慧聰網有限公司

HC INTERNATIONAL,INC.

Stock code: HK8292

2009

Annual Report

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of HC International, Inc. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

EXECUTIVE DIRECTORS
GUO Fansheng
GUO Jiang

NON-EXECUTIVE DIRECTOR
LI Jianguang

INDEPENDENT NON-EXECUTIVE DIRECTORS
ZHANG Ke
XIANG Bing
GUO Wei

COMPANY SECRETARY
LEUNG Pei Ki

AUDIT COMMITTEE
ZHANG Ke
XIANG Bing
LI Jianguang

REMUNERATION COMMITTEE
ZHANG Ke
XIANG Bing
GUO Wei
GUO Jiang
LI Jianguang

COMPLIANCE OFFICER
GUO Fansheng

AUTHORISED REPRESENTATIVES
GUO Fansheng
GUO Jiang

AGENT FOR THE ACCEPTANCE OF SERVICE OF PROCESS
LEUNG Pei Ki

STOCK CODE
8292

COMPANY'S WEBSITE
www.hc360.com

AUDITOR
PricewaterhouseCoopers

HONG KONG LEGAL ADVISERS
LI & PARTNERS

PRINCIPAL BANKER
The Hongkong and Shanghai Banking
Corporation Limited

HONG KONG BRANCH SHARE REGISTRATION AND TRANSFER OFFICE
Hong Kong Registrars Limited
Rooms 1712 – 1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Tower B, Jingyi Technical Building
No. 9 Dazhongsi East Road
Haidian District
Beijing
The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Flat A, 16/F., United Centre
95 Queensway
Hong Kong

Corporate Portfolio

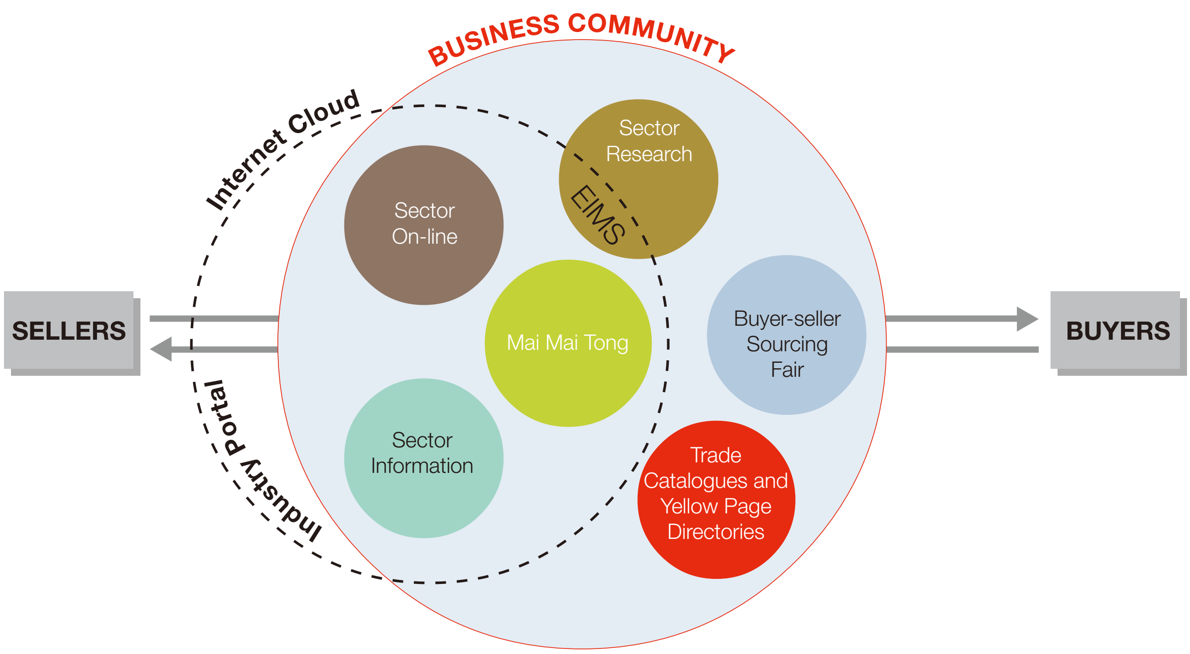
COMPANY OVERVIEW

The Company and its subsidiaries (together the "Group") is one of the leading e-commerce communities in People's Republic of China ("the PRC"). With its professional information services and advanced internet technologies, it has established a reliable demand and supply platform for small to medium enterprises (SMEs), and has been providing them with complete business solutions. Through dedicated efforts and developments over the past 18 years, we have expanded our business scope to cover more than 100 cities nationwide, with branches in 13 cities and a service team of about 2,650 individuals.

With its professional experience and skills acquired from various industries over the past 18 years, the Group not only offers complete marketing solutions for SMEs through Mai-Mai-Tong, an internet technology based product, it also offers customers with multi-channel, all-dimensional on-line and off-line supplementary services through the Group's traditional marketing products, namely, "HC Trade Catalogues", "HC Yellow Page Directory" and "Industrial Market Research". The Group successfully hosted Top 10 Enterprises Awards for around 30 industry sectors through the Group's strong media recourses and customer base, which help SMEs to build up their brand and enhance transactions. Such a complementary and multi-dimensional structure allows the Group to create a unique development path amid the rapid expansion of the B2B industry in China.

Through the determined implementation of the professional and focused strategy, the Group has been offering professional and all-dimensional marketing solutions to customers in those traditional industrial sectors during the past 2 years. At the same time, we have been actively expanding into the fast-moving consumer goods markets. Based on the differences in our targeted market segments, the Group developed two unique business models for relationship-based customers and transaction-based customers, respectively. Coupled with our direct sales, channel sales and telemarketing sales teams, we provide relationship-based customers with one-to-one, in-depth and professional industry solutions, efficient, user-friendly and standardised solutions and business platforms for transaction-based customers. Through these services, the Group satisfies its customers' needs. In early 2009 the Group succeeded in passing the ISO9001 Quality and Management examination and obtaining the certificate.

The Group is committed in providing professional and innovative services and products to meet market and users' needs, and to facilitate transactions. Customer experience and service quality are our constant focus. In the past 2 years, the Group's businesses became more focused, product lines were more precise, and business model and market demands were more in line.

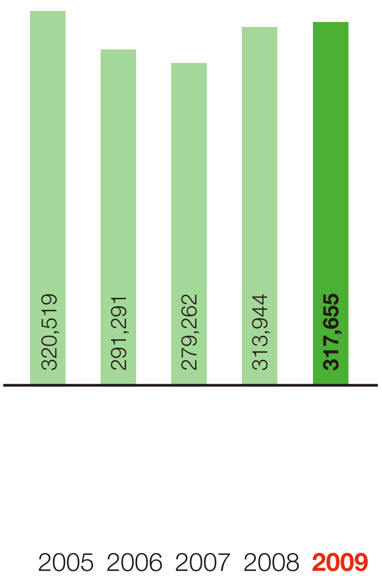


Financial Highlights

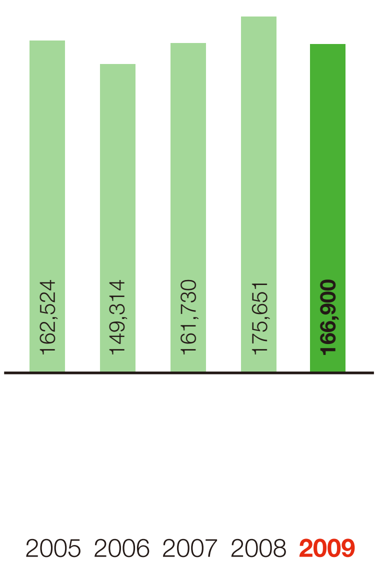
	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Results					
Sales	**317,655**	313,944	279,262	291,291	320,519
Gross profit	**166,900**	175,651	161,730	149,314	162,524
EBITDA	**31,283**	45,911	(19,105)	(42,924)	12,050
Profit/(loss) attributable to equity holders of the Company	**2,130**	1,861	(39,441)	(98,793)	(24,747)
Earnings/(loss) per share					
– Basic	**RMB0.0044**	RMB0.0038	RMB(0.0807)	RMB(0.1268)	RMB(0.0023)
– Diluted	**RMB0.0044**	RMB0.0038	RMB(0.0807)	RMB(0.1268)	RMB(0.0023)
Financial Position					
Net current assets	**122,828**	112,980	71,047	91,913	192,546
Total assets	**373,511**	306,618	313,174	370,074	485,753
Total liabilities	**150,200**	93,783	105,562	125,019	127,660
Total equity	**223,311**	212,835	207,612	245,055	358,093

