HC INTERNATIONAL, INC.
慧聰網有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2012

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

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

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

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

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

- The Group generated a revenue of approximately RMB548,568,000 (2011: RMB438,356,000) from continuing operations for the financial year ended 31st December 2012, representing an increase of approximately 25.1% in revenue as compared to that in 2011.

- The Group achieved a profit from continuing operations of approximately RMB65,422,000 (2011: RMB32,806,000) for the year ended 31st December 2012, representing an increase of approximately 99.4% in profit as compared to that in 2011.

- Cash generated from operating activities was approximately RMB151,689,000 in 2012, representing an increase from that of approximately RMB122,970,000 in 2011.

- Diluted earnings per share from continuing operations for the year was approximately RMB0.1133, representing a strong 87.9% growth when compared to that of approximately RMB0.0603 in 2011.

- As at 31st December 2012, deferred revenue was approximately RMB337,417,000, representing an increase of 16.0% from the balance in 2011 of approximately RMB290,820,000.

- The gross profit margin of the Group increased by 2.8 percentage points to approximately 87.5% in 2012 (2011: 84.7%).

- The Board does not recommend payment of dividend for the year ended 31st December 2012.

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2012 together with comparative figures for the year ended 31st December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2012

	Note	**2012 RMB'000**	2011 RMB'000
Continuing operations			
Revenue	*5*	**548,568**	438,356
Cost of revenue	*13*	**(68,684)**	(67,140)
Gross profit		**479,884**	371,216
Other income	*12*	**3,307**	5,480
Selling and marketing expenses	*13*	**(318,314)**	(251,251)
Administrative expenses	*13*	**(97,742)**	(87,150)
Operating profit		**67,135**	38,295
Finance income		**11,807**	3,777
Finance cost		**(615)**	–
Profit before income tax		**78,327**	42,072
Income tax expense	*14*	**(12,905)**	(9,266)
Profit for the year from continuing operations		**65,422**	32,806
Discontinued operations			
Profit for the year from discontinued operations	*15*	**–**	8,560
Profit for the year		**65,422**	41,366
Other comprehensive income/(loss):			
Currency translation difference		**37**	(2,688)
Total comprehensive income for the year, net of tax		**65,459**	38,678
Profit attributable to:			
Equity holders of the Company		**66,724**	41,205
Non-controlling interests		**(1,302)**	161
		65,422	41,366

	Note	2012 RMB'000	2011 RMB'000
Total comprehensive income attributable to:			
Equity holders of the Company		**66,761**	38,517
Non-controlling interests		**(1,302)**	161
		65,459	38,678
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share			
From continuing operations	*16*	**0.1204**	0.0636
From discontinued operations	*16*	**N/A**	0.0159
Diluted earnings per share			
From continuing operations	*16*	**0.1133**	0.0603
From discontinued operations	*16*	**N/A**	0.0151
Dividends	*17*	**–**	–

CONSOLIDATED BALANCE SHEET

As at 31st December 2012

	Note	**2012 RMB'000**	2011 RMB'000
Assets			
Non-current assets			
Land use rights		**17,298**	17,725
Intangible assets		**9**	464
Property, plant and equipment		**207,915**	178,353
Deferred income tax assets		**4,373**	2,563
Long term deposits, prepayments and other receivables	*6*	**54,510**	48,814
		284,105	247,919
Current assets			
Trade receivables	*6*	**19,168**	21,582
Deposits, prepayments and other receivables	*6*	**42,668**	27,380
Direct selling costs		**85,102**	69,477
Amount due from a related company		**1,604**	1,556
Cash and cash equivalents		**422,552**	254,982
		571,094	374,977
Total assets		**855,199**	622,896
Equity			
Equity attributable to the Company's equity holders			
Share capital	*7*	**58,167**	56,884
Other reserves	*8*	**275,769**	270,485
Retained earnings/(accumulated losses)		**11,848**	(54,876)
		345,784	272,493
Non-controlling interests		**96,908**	14
Total equity		**442,692**	272,507

	Note	2012 RMB'000	2011 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**10,260**	8,904
Non-current portion of finance lease obligations	*11*	**2,491**	–
		12,751	8,904
Current liabilities			
Trade payables	*10*	**2,825**	2,285
Accrued expenses and other payables	*10*	**33,663**	29,699
Current portion of finance lease obligations	*11*	**1,671**	–
Deferred revenue	*10*	**337,417**	290,820
Other taxes payable		**8,366**	9,783
Income tax payable		**15,814**	8,898
		399,756	341,485
Total liabilities		**412,507**	350,389
Total equity and liabilities		**855,199**	622,896
Net current assets		**171,338**	33,492
Total assets less current liabilities		**455,443**	281,411

NOTES:

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 19th March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

New and amended standards have been issued and effective for the financial year beginning 1st January 2012

HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial period beginning on 1st January 2012 that would have a material impact on the Group.

