equity holders of the Company	**8,276**	(5,016)
	6,935	2,130

	No. of shares *('000)*	No. of shares *('000)*
Weighted average number of shares in issue	**488,658**	488,179
Incremental shares from assumed exercise of share options granted	**6,742**	296
Diluted weighted average number of shares	**495,400**	488,475
Basic (loss)/earnings per share – from continuing operations (in RMB)	**(0.0027)**	0.0147
Basic earnings/(loss) per share – from discontinued operations (in RMB)	**0.0169**	(0.0103)
Diluted (loss)/earnings per share – from continuing operations (in RMB)	**(0.0027)**	0.0147
Diluted earnings/(loss) per share – from discontinued operations (in RMB)	**0.0167**	(0.0103)

Diluted loss per share from continuing operations for the year ended 31 December 2010 (2009: diluted loss per share from discontinued operations) are the same as basic loss per share since all potential ordinary shares are anti-dilutive.

16 DIVIDENDS

No dividend was paid or declared by the Company during the year (2009: Nil).

17 COMMITMENTS

Commitments under operating leases

At 31st December 2010, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2010 *RMB'000*	2009 *RMB'000*
Within one year	**10,730**	10,115
In the second to fifth year inclusive	**18,180**	25,700
	28,910	35,815

Capital commitments

	2010 *RMB'000*	2009 *RMB'000*
Buildings construction in progress contracted for but not provided	**–**	11,456

18 CONTINGENT LIABILITIES

As at 31st December 2010, there were no material contingent liabilities to the Group (2009: 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 iResearch 2010 China Internet Market Annual Review Report, the China B2B e-commerce transactions amounted to RMB2,530 billion in 2010, representing an increase of 36.4% when compared to 2009. This is mainly due to the stable growth of macro economy in China during 2010, while both domestic trading volume and foreign trading volume significantly increased when compared to that of 2009, and the demand for transactions between enterprises surged, which directly boosted the development of SMEs B2B e-commerce. In addition, the Government and e-commerce operators helped SMEs to solve the problems arisen during the development of e-commerce, this measure has actively improved the progress of SMEs e-commerce business.

As one of the core e-commerce operators, the Group has been upgrading e-commerce products in 2010 and launched new value-added services with an aim to enhance quality of service, which has optimised the marketing performance of SMEs e-commerce business, procured completion of transactions and expanded the brand effect of the enterprise.

(1) 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 yellow page directory, industrial market research as well as other off-line products, which provide the best product or commercial solution for customers in full scale.

On-line Products

Mai-Mai-Tong

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 allow 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 reputable third party certification company to provide identity certification for the enterprises.

In 2010, hc360.com has continuously upgraded the function of Mai-Mai-Tong products and unveiled special versions for a number of industry leading products like Xuan-Pu 2.0 and industry Mai-Mai-Tong 3.0, which become the key intelligent application products for the online operation of SMEs. As of 31st December 2010, the Group recorded approximately 12 million registered users of Mai-Mai-Tong, representing a growth of approximately 20% over that of approximately 10 million as of 31st December 2009. Meanwhile, the downloading users of "HC FAFA – 慧聰發發", the instant communication tool of hc360.com, recorded a growth of approximately 19% from approximately 7 million in 2009 to approximately 8.3 million.

Search products

In 2010, search products have become 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 2010 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 target 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" feature systematic compilation of industry information, product technology and industry news. The 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 enforce. The theme of Top 10 Enterprises Awards in 2010 is "advocate energy saving and reduction in emission, environmental protection and low-carbon economy". We conducted a detailed product rating based on previous criteria in order to allow consumers to buy reliable and useful products. In 2010, the Top 10 Enterprises Awards successfully extended to cleansing, heating, smart home, architectural coatings and industrial coatings segments, which covered around 40 sectors and recognised over thousand of domestic enterprises.

Industry Research

Huicong D&B Market Research is principally engaged in market research and media monitoring. It provides all-rounded market research and consultancy services. Driven by its products and skills, Huicong D&B Market Research gained a breakthrough in 2010 through co-operation with automobile brands like Mercedes-Benz China and Renault China. Both of them are foreign-invested company in China. Huicong D&B Market Research also solicited FAW Toyota and Changhe Auto, which are respectively a joint venture and a self-owned company, as its major strategic partners. Further, it made a leap in industry research segment by publishing research reports for consumer electronics industry, namely "Study of Five Forces Model on Home Appliances Terminal Competitiveness" and "Evaluation on PR Effects in Automobile and Game Industry". These reports provide valuable reference for companies to formulate their market strategies. By providing excellent services, Huicong D&B Market Research has become one of the leading market research companies in China.