www.HC360.com

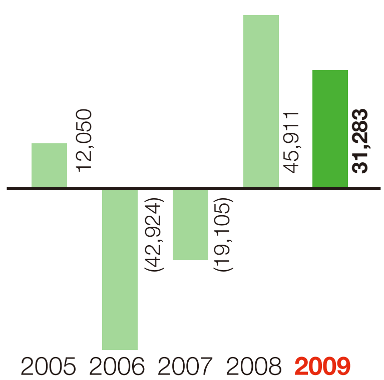
SALES
RMB'000



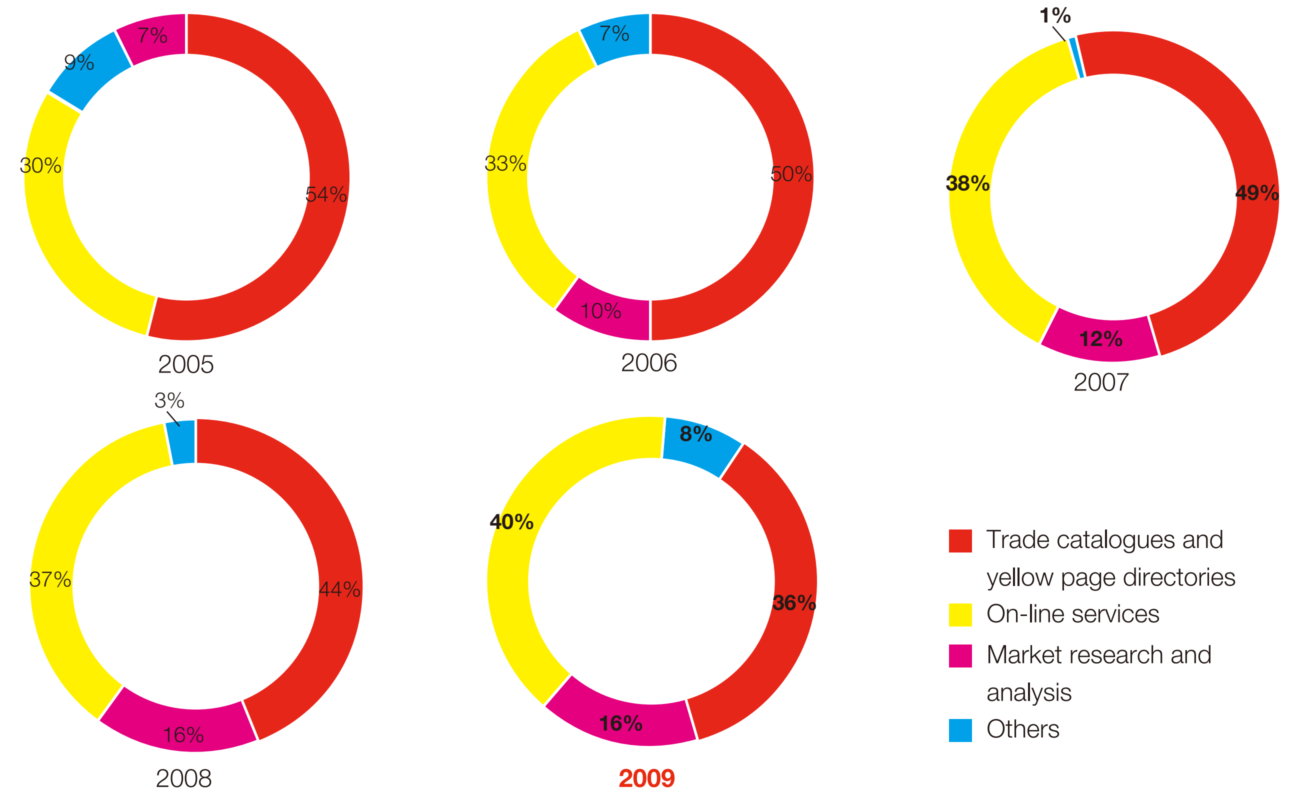
GROSS PROFIT
RMB'000



EBITDA
RMB'000



SALES ANALYSIS



	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Market research and analysis RMB'000	Seminars and other services RMB'000	Total RMB'000
2009	**114,720**	**126,137**	**51,231**	**25,567**	**317,655**
2008	138,723	114,938	49,464	10,819	313,944
2007	136,247	107,826	32,990	2,199	279,262
2006	145,909	94,904	29,212	21,266	291,291
2005	173,304	96,351	30,251	20,613	320,519

www.HC360.com

Management's Statement

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

BUSINESS REVIEW

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

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

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

(1) Mai-Mai-Tong Members

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

www.HC360.com

(2) Products

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

On-line Products

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

Jin-Bang-Ti-Ming (金榜題名)

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

On-line Advertising

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

Off-line Products

Trade Catalogues

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

Yellow Page Directories

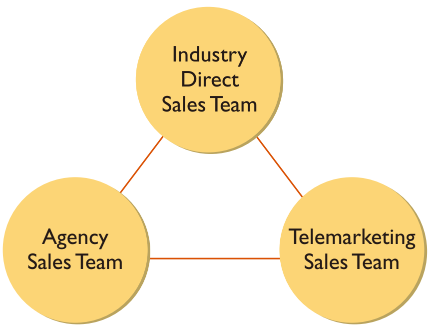
As a business yearbook for specific industries, the "Yellow Page Directories" feature systematic compilation of industry information, product technology and industry news. The product connects manufacturers, suppliers, management organisations and users in different industries.

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

Industry Market Research

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

(3) Marketing Channels



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

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

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

The Telemarketing Sales Team was formed in August 2006. After experiencing three years development, in 2009 the Industry Direct Sales team expanded to nearly 500 people, the working efficiency and market promotion ability was significantly increased. The Industry Direct Sales team has taken the important role in the on-line product marketing channels. The team concentrates on boosting number and transactions with the customers, providing standardised product and services in a dynamic consumer market, and providing trading platform with high efficiency in order to cope with rapid growth of our customers numbers.

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

(4) Customer Service

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

Member Care

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

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

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

PROSPECTS

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

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

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

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

On behalf of the board of directors (the "Board"), I would like to take this opportunity to thank the management and every member of the Group for their on-going dedication and hard work in the past year.

Guo Jiang
Chief Executive Officer and Executive Director

Beijing, PRC
23rd March 2010

Biographic Details of Directors and Senior Management

DIRECTORS

As at 31st December 2009, the board of Directors comprised:

Executive Directors

GUO Fansheng

Aged 54 , is an executive Director and the Chairman of the Board of the Company . Mr . Guo founded the Group in October 1992 and is responsible for the overall strategic development and policy of the Group. From 1990 to 1992, Mr. Guo worked as a manager in a State-owned business information company in Beijing. From 1987 to 1990, Mr. Guo served as a director of the Liaison Office and General Office of the Economic System Reform Institute under the State Commission for Economic Restructuring, and as the deputy director of the Western China Development Research Centre . Prior to working at the State Commission for Economic Restructuring, Mr. Guo served from 1982 to 1987 as a senior official in the government of the Inner Mongolia Autonomous Region. Mr. Guo obtained a bachelor's degree in industrial economics from Renmin University of China in 1982. Mr. Guo is the uncle of Mr. Guo Jiang, an Executive Director and the Chief Executive Officer of the Company.

GUO Jiang

Aged 36 , is an executive Director and the Chief Executive Officer of the Company . Mr . Guo joined the Group in 1 9 9 6 as a Sale Manager and became the Chief Executive Officer of the Group in 2 0 0 8 and i s responsible for overseeing the operations of the Group . Prior to that, Mr. Guo spent two years at the Broadcasting Science Institute of the State Administration of Radio, File and Television as an assistant to director. Mr. Guo graduated from the Harbin University of Commerce in 1 9 9 4 with a bachelor degree in computer science. He also attended the Business Administration Course for Senior Management of Modern Enterprises conducted by Guanghua Business School of Peking University in 2002. Mr. Guo is the nephew of Mr . Guo Fansheng , an Executive Director and the Chairman of the Board of the Company.

Non-executive Director

LI Jianguang

Aged 44, is a non-executive Director. Mr. Li is the Vice-president of IDG Technology Venture Investment, Inc. ("IDG") , a substantial shareholder of the Company. Mr. Li is also a member of IDG Technology Venture Investments , LLC , which is the general partner of IDG Technology Venture Investments, LP. Mr. Li is responsible for the investment management of IDG's China-related early funds and IDG-Accel China Growth Fund. Prior to that, Mr. Li worked in Crosby Asset Management Limited as an investment manager. Mr. Li graduated from Peking University in 1987 with a bachelor's degree in economics and attained a master degree from Guelph University in Canada in 1994. Mr. Li has been serving as a non-executive Director since August 2006.

Independent Non-executive Directors

ZHANG Ke

Aged 56 , is an independent non-executive Director. Mr. Zhang is acertified public accountant in the PRC and is currently the Chairman and Chief Partner of ShineWing Certified Public Accountants. He graduated from Renmin University of China in 1982 with a bachelor degree in economics majoring in industry economics. He has over 20 years experience in the fields of economics, accounting and finance. Mr . Zhang is currently a Vice – president of the Chinese Institute of Certified Public Accountants, a member of the Certified Public Accountants Examination Committee of the Ministry of Finance and a Vice President of Beijing Association of Forensic Science. Mr. Zhang has been serving as an independent non-executive Director since March 2003.

XIANG Bing

Aged 47 , is an independent non-executive Director . Dr . Xiang is a Professor of Accounting and the founding Dean of Cheung Kong Graduate School of Business . He previously taught in the Peking University , Hong Kong University of Science and Technology and China-Europe International Business School. Dr. Xiang graduated from the University of Albert with a doctorate degree. Dr. Xiang has been serving as an independent non-executive Director since March 2002.

GUO Wei

Aged 46 , is an independent non-executive Director. Mr. Guo is currently the Chairman and the Chief Executive Officer of Digital China Holdings Limited. Mr. Guo obtained a Master's degree from the Graduate School of the Chinese Academy of Science (formerly known as Graduate School of the University of Science and Technology of China) in 1988. He joined the Legend group in 1988 and was once an Executive Director and Senior Vice President. He is currently a standing committee member of the 11t h National Committee of the Chinese People's Political Consultative Conference, a standing committee member of the All China Youth Federation, Vice President of the Chinese Young Entrepreneurs Association , and Vice President of Chinese Young Technology Professional Association. Mr. Guo has severed as an independent non-executive Director since March 2002.

SENIOR STAFF

As at 31st December 2009, the management of the Company comprised the following members:

GENG Yi

Aged 36, is a Vice-President of the Group, Ms. Geng joined the Group in August 1995 as an editor and was appointed as the Chief Sales Officer of the Group in January 2006. Ms. Geng graduated from the University of International Business Economics and gained a MBA degree.

GUO Bingbing

Aged 38, joined the Group in September 2008 as the Chief Financial Officer of the Group. Ms. Guo has over 8 years senior financial management experiences in Internet industries and NASDAQ listed companies. Prior to joining the Group, she served as the Financial Controller and Director of Finance Planning & Analysis of eLong.com from year 2006 to 2008. Prior to eLong, she was the senior finance manager of SOHU.com from year 2000 to 2005.

Ms. Guo graduated from Beijing Foreign Studies University. She also studied the International MBA at Guang Hua Business School, Beijing University and Fuqua School of Business, Duke University. Ms. Guo is a China Certified Public Accountant.

HONG, John

Aged 40, joined the group in October 2007 as the Chief Technology Officer of the Group. Mr. Hong worked at Silicon Valley from 1994 to 2000, during which he founded Webston Corporation which mainly rendered technical service for B2B corporations such as Chemdex. In 2000, he came back to China and founded a video conferencing software company called VisionNex. Before joining the Group, Mr. Hong was the Vice-president of technology of Linkone (Nasdaq: LTON). Mr. Hong graduated from the Mississippi State University with a bachelor's degree in computer science and a master degree in computer engineering.

ZHAO Long

Aged 34, joined the Group in 1999 and has over 10 years research management experiences in IT and Telecom industries, and specialize in strategy and management. Mr. Zhao had successively served as Research manager, General Manager of IT Research Division, etc. Mr. Zhao became Vice-President of the Group and the President of HC Institute in 2008 in charge of research business.

Mr. Zhao graduated from Inner Mongolia Finance and Economics College and major in economics management. He also attended the Business Administration Course for Senior Management of Modern Enterprises conducted by Guanghua Business School of Peking University in 2002.

Gao Xin

Aged 34, joined the Group in July 2008 and became Vice-President and COO of E-commerce Company. Mr.Gao has ten years management experiences in IT industry. Prior to that, Mr.Gao had successively served as General Manager of Zhejiang District and the Deputy General Manager of Channel Sales Department in Lenovo Group as well as the B2B Operation Director of Samsung Electronics.

Mr.Gao graduated from Beijing Wuzi University with a bachelor degree in Engineering. He also studied the EMBA at CEIBS and Serving Postgraduates of Institute of Psychology in Chinese Academy of Sciences,majoring in Applied Psychology.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2009, the Group's cash and bank balances increased by approximately RMB38,517,000 from approximately RMB162,602,000 as at 31st December 2008 to approximately RMB201,119,000.

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

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

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

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

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31st December 2009.

MATERIAL ACQUISITIONS AND DISPOSALS

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

CAPITAL STRUCTURE

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

STAFF

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

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

CHARGES ON GROUP ASSETS

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

EXCHANGE RISK

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

CONTINGENT LIABILITIES

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

Report of the Directors

The Directors submit their report together with the audited financial statements for the financial year ended 31st December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 9 to the consolidated financial statements.

An analysis of the Group's performance for the financial year by business segment is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year are set out in the consolidated income statement of comprehensive income on page 33.

The Directors do not recommend the payment of a dividend.

RESERVES

Details of the movements in accumulated losses of the Group during the financial year are set out on page 37.

Details of the movements in other reserves of the Group are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 8 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company are set out in note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2009, calculated under the Company Law of Cayman Islands, amounted to approximately RMB104,573,000 (2008: RMB107,918,000).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the group for the last five financial year is set out on page 4 of the annual report.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr. Guo Fansheng (Chairman)	(appointed on 21st March 2000)
Mr. Guo Jiang (Chief Executive officer)	(appointed on 1st August 2006)
Mr. Li Jianguang[1]	(appointed on 1st August 2006)
Mr. Zhang Ke[#]	(appointed on 28th March 2003)
Mr. Xiang Bing[#]	(appointed on 8th March 2002)
Mr. Guo Wei[#]	(appointed on 8th March 2002)

1 non-executive Directors
\# independent non-executive Directors

In accordance with Article 87 of the Company's Articles of Association, Mr. Guo Fansheng and Mr. Zhang Ke will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' PROFILE

The directors' profile is set out on pages 11 to 12.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Guo Fansheng and Mr. Guo Jiang has entered into a director's service contract with the Company, whereby each of them has accepted the appointment as an executive director of the Company for a term of three years from 30th November 2009 and 1st August 2009 respectively, which may be terminated by either party giving three months' prior written notice or otherwise in accordance with the terms of their respective service contracts.

Each of the independent non-executive Directors, Mr. Guo Wei, Mr. Xiang Bing and Mr. Zhang Ke, has entered into a director's service contract with the Company, whereby Mr. Guo Wei and Mr. Xiang Bing have accepted the appointment as independent non-executive directors of the Company for a term of one year from 1st January 2004 while Mr. Zhang Ke has accepted the appointment for a term of one year from 28th March 2004, and the service contracts shall be renewed automatically at the end of the term. Either party may terminate the service contract at any time by giving one month's prior written notice or in accordance with the terms of their respective service contracts.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above and in note 17 and note 32 to the consolidated financial statements, no Director was materially interested, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its fellow subsidiaries and subsidiaries was a party subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31st December 2009, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

(a) Directors' Long Positions in the shares of the Company

Name of Director	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of ordinary shares	Percentage of shareholding
Guo Fansheng	Beneficial owners	39,447,015	–	–	–	39,447,015	8.08%
Li Jianguang	Beneficial owners	–	–	40,000,384 (Note 1)	–	40,000,384 (Note 1)	8.19%
Guo Jiang	Beneficial owners	34,349,146	2,808,625	–	–	37,157,771 (Note 2)	7.61%

Notes:

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

2. Such interest in the Company comprises:

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

   (b) 7,934,000 underlying shares derived from the share options granted under the Share Option Scheme of which 1,734,000 underlying shares derived from the share options were granted to Ms. Gengyi under the Share Option Scheme.

(b) Directors' Short Positions in the shares of the Company

There was no Directors' short position as at 31st December 2009.

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the shareholders of the Company dated 30th November 2003, two share option schemes, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), were adopted by the Company. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were summarised in the paragraph headed "Share options" under the section headed "Statutory and General Information" in Appendix V of the prospectus of the Company dated 8th December 2003.

OUTSTANDING SHARE OPTIONS

(a) Pre-IPO Share Option Scheme

As at 31st December 2009, options to subscribe for an aggregate of 9,147,120 shares of the Company granted pursuant to the Pre-IPO Share Option Scheme were outstanding. Details of which were as follows:

			Number of share options				
Name of grantee	Date of grant	Exercise price per share HK$	As at 1st January 2009	Granted during the year	Exercised during the year	Lapsed during the year	As at 31st December 2009 (Note 1)
Ex-employees							
FAN Qimiao	2nd December 2003	0.44	5,111,104	–	–	–	5,111,104
GU Yuanchao	2nd December 2003	0.44	3,777,774	–	–	–	3,777,774
Other employee							
In aggregate (Note 2)	2nd December 2003	0.44	258,242	–	–	–	258,242
Total			9,147,120	–	–	–	9,147,120

Notes:

1. Each option has a 10-year exercise 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 (the "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, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised).

2. As at 31st December 2009, there were 3 employees who had been granted with options under the Pre-IPO Share Option Scheme to acquire an aggregate of 258,242 shares of the Company.

(b) Share Option Scheme

As at 31st December 2009, options to subscribe for an aggregate of 37,223,000 shares of the Company granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

			Number of share options				
Name of grantee	Date of grant	Exercise price per share HK$	As at 1st January 2009	Granted during the year	Exercised during the year	Lapsed during the year	As at 31st December 2009 (Note 1)
Directors							
GUO Jiang	18th February 2004	2.40	1,000,000	–	–	–	1,000,000
	23rd June 2006	1.49	1,000,000	–	–	–	1,000,000
	11th July 2007	1.24	2,200,000	–	–	–	2,200,000
	29th September 2008	0.604	2,000,000	–	–	–	2,000,000
Senior management							
GENG Yi	18th February 2004	2.40	300,000	–	–	–	300,000
	23rd June 2006	1.49	434,000	–	–	–	434,000
	29th September 2008	0.604	1,000,000	–	–	–	1,000,000
Guo Bingbing	29th September 2008	0.604	800,000	–	–	–	800,000
Hong Guangzhi	29th September 2008	0.604	1,000,000	–	–	–	1,000,000
Zhao Long	18th February 2004	2.40	30,000	–	–	–	30,000
	23rd June 2006	1.49	66,000	–	–	–	66,000
	11th July 2007	1.24	145,000	–	–	–	145,000
	29th September 2008	0.604	800,000	–	–	–	800,000
Gao Xin	29th September 2008	0.604	1,000,000	–	–	–	1,000,000
Other employees							
In aggregate (Note 2)	18th February 2004	2.40	6,390,000	–	–	(581,000)	5,809,000
In aggregate (Note 3)	23rd June 2006	1.49	3,132,000	–	–	(346,000)	2,786,000
In aggregate (Note 4)	11th July 2007	1.24	10,388,000	–	–	(1,035,000)	9,353,000
In aggregate (Note 5)	29th September 2008	0.604	8,000,000	–	–	(500,000)	7,500,000
Total			39,685,000	–	–	(2,462,000)	37,223,000

Notes:

1. Each option has a 10-year exercise period, which may be exercised after the expiry of twelve months from the date of the grant of options.

   For the options exercisable at HK$2.40 granted on 18th February 2004, the relevant grantees may exercise options up to 33.3%, 66.6% and 100%, respectively, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first, second and third anniversaries of the date of the grant of options.

For the options exercisable at HK$1.49 granted on 23rd June 2006, the relevant grantees may exercise these options in a 10-year period starting from the expiry of twelve months from the date of the grant of options.

For the options exercisable at HK$1.24 granted on 11th July 2007, the relevant grantees may exercise options up to 50% and 100%, respectively, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

For the options exercisable at HK$0.604 granted on 29th September 2008, the relevant grantees may exercise these options in a 10-year period starting from the expiry of twelve months from the date of the grant of options.

2. 54 employees have been granted options under the Share Option Scheme to acquire an aggregate of 5,809,000 shares of the Company at HK$2.40 per share.

3. 35 employees have been granted options under the Share Option Scheme to acquire an aggregate of 2,786,000 shares of the Company at HK$1.49 per share.

4. 44 employees have been granted options under the Share Option Scheme to acquire an aggregate of 9,353,000 shares of the Company at HK$1.24 per share.

5. 31 employees have been granted options under the Share Option Scheme to acquire an aggregate of 7,500,000 shares of the company at HK$0.604 per share.

6. The fair value of options granted under the Share Option Scheme on 18th February 2004, determined using the Binomial Model value model, was approximately RMB20,193,000. The significant inputs into the model were the exercise price of HK$2.4, standard deviation of expected share price returns of 32%, expected life of options ranging from 5.4 to 6.6 years, expected dividend yield rate of 0% and annual risk-free interest rate ranging from 1.34% to 4.43%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

7. The fair value of options granted under the Share Option Scheme on 23rd June 2006, determined using the Binomial Model valuation model, was approximately RMB3,919,000. The significant inputs into the model were exercise price of HK$1.49, standard deviation of expected share price returns of 34.8%, expected life of options ranging from 3.2 to 5.5 years expected dividend yield rate of 0% and annual risk-free interest rate 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

8. The fair value of options granted under the Share Option Scheme on 11th July 2007, determined using the Binomial Model valuation model, was approximately RMB9,390,000. The significant inputs into the model were exercise price of HK$1.24 standard deviation of expected share price returns of 49.0%, expected life of options ranging from 2.4 to 6.2 years expected dividend yield rate of 0% and annual risk-free interest rate 4.757%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

9. The fair value of options granted under the Share Option Scheme on 29th September 2008, determined using the Binomial Model valuation model, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK$0.604 standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years expected dividend paid yield rate of 0% and annual risk-free interest rate 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

10. In the Extraordinary general meeting of the Company held on 20th June, 2008, an ordinary resolution was passed by the shareholders of the Company to refresh the scheme mandate limit under the Share Option Scheme. For details, Please refer to the Company's circular and announcement dated 5th June 2008 and 20th June 2008 respectively.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2009, the interests and short positions of substantial shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholder	Class of shares	Long position	Nature of short position	Approximate interests/ Holding capacity	Percentage of share capital
Substantial shareholders					
McCarthy Kent C.	Ordinary	122,148,000 (Note 1)	–	Interest in controlled corporation	25.02%
McGovern Patrick J.	Ordinary	104,790,697 (Note 2)	–	Interest in controlled corporation	21.47%
Zhou Quan	Ordinary	79,316,743 (Note 3)	–	Interest in controlled corporation	16.25%
Other person					
Geng Yi	Ordinary	37,157,771 (Note 4)	–	Beneficial owner/Family interests	7.61%

Notes:

1. Such interest in the Company comprises 115,021,330 shares, and 7,126,670 shares owned by Jayhawk Private Equity Fund, L.P. and Jayhawk Private Equity Co-Invest Fund, L.P., respectively. The entire issued share capital of each of the abovementioned companies is owned by Mr. McCarthy Kent

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

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

4. Such interest in the Company comprises:

   (a) 29,223,771 shares of the Company of which 28,149,146 shares of the Company are held by Mr. Guo Jiang, Ms. Geng's spouse; and

   (b) 7,934,000 underlying shares derived from the share options granted under the Share Option Scheme of which 6,200,000 underlying shares derived from the share options granted to Mr. Guo Jiang, Ms. Geng's spouse, under the Share Option Scheme.