(2) Marketing Channels

To maximise its sales 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 2010, the Group's cash and bank balances decreased by approximately RMB12,695,000 from approximately RMB201,119,000 as at 31st December 2009 to approximately RMB188,424,000.

The Group had no short-term loans for the year ended 31st December 2010 (2009:Nil). Gearing ratio of the Group is 0% (2009: 0%) as at 31st December 2010, calculated with reference to nil short-term loans and capital and reserves attributable to the Company's equity holders of approximately RMB180,430,000 (2009: approximately RMB214,312,000). The capital and reserves attributable to the Company's equity holders decreased by approximately RMB33,882,000 as compared to last year.

The Group's net current assets amounted to approximately RMB11,595,000 as at 31st December 2010 (2009: approximately RMB122,828,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.04 times as at 31st December 2010 as compared to approximately 1.82 times as at 31st December 2009.

The Group's trade receivables turnover has decreased from approximately 30.2 days in 2009 to approximately 19.5 days in 2010.

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 2010.

MATERIAL ACQUISITIONS AND DISPOSALS

On 27th April 2010, Hong Kong Huicong International Group Limited ("HKHC"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with 北京慧聰建設信息諮詢有限公司 ("Huicong Construction"), a company owned as to 80% by Mr. Guo Fansheng, an executive Director and the Chairman of the Company. Pursuant to the Agreement, Huicong Construction agreed to sell its 18% equity interest in 北京慧聰國際資訊有限公司 ("Beijing Huicong") to HKHC at a consideration of RMB54,800,000 (equivalent to approximately HK$62,273,000). As Huicong Construction is owned as to 80% by Mr. Guo Fansheng, an executive Director and the chairman of the Company, Huicong Construction is an associate of Mr. Guo Fansheng, and thus a connected person of the Company. Accordingly, the acquisition constitutes a connected transaction of the Company. Based on the applicable ratios, the acquisition also constitutes a major transaction under Chapter 19 of the GEM Listing Rules. The transaction contemplated under the Agreement has been completed as at 31st December 2010. Please refer to the announcement and circular of the Company dated 27th April 2010 and 28th June 2010, respectively, for details of the Agreement.

On 9th July 2010, 北京慧聰再創科技有限公司 ("Huicong Zaichuang"), a wholly-owned subsidiary of the Company, entered into five sale and purchase agreements with 廣州君茗投資有限公司 ("Guangzhou Junming"), pursuant to which Huicong Zaichuang agreed to purchase certain properties ("the Properties") in Guangzhou from Guangzhou Junming at an aggregate consideration of RMB24,171,833 (equivalent to approximately HK$27,468,000). The Properties are for commercial use and are intended for the Group's own use. The entering into of the above transactions by Huicong Zaichuang constitutes a disclosable transaction of the Company under the GEM Listing Rules. Please refer to the announcement of the Company dated 9th July 2010 for details of the aforesaid transactions.

On 27th August 2010, the Company, entered into an equity transfer agreement for the disposal of its 60% equity interest in 北京花開富貴信息技術有限公司, a company established in the People's Republic of China ("PRC") which engages in business-to-business e-commerce involving foreign trade and related business in the PRC, for a consideration of RMB16,033,472 (equivalent to approximately HK$18,568,000) (the "Disposal"). The Disposal has been completed as at 31st December 2010. Please refer to the announcement of the Company dated 27th August 2010 for the details of the Disposal.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 488,878,960 as at 31st December 2010.

STAFF

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2010, the total number of Group's employees were 3,005, among which 2,139 were employed in the Sales and Marketing Division, 458 were employed in the Editorial, Research and Data Analysis Division, 158 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 2010, 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 2010, the Group had no contingent liability (2009: 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 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 2010 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 2010. The audit committee held 4 meetings during the year.

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 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 2010.

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

Beijing, the PRC, 23rd March 2011

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)*
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)*

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.