Save as disclosed above, as at 31st December 2009, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares of the Company which are required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Certain related party transactions entered into by the Group, as disclosed in note 15 and note 32 to the financial statements which also constitute (i) connected transactions or (ii) continuing connected transactions under the GEM Listing Rules (as amended from time to time), are required to be disclosed in accordance with Chapter 20 of the GEM Listing Rules.

The following transactions between certain connected parties (as defined in the GEM Listing Rules) and the Company have been entered into and/or ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with the requirements of the GEM Listing Rules.

i. Connected Transactions Disclosed During the Year Ended 31st December 2009

1. Save for the continuing connected transactions disclosed below, the Group did not enter into any connected transaction disclosable under GEM Listing Rules during the financial year ended 31st December 2009.

ii. Continuing Connected Transactions (the "Transactions")

1. On 28th November 2008, the two joint venture companies formed under the Co-operation and Framework Agreement referred to the Company's announcement and circular dated 21st October 2008 and 7th November 2008 respectively, 北京鄧白氏慧聰市場信息咨詢有限公司 ("Sales JV"), which is a connected person of the Group and 北京慧聰博信信息咨詢有限公司 ("Fulfilment JV"), which is also a subsidiary of the Company, entered into a fulfilment services agreement (the "FSA1").

   Pursuant to the FSA1, Fulfilment JV shall provide fulfilment services to Sales JV for an initial term of 3 years (renewable for subsequent 3 year periods upon further agreement by the parties) commencing from 28th November 2008. Fulfilment JV shall charge a fulfilment charge for the fulfilment services provided at a percentage of the net revenues achieved by Sales JV as follows : (a) for the first 12-month period: 66.7%; (b) for the second 12-month period: 67.3%; and (c) for the third 12-month period: 66.2%. The annual transaction amounts for each of the four years ended 31st December 2008 and ending 31st December 2009, 31st December 2010 and 31st December 2011 were capped at RMB4,000,000, RMB57,000,000, RMB78,000,000 and RMB89,000,000, respectively. The actual transaction amount for the year ended 31st December 2009 was RMB44,698,000.

2. On 28th November 2008, pursuant to the Co-operation and Framework Agreement, Sales JV and HC PRC, a subsidiary of the Company, entered into a fulfilment services agreement (the "FSA2").

   Pursuant to the FSA2, HC PRC shall provide fulfilment services to Sales JV for an initial term of 3 years (renewable for subsequent 3 year periods upon further agreement by the parties) commencing from 28th November 2008. HC PRC shall charge a fulfilment charge for the fulfilment services provided based on actual cost of fulfilment plus 12%. The annual transaction amounts for each of the four years ended 31st December 2008 and ending 31st December 2009, 31st December 2010 and 31st December 2011 were capped at RMB740,000, RMB9,200,000, RMB12,100,000 and RMB13,960,000 respectively. The actual transaction amount for the year ended 31st December 2009 was RMB8,516,000.

3. On 28th November 2008, pursuant to the Co-operation and Framework Agreement, Fulfilment JV and HDBC entered into a data purchase agreement (the "DPA").

   Pursuant to the DPA, Fulfilment JV shall purchase data and related products and services which requires in connection with its fulfilment services under the FSA1 exclusively from HDBC for an initial term of 3 years (renewable for subsequent 3 year periods upon further agreement by the parties) commencing from 28th November 2008. The DPA includes a price list for such products and services that shall be based on the lowest domestic price paid by HDBC's local clients in the PRC. The annual transaction amounts for each of the four years ended 31st December 2008 and ending 31st December 2009, 31st December 2010 and 31st December 2011 were capped at RMB67,000, RMB817,000, RMB1,017,000 and RMB1,100,000 respectively. The actual transaction amount for the year ended 31st December 2009 was RMB136,000.

4. On 28th November 2008, pursuant to the Co-operation and Framework Agreement, a delivery arrangement (the "Delivery Arrangement") was agreed between HC PRC and Sales JV, whereby Sales JV will deliver the products and services as required in the remaining customer contracts to HC PRC and HC PRC will pay Sales JV in cash a consideration equivalent to the contract value under the relevant remaining customer contracts of the products and services delivered. The transaction amount under the Delivery Arrangement was capped at approximately RMB2,124,000. The above amount was an estimation of the contract sum of the relevant remaining customer contracts at the time of the issuance of the announcement dated 28 November 2008. The actual transaction amount under the Delivery Arrangement for the year ended 31 December 2009 amounted to approximately RMB 6,387,000. As represented by the board of directors of the Company, the capped amount under the Delivery Arrangement was not required to be approved by the independent shareholders of the Company.

   The FSA1, the FSA2 and the DPA were approved by the independent shareholders of the Company by ordinary resolutions passed at the extraordinary general meeting held on 24th November 2008. For details of the FSA1, the FSA2 and the DPA, please refer to the announcement dated 21st October 2008 and the circular dated 7th November 2008 of the Company.

Pursuant to the relevant requirements under the GEM Listing Rules, the Transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 20.38 of the GEM Listing Rules, the board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the Transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings for the selected samples based on the agreed procedures to the board of Directors.

The auditor of the Company has reviewed the Transactions and confirmed that the Transactions (a) has received the approval of the board of Directors; (b) has been entered into in accordance with the relevant agreements governing the transactions; and (c) has not exceeded the relevant caps, except as detailed in the above Delivery Arrangement.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the respective percentages of purchases attributable to the Group's five largest suppliers and the sales attributable to the Group's five largest customers combined was less than 30% of the total value of the Group's purchases and sales.

Save as disclosed in this annual report, none of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

AUDIT COMMITTEE

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

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

The audit committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Group for the year ended 31st December 2009 and met with external auditors and discussed the financial matters of the Group that arose during the course of audit for the year ended 31st December 2009. The audit committee held 4 meetings during the period.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

SUBSEQUENT EVENTS

There are no material events which have taken place subsequent to the balance sheet date to the date of this report.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31st December 2009.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

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

Beijing, PRC, 23rd March 2010

Corporate Governance Report

INTRODUCTION

Maintaining high standards of business ethics and corporate governance practices has always been one of the Company's goals. This report describes its corporate governance practices, explains the applications of the principles of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "Code") and deviations, if any.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions of the Code. The Company believes that by achieving high standard of corporate governance, the corporate value and accountability of the Company can be enhanced and the shareholders' interests can be maximised. The board of Directors has continued to monitor and review the Company's progress in respect of corporate governance practices to ensure compliance. Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to directors and senior management of the Company to ensure awareness to issues regarding corporate governance practices.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms not less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules on 20th March 2006. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31st December 2009.

On 20th March 2006, the board of Directors also adopted written guidelines on terms not less than the required standard of dealings for relevant employees in respect of their dealings in the securities of the Company. Prior to the adoption of such an internal code of conduct regarding securities transactions by employees, relevant employees who had in their possession of price-sensitive information were formally briefed on the dealing restrictions in relation to the securities of the Company at management meetings during the reporting period.

THE BOARD OF DIRECTORS

Composition

As at the date of this report, the board of Directors comprises six Directors, of whom two are executive Directors, one is non-executive Director and three are independent non-executive Directors. The participation of non-executive Directors in the board of Directors provides the Company with a wide range of expertise and experience, and plays an important role in the work of the board of Directors and brings independent judgement on issues relating to the Company's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered. All Directors have given sufficient time and attention to the affairs of the Company. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

In full compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules.

The board of Directors as at 31st December 2009 comprised:

Executive Directors	Guo Fansheng (Chairman), Guo Jiang
Non-executive Director	Li Jianguang
Independent Non-executive Directors	Zhang Ke, Xiang Bing, Guo Wei

Except that Mr. Guo Fansheng (Chairman) is the uncle of Mr. Guo Jiang (Chief Executive Officer), there are no finanical, business, family or other relationships among the members of the board of Directors.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Board Meetings

The board of Directors meets in person or through other electronic means of communication at least four times every year. At least 14 days' notice of all board meetings were given to all Directors (unless waived in accordance with the Articles of Association of the Company), who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists the Chairman in preparing the agenda for the meeting, and ensures that all applicable rules and regulations regarding the meetings are observed. The meeting agenda and accompanying board papers are sent to all Directors prior to meetings.

During the financial year ended 31st December 2009, 5 board meetings were held and the following is an attendance record of the meetings by each Director:

Directors	Attendance
Guo Fansheng	5/5
Guo Jiang	5/5
Li Jianguang	5/5
Zhang Ke	5/5
Xiang Bing	3/5
Guo Wei	4/5

During regular meetings of the board of Directors, the Directors discuss and formulate the overall strategies of the Company, monitor financial performances and discuss the annual and interim results, set annual budgets, as well as discuss and decide on other significant matters.

The Company Secretary records the proceedings of each board meeting in detail by keeping detailed minutes, including all decisions made by the board of Directors together with concerns raised and dissenting views expressed (if any). Drafts of board minutes are circulated to all Directors for comments and approval as soon as practicable after the meeting. All minutes are open for inspection at any reasonable time on request by any Director. All Directors have access to relevant and timely information at all times as the Chairman ensures that management will supply the board of Directors and its committees with all relevant information in a timely manner.

Delegation by the Board

The Company has set out the respective functions and responsibilities reserved to the board of Directors and those delegated to management. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for its approval. The Board is responsible for the approval and monitoring of the Company's overall strategies and policies; approval of business plans; evaluating the performance of the Company and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

Decisions of the Board are communicated to the management through executive Directors who have attended at Board meetings.

Term of Appointment and Re-election

Under the provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. Each of the existing non-executive Directors was appointed for a fixed term of one year, subject to rotation and/or re-election at the annual general meeting of the Company, as specified by the Articles of Association of the Company. Under the provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

On 10th November 2006, a special resolution was passed by the shareholders of the Company to approve the amendments to the Company's Articles of Association to ensure compliance with the Code. Pursuant to the amended provisions of the Articles of Associations of the Company, any Director appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting. At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

To improve transparency and independency, the roles of the Chairman and the Chief Executive Officer of the Company are segregated and are not exercised by the same individual.

The Chairman is responsible for ensuring that the Board functions effectively and smoothly. In doing so, the Chairman ensures that good corporate governance practices and procedures are established and followed, and that all Directors are properly briefed and received all relevant information prior to each meeting.

Mr. Guo Fansheng assumes the role of the Chairman. He is responsible for overseeing the implementation of corporate strategies of the Company. Mr. Guo Jiang assumes the role of the Chief Executive Officer of the Company. He is responsible for overseeing the day-to-day operations of the Company.

REMUNERATION COMMITTEE

The remuneration committee was established on 20th March 2006. The Chairman of the committee is Mr. Zhang Ke, (independent non-executive Director) and other members include Mr. Guo Jiang (executive Director), Mr. Li Jianguang (non-executive Director), Mr. Xiang Bing and Mr. Guo Wei (independent non-executive Directors).

The remuneration committee is responsible for formulating and recommending the board of Directors in relation to the remuneration policy, determining the remunerations of executive Directors and members of the senior management of the Company, and reviewing and making recommendations on the Company's share option scheme, bonus structure, provident fund and other compensation-related issues. The remuneration committee consults with the Chairman and/or the Chief Executive Officer on its proposals and recommendations.

Prior to the formation of the remuneration committee, such duties were performed by the board of Directors.

The remuneration committee is provided with other resources enabling it to discharge its duties such as the access to professional advice if and when necessary. For the financial year ended 31st December 2009, the remuneration committee held 1meeting. The individual attendance record of each member is as follows:

Members	Attendance
Zhang Ke	1/1
Guo Jiang	1/1
Li Jianguang	1/1
Xiang Bing	0/1
Guo Wei	1/1

Full minutes of the remuneration meetings are properly kept by the Company. In line with practices consistent with meetings of the board of Directors and other committee meetings, draft and final versions of remuneration committee meeting minutes are circulated to all members of the remuneration committee for comments, approval and record as soon as practicable after each meeting.

At the meetings of the remuneration committee held in the period under review, the members of the remuneration committee have reviewed the Group's remuneration policy and discussed the remuneration packages of Directors and senior management for the forthcoming financial year.

The emoluments of the Directors and the management are determined based on the operating results of the Company, individual performance and/or prevailing market conditions. The Company has also adopted the Share Option Scheme as an incentive to Directors and senior management.

NOMINATION OF DIRECTORS

The Company does not establish a nomination committee. The Board is empowered under the Company's articles of association to appoint any person as a director either to fill a casual vacancy on or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

During the year ended 31st December 2009, because there was no proposed appointment of new directors, the Board had no meeting for the nomination of directors.

AUDIT COMMITTEE AND ACCOUNTABILITY

Management provides all relevant information and records to the board of Directors enabling the board of Directors to make assessment and to prepare the financial statements and other financial disclosures. In full compliance with rule 5.28 and 5.33 of the GEM Listing Rules, the audit committee was established in July 2003 and is currently chaired by Mr. Zhang Ke, independent non-executive Director. Other members of the audit committee include Mr. Li Jianguag (non-executive Director) and Mr. Xiang Bing (independent non-executive Director).

The audit committee's primary duties include ensuring the Company's financial statements, annual and interim reports, and the auditors' report present a true and balanced assessment of the Company's financial position; reviewing the Company's financial control, internal control and risk management systems; and reviewing the Company's financial and accounting policies and practices.

The audit committee is provided with sufficient resources enabling it to discharge its duties. For the financial year ended 31st December 2009, the audit committee held 4 meetings. The individual attendance record of each member is as follows:

Members	Attendance
Zhang Ke	4/4
Xiang Bing	2/4
Li Jianguang	4/4

The audit committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the financial results of the Group during the year ended 31st December 2009 and met with external auditors and discussed the financial matters of the Group that arose during the course of audit during the year ended 31st December 2009. The audit committee held 4 meetings during the year.

Full minutes of all audit committee meetings are properly kept by the Company. In line with practices consistent with meetings of the board of Directors and other committee meetings, draft and final versions of audit committee meeting minutes are circulated to all members of the audit committee for comments, approval and record as soon as practicable after each meeting.

The Directors' responsibilities for the financial statements and the responsibilities of the external auditors to the shareholders are set out on page 32 of this report.

AUDITOR'S REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit function performed by external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Company has paid an aggregate of HK$2,398,000 to the external auditors for its audit and other audit-related services.

INTERNAL CONTROL

The board of Directors is responsible for maintaining sound and effective internal control systems for the Group to safeguard the Company's assets and shareholders' interests, as well as for reviewing such systems' effectiveness. The board of Directors conducts review of the Company's internal control systems periodically, covering financial, operational and compliance controls and risk management functions. In such review, the board of Directors has considered factors such as changes since the last review; scope and quality of management's monitoring of risks; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the GEM Listing Rules.

INVESTOR RELATIONS

The Company discloses all necessary information to the shareholders in compliance with the GEM Listing Rules. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries (if any). The Directors make efforts to attend annual general meetings so that they may answer any question raised by the shareholders of the Company.

The proceedings of the annual general meetings are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance.

The Company also communicates with its shareholders through its annual, interim and quarterly reports. The Directors, Company Secretary or other appropriate members of senior management also respond to inquiries from shareholders and investors promptly.

Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HC INTERNATIONAL, INC.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of HC International, Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 89, which comprise the consolidated and company balance sheets as at 31st December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2009

	Note	2009 RMB'000	2008 RMB'000
Sales	5	**317,655**	313,944
Cost of sales	23	**(150,755)**	(138,293)
Gross profit		**166,900**	175,651
Other income	22	**2,513**	15,059
Selling and marketing expenses	23	**(77,136)**	(90,676)
Administrative expenses	23	**(88,289)**	(94,446)
Gain on disposal of a jointly controlled entity	11	**2,100**	–
Write back of provision for impairment of amount due from a jointly controlled entity	11	**–**	14,130
Share of loss of a jointly controlled entity	11	**–**	(12,000)
Impairment of an intangible asset	7	**–**	(8,471)
Impairment of an available-for-sale financial asset	12	**–**	(8,945)
Gain on disposal of research business	29(d)	**–**	28,425
Share of profit of an associated company	10	**271**	37
Profit before income tax		**6,359**	18,764
Income tax	25	**(1,592)**	(16,304)
Profit for the year		**4,767**	2,460
Other comprehensive loss:			
Currency translation difference		**(33)**	(834)
Total comprehensive income for the year		**4,734**	1,626
Profit attributable to:			
Equity holders of the Company		**2,130**	1,861
Minority interest		**2,637**	599
		4,767	2,460
Total comprehensive income attributable to:			
Equity holders of the Company		**2,097**	1,027
Minority interest		**2,637**	599
		4,734	1,626
Earnings per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
Basic	27	**0.0044**	0.0038
Diluted	27	**0.0044**	0.0038

The notes on pages 39 to 89 are an integral part of these consolidated financial statements.

Dividends	28	**–**	–

Consolidated Balance Sheet

As at 31st December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**18,579**	19,006
Intangible assets	7	**10,807**	13,443
Property, plant and equipment	8	**64,429**	62,803
Investment in an associated company	10	**1,508**	1,237
Interests in a jointly controlled entity	11	**–**	–
Deferred income tax assets	20	**3,501**	1,907
Available-for-sale financial assets	12	**–**	–
Long term deposit	13	**1,659**	1,629
		100,483	100,025
Current assets			
Trade receivables	13	**22,923**	29,599
Deposits, prepayments and other receivables	13	**16,053**	9,591
Direct selling costs	14	**10,173**	–
Amounts due from a related company	15	**861**	175
Amount due from an associated company	10	**21,899**	4,626
Cash and cash equivalents	16	**201,119**	162,602
		273,028	206,593
Total assets		**373,511**	306,618
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**52,055**	52,055
Other reserves	18	**265,273**	259,968
Accumulated losses		**(103,016)**	(105,146)
		214,312	206,877
Minority interest		**8,999**	5,958
Total equity		**223,311**	212,835

	Note	2009 RMB'000	2008 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	**–**	170
Current liabilities			
Trade payables	19	**2,332**	3,760
Accrued expenses and other payables	19	**22,279**	23,413
Deferred revenue	19	**107,363**	48,567
Other taxes payable	21	**12,351**	14,078
Income tax payable	21	**5,875**	3,795
		150,200	93,613
Total liabilities		**150,200**	93,783
Total equity and liabilities		**373,511**	306,618
Net current assets		**122,828**	112,980
Total assets less current liabilities		**223,311**	213,005

On behalf of the board of Directors

GUO Fansheng
Director

GUO Jiang
Director

The notes on pages 39 to 89 are an integral part of these consolidated financial statements.

Balance Sheet

As at 31st December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**1,956**	1,956
		1,956	1,956
Current assets			
Loan to a subsidiary	9	**181,856**	182,021
Other receivables	13	**127**	282
Cash and cash equivalents	16	**5**	5
		181,988	182,308
Total assets		**183,944**	184,264
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	**52,055**	52,055
Other reserves	18	**159,810**	156,705
Accumulated losses	18	**(28,161)**	(24,816)
Total equity		**183,704**	183,944
LIABILITIES			
Current liabilities			
Accrued expenses and other payables	19	**240**	320
Total liabilities		**240**	320
Total equity and liabilities		**183,944**	184,264
Net current assets		**181,748**	181,988
Total assets less current liabilities		**183,704**	183,944

On behalf of the board of Directors

GUO Fansheng
Director

GUO Jiang
Director

The notes on pages 39 to 89 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2009

		Attributable to the Company's equity holders					
	Note	Share capital RMB'000	Other reserves RMB'000	(Accumulated losses) RMB'000	Sub-total RMB'000	Minority interest RMB'000	Total RMB'000
Balance at 1st January 2008		52,551	261,885	(109,385)	205,051	2,561	207,612
Comprehensive income							
Profit for the year		–	–	1,861	1,861	599	2,460
Other comprehensive income							
Currency translation difference	18	–	(834)	–	(834)	–	(834)
Total comprehensive income		–	(834)	1,861	1,027	599	1,626
Transactions with owners							
Repurchase of own shares	17	(496)	(4,417)	2,378	(2,535)	–	(2,535)
Share option scheme-value of employee services	18	–	3,334	–	3,334	–	3,334
Contribution from minority interest on set of a subsidiary		–	–	–	–	2,798	2,798
Total transactions with owners		(496)	(1,083)	2,378	799	2,798	3,597
Balance at 31st December 2008		52,055	259,968	(105,146)	206,877	5,958	212,835
Balance at 1st January 2009		52,055	259,968	(105,146)	206,877	5,958	212,835
Comprehensive income							
Profit for the year		–	–	2,130	2,130	2,637	4,767
Other comprehensive income							
Currency translation difference	18	–	(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	18	–	5,338	–	5,338	–	5,338
Contribution from minority interest		–	–	–	–	404	404
Total transactions with owners		–	5,338	–	5,338	404	5,742
Balance at 31st December 2009		52,055	265,273	(103,016)	214,312	8,999	223,311

The notes on pages 39 to 89 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2009

	Note	2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Cash generated from operations	29(a)	**63,276**	571
Interest received	22	**2,513**	2,639
The People's Republic of China ("PRC") income tax paid		**(1,276)**	(3,049)
Net cash generated from operating activities		**64,513**	161
Cash flows from investing activities			
(Purchase of)/repayment from an entrusted fund		**(10,000)**	55,000
Purchase of property, plant and equipment		**(17,311)**	(8,947)
Purchase of intangible assets		**(1,295)**	–
Proceeds from sale of property, plant and equipment	29(c)	**139**	107
Proceeds from disposal of a jointly controlled entity	11	**2,100**	–
Net cash inflow from a shareholder of a newly set up subsidiary	29(d)	**–**	15,668
Net cash inflow from a shareholder of a newly set up associated company	29(d)	**–**	14,056
Repayment from a jointly controlled entity	11	**–**	5,459
Net cash (used in)/generated from investing activities		**(26,367)**	81,343
Cash flows from financing activities			
Capital contribution from minority shareholders		**404**	–
Repurchase of own shares	18	**–**	(2,535)
Net cash generated from/(used in) financing activities		**404**	(2,535)
Net increase in cash and cash equivalents		**38,550**	78,969
Cash and cash equivalents at beginning of the year		**162,602**	85,278
Exchange loss on cash and cash equivalents		**(33)**	(1,645)
Cash and cash equivalents at end of the year		**201,119**	162,602

The notes on pages 39 to 89 are an integral part of these consolidated financial statements.

Notes
to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

Improvements to HKFRS published by HKICPA in October 2008:

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

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

(b) Consolidation

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

(i) Subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

(ii) Associated company

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

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

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

(iii) Jointly controlled entity

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Group companies*

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

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

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

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

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

(e) Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

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

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

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

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

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

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

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

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

(g) Intangible assets

(i) Goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

(ii) Software development costs

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

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

(iii) Data library

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

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

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

(i) Financial assets

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

(a) Loans and receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial assets (Continued)

(b) Available-for-sale financial assets

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

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

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

(j) Trade and other receivables

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

(k) Direct selling costs

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

(l) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Deferred revenue

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

(n) Share capital

Ordinary shares are classified as equity.

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

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

(o) Current and deferred income tax

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits

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

(a) *Retirement benefit costs*

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

(b) *Bonus entitlements*

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

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

(c) *Share-based compensation*

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

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

(d) *Termination benefits*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions

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

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

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

(r) Trade and other payables

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

(s) Revenue recognition

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Leases

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

(u) Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) *Market risk*

Foreign exchange risk

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

(b) *Credit risk*

Credit risk is managed on a group basis. The Group's credit risk mainly arises from cash and cash equivalents, as well as credit exposures to trade receivables. It also includes a banking product purchased from a commercial bank which is a listed financial institution. It is included other receivables balance as at year end. The Finance Department has policies in place to monitor the exposures to these credit risks on an on-going basis.

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

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

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

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

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

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk*

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

As at 31st December 2009, the cash and cash equivalents of the Group approximated RMB201,119,000 (2008: RMB162,602,000).

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

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

3.2 Capital risk management

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

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

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

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

3.3 Fair value estimation

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

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Provision for impairment of receivables

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

(b) Taxes

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

(c) Revenue recognition

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

5. SEGMENT INFORMATION

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

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

5. SEGMENT INFORMATION (Continued)

(a) Primary reporting format – business segments

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

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

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

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

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

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

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

5. SEGMENT INFORMATION (Continued)

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

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

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

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

6. LAND USE RIGHTS – GROUP

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

	2009 **RMB'000**	2008 RMB'000
Opening net book amount	**19,006**	19,433
Amortisation	**(427)**	(427)
Closing net book amount	**18,579**	19,006
Cost	**21,324**	21,324
Accumulated amortisation	**(2,745)**	(2,318)
Closing net book amount	**18,579**	19,006

Amortisation of the Group's land use rights is included in administrative expenses in the consolidated statement of comprehensive income.

7. INTANGIBLE ASSETS – GROUP

	Goodwill RMB'000	Software development costs RMB'000	Data library RMB'000	Total RMB'000
At 1st January 2008				
Cost	–	26,620	21,986	48,606
Accumulated amortisation and impairment	–	(11,726)	(9,895)	(21,621)
Net book amount	–	14,894	12,091	26,985
Year ended 31st December 2008				
Opening net book amount	–	14,894	12,091	26,985
Addition (c)	167	–	–	167
Amortisation (a)	–	(2,494)	(2,198)	(4,692)
Disposal	–	(546)	–	(546)
Impairment (b)	–	(8,471)	–	(8,471)
Closing net book amount	167	3,383	9,893	13,443
At 31st December 2008				
Cost	167	25,388	21,986	47,541
Accumulated amortisation and impairment	–	(22,005)	(12,093)	(34,098)
Net book amount	167	3,383	9,893	13,443
Year ended 31st December 2009				
Opening net book amount	167	3,383	9,893	13,443
Addition	–	1,295	–	1,295
Amortisation (a)	–	(1,733)	(2,198)	(3,931)
Closing net book amount	167	2,945	7,695	10,807
At 31st December 2009				
Cost	167	26,683	21,986	48,836
Accumulated amortisation and impairment	–	(23,738)	(14,291)	(38,029)
Net book amount	167	2,945	7,695	10,807

(a) Amortisation of intangible assets is included in selling and marketing expenses in the consolidated statement of comprehensive income.

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

7. INTANGIBLE ASSETS – GROUP (Continued)

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Construction in Progress RMB'000	Buildings RMB'000	Computer and telecom-munications equipment RMB'000	Fixtures, fittings and office equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1st January 2008							
Cost	–	38,943	93,132	11,046	3,153	2,397	148,671
Accumulated depreciation	–	(7,873)	(54,035)	(8,597)	(2,453)	(1,578)	(74,536)
Net book amount	–	31,070	39,097	2,449	700	819	74,135
Year ended 31st December 2008							
Opening net book amount	–	31,070	39,097	2,449	700	819	74,135
Set up of a new subsidiary (note 29(d))	–	–	145	–	–	–	145
Additions	–	930	4,469	154	3,394	–	8,947
Disposals	–	–	(1,857)	(25)	–	(388)	(2,270)
Depreciation (a)	–	(1,948)	(14,376)	(1,018)	(529)	(283)	(18,154)
Closing net book amount	–	30,052	27,478	1,560	3,565	148	62,803
At 31st December 2008							
Cost	–	39,873	89,489	11,110	5,209	983	146,664
Accumulated depreciation	–	(9,821)	(62,011)	(9,550)	(1,644)	(835)	(83,861)
Net book amount	–	30,052	27,478	1,560	3,565	148	62,803
Year ended 31st December 2009							
Opening net book amount	–	30,052	27,478	1,560	3,565	148	62,803
Additions	12,395	515	4,099	96	206	–	17,311
Disposals	–	–	(125)	(8)	(237)	(87)	(457)
Depreciation (a)	–	(2,101)	(11,787)	(463)	(819)	(58)	(15,228)
Closing net book amount	12,395	28,466	19,665	1,185	2,715	3	64,429
At 31st December 2009							
Cost	12,395	40,388	74,726	10,989	5,178	706	144,382
Accumulated depreciation	–	(11,922)	(55,061)	(9,804)	(2,463)	(703)	(79,953)
Net book amount	12,395	28,466	19,665	1,185	2,715	3	64,429

(a) Depreciation of RMB1,377,000 (2008: RMB3,287,000) is included in selling and marketing expenses; and RMB13,851,000 (2008: RMB14,867,000) in administrative expenses in the consolidated statement of comprehensive income.

9. INVESTMENTS IN SUBSIDIARIES AND LOAN TO A SUBSIDIARY – COMPANY

	2009 RMB'000	2008 RMB'000
Investments, unlisted shares, at cost (a)	**1,956**	1,956
Loan to a subsidiary (b)	**181,856**	182,021
	183,812	183,977

(a) The following is a list of the principal subsidiaries at 31st December 2009:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/paid-up share capital	Effective interest held
[1] Hong Kong Huicong International Group Limited ("HKHC")	British Virgin Islands, limited liability company	Investment holding in Hong Kong	21,000,000 ordinary shares of US$0.01 each	100%
北京慧聰國際資訊有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB110,000,000	82%
北京慧聰互聯信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB10,000,000	82%
北京慧翔網路技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB10,000,000	82%
北京慧聰再創科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB5,000,000	82%
北京京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	82%
China Media Network International Inc.	British Virgin islands, limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of USD 1.00 each	100%

9. INVESTMENTS IN SUBSIDIARIES AND LOAN TO A SUBSIDIARY – COMPANY (Continued)

(a) (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/paid-up share capital	Effective interest held
慧聰商情廣告(北京)有限公司	The PRC, limited liability company	Advertising in the PRC	RMB2,000,000	82%
北京慧聰網展覽有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,000,000	61.5%
上海慧龍廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	82%
上海新慧聰網廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	82%
上海慧聰網路信息資訊有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,000,000	82%
南京慧聰網廣告資訊有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	82%
杭州慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	82%
廣州京慧聰商情廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,500,000	82%
廣州慧聰網科技有限公司 (formerly known as 廣州市慧穎廣告有限公司)	The PRC, limited liability company	Advertising in the PRC	RMB5,000,000	82%
廈門市京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	82%

9. INVESTMENTS IN SUBSIDIARIES AND LOAN TO A SUBSIDIARY – COMPANY (Continued)

(a) (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/paid-up share capital	Effective interest held
深圳市京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB2,000,000	82%
深圳市慧聰網廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	82%
濟南金慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	82%
寧波慧聰網路技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,500,000	82%
[2] 北京花開富信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB6,000,000	49.2%
北京慧聰博信信息諮詢有限公司	The PRC, limited liability	Provision of market research services in the PRC	RMB10,010,000	57.4%

1 Shares held directly by the Company.

2 This company was newly set up on 9th April 2009 and is indirectly by held by a subsidiary which has a 60% interest in it.

(b) Loan to a subsidiary

The loan to a subsidiary is denominated in Hong Kong dollar, unsecured, interest-free and repayable on demand. The carrying value of this balance approximates its fair value.

10. INTERESTS IN AN ASSOCIATED COMPANY – GROUP

(a) Investment in an associated company

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

Interests in an associated company as at 31st December 2009 include goodwill of RMB220,000 (2008: RMB220,000).

(i) The amount represents the Group's interest in an associated company, Sales JV Co. Details of the acquisition is stated in Note 7(c).

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

Name	Country of incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Net Profit RMB'000	% Interest held
		2009				
北京鄧白氏慧聰市場信息諮詢有限公司 (Beijing D&B HuiCong Market Research Co., Ltd.) ("Sales JV Co.")	The PRC	18,980	17,688	22,505	271	40%
		2008				
		1,913	1,681	1,736	37	40%

(b) Amount due from an associated company

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

11. INTERESTS IN A JOINTLY CONTROLLED ENTITY – GROUP

	2009 RMB'000	2008 RMB'000
Interests in a jointly controlled entity ("JCE") (note a)	–	–
Amount due from a JCE	–	–
Provision for impairment (note b)	–	–
Amount due from a JCE – net	–	–

The shares held in a jointly controlled entity were fully disposed at a consideration of RMB2,100,000 in August 2009. A corresponding gain on disposal of JCE with equivalent amount has been recognised in the consolidated statement of comprehensive income for the year ended 31st December 2009.

Note:

(a) Interests in a JCE

At 31st December 2008, the Group had equity interest in the following jointly controlled entities, all of which are unlisted:

Entity	**Place and date of incorporation**	**activities**	**Principal share capital** 2008	**Capital/paid-up Effective interest held** 2008
Shares held directly:				
China Search Inc.	Cayman Islands 31st May 2004	Investment holding	87,500,000 ordinary shares of USD0.00025 each	18.90%
			69,163,710 preferred shares of USD0.00025 each	
Shares held indirectly through China Search Inc:				
北京中搜在線軟件有限公司	The PRC 28th May 2003	Provision of search engine service, software licensing and system integration	RMB19,920,000	17.48%

11. INTERESTS IN A JOINTLY CONTROLLED ENTITY – GROUP (Continued)

Note: (Continued)

(a) Interests in a JCE (Continued)

Movement in interest in JCE during the year is as follows:

	2009 RMB'000	2008 RMB'000
At 1st January	–	–
Acquisition (i)	–	12,000
Share of loss	–	(12,000)
At 31st December	–	–

(b) Provision for impairment

Movements in the provision for impairment of amount due from a JCE are as follows:

	2009 RMB'000	2008 RMB'000
At 1st January	–	14,130
Reversal of impairment of amount due from a jointly controlled entity (i)	–	(14,130)
At 31st December	–	–

(i) During the year ended 31st December 2008, the Group entered into a note conversion shares purchase agreement with the JCE dated 26th September 2008, under which the Group agreed to convert promissory note of RMB12,000,000 held by the Group, which was recorded as amount due from the JCE, into Series A Preferred Shares of the JCE, with par value of USD 0.00025 each. As a result of such conversion, the equity interest in the JCE increased by RMB12,000,000. Subsequently, the Group received cash settlement of approximately RMB5,459,000 from the JCE. As a result, the full amount of provision made with respect of amount due from a JCE was reversed in the year ended 31st December 2008, and a total of RMB17,459,000 has credited to the consolidated statement of comprehensive income.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

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

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

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

13. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Trade receivables (note a)	27,368	34,448	–	–
Less: provision for impairment of trade receivables	(4,445)	(4,849)	–	–
Trade receivables – net	22,923	29,599	–	–
Deposits, prepayments and other receivables (note b)	17,712	11,220	127	282
	40,635	40,819	127	282
Less: Non-current deposit	(1,659)	(1,629)	–	–
Current portion	38,976	39,190	127	282

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

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

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

The carrying amounts of trade receivables approximate their fair values.

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

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

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

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

(a) (Continued)

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

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

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

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

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

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

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

(b) Deposits, prepayments and other receivables

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

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

14. DIRECT SELLING COSTS

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

15. AMOUNTS DUE FROM A RELATED COMPANY – GROUP

	2009 RMB'000	2008 RMB'000
Amounts due from a related company: 北京慧聰建設信息資訊有限公司	**861**	175
	861	175

The amounts due from a related company that arose from normal course of business are denominated in RMB, unsecured, interest-free and with a credit period of approximately 30 days. This related party has no default history. The carrying values of this balance approximates its fair value.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash at banks and on hand	**113,669**	95,602	**5**	5
Fixed deposit	**87,450**	67,000	**–**	–
	201,119	162,602	**5**	5
Denominated in:				
– HK dollar	**1,669**	3,525	**–**	–
– RMB	**177,530**	136,608	**–**	–
– US dollar	**21,920**	22,381	**5**	5
– Other currencies	**–**	88	**–**	–
	201,119	162,602	**5**	5

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

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

	Group	
	2009 RMB'000	2008 RMB'000
Cash and bank balances	**201,119**	162,602

17. SHARE CAPITAL

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

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

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

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

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

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

17. SHARE CAPITAL (Continued)

(a) (Continued)

Share options

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

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

(ii) Pursuant to a written resolution of the shareholders of the Company dated 30th November 2003, a share option scheme (the "Share Option Scheme") was adopted by the Company. Pursuant to the Share Option Scheme, the board of directors is authorised to grant options to any directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the board of directors in accordance with the terms of the Share Option Scheme. No additional share options were granted pursuant to the Share Option Scheme during the year.

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

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

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

17. SHARE CAPITAL (Continued)

(a) (Continued)

Share options (Continued)

(ii) (Continued)

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

The weighted average assumptions used are as follows:

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

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

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

(b) Pre-IPO Share Option Scheme

	Expiry date	**2009** Exercise price in HK$ per share	**2009** Share options	2008 Exercise price in HK$ per share	2008 Share options
At 1st January		**0.44**	**9,147,120**	0.44	9,147,120
Exercised		**–**	**–**	–	–
At 31st December	17th December 2013	**0.44**	**9,147,120**	0.44	9,147,120

17. SHARE CAPITAL (Continued)

(c) Share Option Scheme

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

18. OTHER RESERVES

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

	Equity movement of the Company						
	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1st January 2008	52,551	137,647	20,399	–	(286)	(23,044)	187,267
Loss for the year	–	–	–	–	–	(4,150)	(4,150)
Repurchase of own shares	(496)	(4,913)	–	496	–	2,378	(2,535)
Share option scheme-value of employee services	–	–	3,334	–	–	–	3,334
Currency translation difference	–	–	–	–	28	–	28
At 31st December 2008	52,055	132,734	23,733	496	(258)	(24,816)	183,944
At 1st January 2009	52,055	132,734	23,733	496	(258)	(24,816)	183,944
Loss for the year	–	–	–	–	–	(3,345)	(3,345)
Share option scheme-value of employee services	–	–	3,064	–	–	–	3,064
Currency translation difference	–	–	–	–	41	–	41
At 31st December 2009	**52,055**	**132,734**	**26,797**	**496**	**(217)**	**(28,161)**	**183,704**

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

	Group		Company	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Trade payables (a)	**2,332**	3,760	**–**	–
Deferred revenue	**107,363**	48,567	**–**	–
Accrued expenses and other payables (b)	**22,279**	23,413	**240**	320
	131,974	75,740	**240**	320

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

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

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

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

20. DEFERRED INCOME TAX – GROUP

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

	2009 RMB'000	2008 RMB'000
Deferred income tax assets (to be recovered after more than 12 months)	3,501	1,907
Deferred income tax liabilities (to be settled after more than 12 months)	–	(170)
	3,501	1,737

Deferred income tax assets arose from tax loss carried forwards are recognised to the extent that realisation of the related tax benefit through the future taxable profits is probable.

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

	2009 RMB'000	2008 RMB'000
At 1st January	1,737	16,012
Credited/(charged) to consolidated statement of comprehensive income (note 25)	1,764	(14,275)
At 31st December	3,501	1,737

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

Deferred tax assets

	Write-off and provision for impairment of trade receivables		Tax losses		Total	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
At 1st January	–	11,319	1,907	6,831	1,907	18,150
(Charged)/credited to the consolidated statement of comprehensive income	–	(11,319)	1,594	(4,924)	1,594	(16,243)
At 31st December	–	–	3,501	1,907	3,501	1,907

20. DEFERRED INCOME TAX – GROUP (Continued)

Deferred tax liabilities

	Deferred development costs		Welfare benefits		Accrued staff Total	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
At 1st January	**(170)**	(277)	**–**	(1,861)	**(170)**	(2,138)
Credited to the statement of comprehensive income	**170**	107	**–**	1,861	**170**	1,968
At 31st December	**–**	(170)	**–**	–	**–**	(170)

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred tax assets of RMB2,713,000 (2008: RMB4,657,000) in respect of losses amounting to RMB10,853,000 (2008: RMB18,052,000) that can be carried forward against future taxable income. The tax losses will expire within 5 years.

21. INCOME TAX PAYABLE AND OTHER TAXES PAYABLE – GROUP

	2009 RMB'000	2008 RMB'000
Income tax payable:		
Corporate income tax	**5,875**	3,795
Other taxes payable:		
Business tax	**6,580**	8,999
Cultural and development tax	**1,718**	1,843
Other taxes	**4,053**	3,236
	12,351	14,078

22. OTHER INCOME

	2009 RMB'000	2008 RMB'000
Interest income	**2,513**	2,639
Write back of short-term loan	**–**	3,001
Gain on disposal of intangible assets (note 12(a))	**–**	8,399
Interest accretion	**–**	1,020
	2,513	15,059

23. EXPENSES BY NATURE

	2009 RMB'000	2008 RMB'000
Direct cost of trade catalogues and yellow page directories	37,802	41,679
Direct cost of on-line services	15,151	11,856
Direct cost of market research and analysis	19,881	19,882
Direct cost of seminars and other services	15,508	5,988
Marketing expenses	13,422	15,836
Network and telephone expenses	11,366	14,168
Auditor's remuneration	2,113	2,304
Staff costs, including directors' emoluments (note 24)	144,791	136,843
Amortisation of land use rights (note 6)	427	427
Amortisation of intangible assets (note 7)	3,931	4,692
Depreciation of property, plant and equipment (note 8)	15,228	18,154
(Reversal of)/provision for impairment and write off of trade and other receivables	(1,026)	8,606
Loss on disposal of property, plant and equipment (note 29(c))	318	2,163
Operating lease payments in respect of land and buildings	14,424	16,915
Other expenses	22,844	23,902
Total cost of sales, selling and marketing expenses and administrative expenses	316,180	323,415

24. EMPLOYEE BENEFIT EXPENSE

	2009 RMB'000	2008 RMB'000
Wages and salaries	129,638	126,367
Retirement benefits costs (a)	9,815	6,602
Share option schemes – value of employee services	5,338	3,874
	144,791	136,843

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

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

24. EMPLOYEE BENEFIT EXPENSE (Continued)

(b) Directors' and senior management's emoluments

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

Name of Director		Fees	Salary	Employer's contribution to pension scheme	Share based compensation from share option schemes	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Director	Mr. GUO Fansheng	–	600	42	–	642
	Mr. GUO Jiang	–	600	43	397	1,040
	Mr. LI Jianguang	–	–	–	–	–
	Mr. ZHANG Ke	80	–	–	–	80
	Mr. XIANG Bing	80	–	–	–	80
	Mr. GUO Wei	80	–	–	–	80

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

Name of Director		Fees	Salary	Employer's contribution to pension scheme	Share based compensation from share option schemes	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Director	Mr. GUO Fansheng	–	600	34	–	634
	Mr. GUO Jiang	–	600	33	374	1,007
	Mr. LI Jianguang	–	–	–	–	–
	Mr. ZHANG Ke	80	–	–	–	80
	Mr. XIANG Bing	80	–	–	–	80
	Mr. GUO Wei	80	–	–	–	80
	Mr. WU Hui (ceased to be the director of the Company from 15th August 2008)	–	321	22	–	343

24. EMPLOYEE BENEFIT EXPENSE (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2008: two) director whose emolument is reflected in the analysis presented above. The emoluments payable to the remaining four (2008: three) individuals during the year are as follows:

	2009 RMB'000	2008 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	2,960	1,920
Retirement plan contributions	61	47
	3,021	1,967

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Nil to HKD1,000,000 (equivalent to Nil to RMB880,500)	4	4
HKD1,000,001 to HKD1,500,000 (equivalent to RMB880,501 to RMB1,320,750)	1	1
HKD1,500,001 to HKD2,000,000 (equivalent to RMB1,320,751 to RMB1,761,000)	–	–

(d) During the year, no emoluments have been paid by the Group to the Directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office. (2008: Nil)

(e) On 3rd July 2008, Mr. Guo Fansheng, Chairman of the board of directors of the Company, and Mr. Guo Jiang, Chief Executive Officer of the Company entered into a deed of gift. Pursuant to the deed, Mr. Guo Fansheng agreed to transfer 24,641,858 shares of the Company (representing 5% of the entire issued share capital of the Company) beneficially held by him to Mr. Guo Jiang at nil consideration. The above share transfer was irrecoverable and completed on 4th July 2008. The transfer was regarded as a personal gift initiated from the kinship between Mr. Guo Fansheng and Mr. Guo Jiang, and did not constitute any kind of remuneration relating to the services that Mr. Guo Jiang has provided to and will provide to the Group. Accordingly, such transfer was not considered as staff compensation cost.

25. INCOME TAX

	2009 RMB'000	2008 RMB'000
Current income tax		
– Hong Kong profits tax (note a)	–	–
– The PRC Corporate income tax ("CIT") (note b)	3,356	2,029
Deferred income tax (note 20)	(1,764)	14,275
	1,592	16,304

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

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

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

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

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

26. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB3,345,000 (2008: RMB4,150,000).

27. EARNINGS PER SHARE

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

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

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

28. DIVIDENDS

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

29. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before taxation to net cash generated from operating activities

	2009 RMB'000	2008 RMB'000
Profit before taxation	**6,359**	18,764
Adjustments for:		
Depreciation of property, plant and equipment (note 8)	**15,228**	18,154
Amortisation of intangible assets (note 7)	**3,931**	4,692
Impairment of available-for-sale financial assets (note 12)	**–**	8,945
Impairment of intangible asset (note 7)	**–**	8,471
(Reversal of)/provision for impairment and write off of trade and other receivables, net	**(1,026)**	8,606
Amortisation of land use rights (note 6)	**427**	427
Share option scheme – value of employee services (note 24)	**5,338**	3,874
Loss on disposal of property, plant and equipment (note c)	**318**	2,163
Reversal of provision for impairment of amount due from a jointly controlled entity (note 11)	**–**	(14,130)
Interest accretion	**–**	(1,020)
Gain on disposal of research business	**–**	(28,425)
Gain on disposal of a jointly controlled entity (note 11)	**(2,100)**	–
Gain on disposal of intangible assets (note 7)	**–**	(8,399)
Write back of short-term loan	**–**	(3,001)
Share of loss of a jointly controlled entity (note 11)	**–**	12,000
Share of profit of an associated company (note 10)	**(271)**	(37)
Interest income (note 22)	**(2,513)**	(2,639)
Operating profit before working capital changes	**25,691**	28,445
Increase in trade receivables, deposits, prepayments and other receivables, amount due from a related company, direct selling costs, amount due from an associated company, long term deposit	**(16,922)**	(17,794)
Increase/(decrease) in trade payables, deferred revenue, accrued expenses and other payables, other taxes payable	**54,507**	(10,080)
Net cash generated from operating activities	**63,276**	571

(b) Non-cash transactions

During the year ended 31st December 2008, the Group sold a domain name and the right to use a software, with net book value of RMB546,000, to Madeinchina. The consideration of RMB8,945,000 was settled by 19% of the enlarged issued share capital of Madeinchina (available-for-sale financial asset). A gain of RMB8,399,000 (note 12(a)) was recognised.

29. CASH GENERATED FROM OPERATIONS (Continued)

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

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

	2009 RMB'000	2008 RMB'000
Net book amount:		
– Property, plant and equipment (note 8)	457	2,270
Loss on disposal of property, plant and equipment (note 23)	(318)	(2,163)
Proceeds from disposal of property, plant and equipment	139	107

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

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

Details of net assets acquired and goodwill are as follows:

	Fulfilment JV Co Fair value/ carrying value RMB'000	Sales JV Co Fair value/ carrying value RMB'000
Property, plant and equipment	145	32
Cash and cash equivalents	8,640	2,400
Fair value of net assets acquired	8,785	2,432
Percentage ownership	70%	40%
Share of fair value of net assets acquired	6,150	973
Additional cash consideration received	7,028	14,056
Total assets acquired	13,178	15,029
Goodwill	167	222
Total purchase consideration	13,345	15,251
Settled in:		
Transfer of fixed assets	164	7
Gain on disposal of research business	13,181	15,244
Total purchase consideration	13,345	15,251
Additional cash consideration received	7,028	14,056
Cash and cash equivalents acquired in Fulfilment JV Co	8,640	–
Net cash inflow on set up of Fulfilment JV Co/ Sales JV Co	15,668	14,056

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

30. COMMITMENTS – GROUP

Commitments under operating leases

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

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

Capital commitments

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

31. CONTINGENT LIABILITIES

At 31st December 2009, there were no material contingent liabilities to the Group (2008: Nil).

32. RELATED-PARTY TRANSACTIONS

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

The following significant transactions were carried out with related parties:

(a) Sales of services

	2009 RMB'000	2008 RMB'000
Sales of services		
– 北京慧聰建設信息諮詢有限公司 (technology services) (i)	211	211
– 北京慧聰建設信息諮詢有限公司 (be granted the right to use the domain names and trademark) (ii)	240	240
– 北京慧美印刷有限公司 (rental services) (iii)	–	369
– 北京鄧白氏慧聰市場信息咨詢有限公司 (Sales JV Co) (iv)	53,214	4,637
	53,665	5,457

32. RELATED-PARTY TRANSACTIONS (Continued)

(a) Sales of services (Continued)

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

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

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

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

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

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

A subsidiary of the Group entered into another fulfilment service agreement with Sales JV Co, under which the Group would sell e-Eyes products, at a charge of actual costs plus 12% mark-up. The fulfilment charge for the year ended 31st December 2009 amounted to RMB8,516,000 (2008: RMB662,000).

(b) Purchases of services

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

32. RELATED-PARTY TRANSACTIONS (Continued)

(b) Purchases of services (Continued)

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

(ii) 北京慧聰建設信息諮詢有限公司 entered into a three-year Online Advertisement Publication Agreement with the Group in 2002, and on 31st December 2004, 30th December 2007 and 30th December 2009, the parties entered into supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2007, 31st December 2009 and 31st December 2011 respectively. Pursuant to the Online Advertisement Publication Agreement, 北京慧聰建設信息諮詢有限公司 received publication income from the Group at a fixed fee. It published the Group's advertisements on its website and on those as stipulated by the Group.

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

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

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

(c) Key management compensation

	2009 RMB'000	2008 RMB'000
Salaries and other short-term employee benefits	**4,900**	3,906
Share-based payments	**1,053**	1,394
	5,953	5,300

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the members of HC International, Inc. (the "Company") will be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the PRC (100098) on 30th April 2010 Friday at 4:00 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company and its subsidiaries for the year ended 31st December 2009.

2. To re-elect directors and to fix the directors' remuneration.

3. To re-appoint auditors and authorise the board of directors to fix their remuneration.

4. To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(A) "**THAT**:

(i) subject to paragraph (iii) of this Resolution and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the"GEM Listing Rules"), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares or securities convertible into shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds, debentures and other securities convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;

(ii) the approval in paragraph (i) of this Resolution shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements, and options (including but not limited to warrants, bonds, debentures and other securities convertible into shares of the Company) which would or might require the exercise of such power during or after the end of the Relevant Period (as hereinafter defined);

(iii) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to the exercise of options or otherwise) by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to:

(a) a Rights Issue (as hereinafter defined);

(b) the exercise of any option under any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or

(c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company in force from time to time; or

(d) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares; or

(e) a specific authority granted by the shareholders of the Company in general meeting

shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval in paragraph (i) shall be limited accordingly;

(iv) for the purpose of this Resolution, "Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; and

(c) the revocation or variation of the authority given to the directors of the Company under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(B) "**THAT**:

(i) subject to paragraph (ii) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and which are recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange, in accordance with all applicable laws and/or the requirements of the Stock Exchange or of any other stock exchange and the Hong Kong Code on Share Repurchases as amended from time to time, be and is hereby generally and unconditionally approved;

(ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the authority granted pursuant to paragraph (i) above shall be limited accordingly; and

(iii) for the purpose of this Resolution, "Relevant Period" means the period from the date of passing of this Resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, or any applicable laws to be held; and

(c) the revocation, variation or renewal of the authority given to the directors of the Company under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** conditional upon Resolutions numbered 4(A) and 4(B) as set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to the said Resolution numbered 4(A) be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted to the directors of the Company pursuant to the said Resolution numbered 4(B), provided that such an amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution."

5. To transact any other ordinary business of the Company.

By Order of the board of the Directors
HC INTERNATIONAL, NC.
Guo Jiang
Chief Executive Officer and Executive Director

Beijing, PRC, 29th March 2010

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

Head office and principal place of business:
Tower B, Jingyi Technical Building
No.9 Dazhongsi East Road
Haidian District
Beijing, the PRC

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar, Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjournment thereof should he so wishes.

3. Explanatory statements containing further details regarding Resolutions numbered 4(B) above as required by the GEM Listing Rules will be made available to the members in a separate circular of the Company which will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from its posting.

4. The share register of the Company will be closed from 29th April 2010 to 30th April 2010 (both dates inclusive). Shareholders on the share register as at 29th April 2009 will be entitled to attend and vote at the meeting.