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2012 and have not been early adopted

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1st July 2012
HKFRS 1	First time adoption on government loans	1st January 2013
HKFRS 10, 11 and 12 (Amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance	1st January 2013
HKFRSs (Amendments)	Annual improvements 2011 cycle	1st January 2013
HKFRS 10	Consolidated financial statements	1st January 2013
HKAS 27 (revised 2011)	Separate financial statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1st January 2013
HKFRS 12	Disclosures of interests in other entities	1st January 2013
HKFRS 13	Fair value measurements	1st January 2013
HKAS 19 (Amendment)	Employee benefits	1st January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – offsetting financial assets and financial liabilities	1st January 2013
HK(IFRIC)-INT 20	Stripping costs in the production phase of surface mine	1st January 2013
HKAS 32	Financial instruments: Presentation – offsetting financial assets and financial liabilities	1st January 2014
HKFRS 9	Financial Instruments	1st January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1st January 2015

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs 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 (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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

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

Business combinations

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

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

(ii) Separate financial statements

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

(e) Land use rights

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

(f) Property, plant and equipment

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

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

Property, plant and equipment commence their depreciation from the time when the assets become available for their intended use. Depreciation of property, plant and equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives, at the following rates per annum:

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

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

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

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

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

(g) Intangible assets

(i) Goodwill

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

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

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

(ii) Software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to their intended use. These costs are amortised over their estimated useful lives of three to five years.

(iii) Data library

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

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Discontinued Operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(j) Financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loan and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet.

Recognition and measurement

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

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

(m) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Direct selling costs

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

(o) 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.

(p) 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.

(q) Current and deferred income tax

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

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

Deferred income tax is recognised 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, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(r) Employee benefits

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

(i) Retirement benefit costs

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

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

Contributions to these plans are expensed as incurred.

(ii) Bonus entitlements

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

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

(iii) Share-based compensation

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

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

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

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

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

(iv) Termination benefits

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

(s) 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.

(t) Trade and other payables

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

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

(u) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

During the year ended 31st December 2012, the finance income has been separately disclosed on the face of consolidated statement of comprehensive income. In the comparative figures for the year ended 31st December 2011, the interest income included in "other income" has been reclassified and separately disclosed in the consolidated statement of comprehensive income to conform with the current year's presentation.

(v) Revenue recognition

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

Revenue is recognised as follows:

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Subscription fee income from on-line services is recognised over the period of contracts entered with the customers. The unrecognised portions of contract sum are recognised as deferred revenue.

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

Revenue for market research reports are either recognised using "percentage of completion method" or recognised over the contract periods by straight line basis. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. This revenue stream had been discontinued for the year ended 31st December 2011.

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

(w) 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.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(x) Government grants

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

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

(y) 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 and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

(a) Market risk

(i) Foreign exchange risk

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

(ii) Fair value interest rate risk

The Group's interest rate risk arises from fixed deposit categorised in "cash and cash equivalents" and loans to a third party and the employees categorised in "other receivables". Loans to a third party and the employees received at fixed rates expose the Group to fair value interest rate risk. As all of these balances are highly liquid, the fair value changes resulting from the fluctuation of the market interest rate are insignificant. For loans to a third party and the employees, profit before tax for the year would have been approximately RMB569,000 higher/lower (2011: RMB254,000) if market interest rates had been 100 basis point higher/lower, with all other variables held constant.

(b) Credit risk

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

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

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

The table below shows the credit limit and balance of the five major trade debtors as at 31st December 2012 and 31st December 2011.

	31st December 2012	
Counterparty	**Credit limit RMB'000**	**Utilised RMB'000**
Customer A	**1,000**	**430**
Customer B	**1,000**	**404**
Customer C	**1,000**	**400**
Customer D	**1,000**	**332**
Customer E	**1,000**	**302**

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

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

	2012 **RMB'000**	2011 RMB'000
Cash at banks and bank deposits		
Listed financial institutions	**265,915**	245,557
Unlisted financial institutions	**154,737**	7,906
Cash on hand	**1,900**	1,519
Total	**422,552**	254,982

(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.

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.

Group

	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 2012					
Trade payables	**2,825**	**–**	**–**	**–**	**2,825**
Accrued expenses and other payables	**24,009**	**–**	**–**	**–**	**24,009**
Finance lease obligations	**1,814**	**1,814**	**1,432**	**–**	**5,060**
At 31st December 2011					
Trade payables	2,285	–	–	–	2,285
Accrued expenses and other payables	29,661	–	–	–	29,661

3.2 Capital risk management

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

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

The Group monitors capital on the basis based on a ratio calculated by dividing short-term loan by total equity (excluding non-controlling interests). Management considers a ratio of not more than 20% as reasonable. The gearing ratio for the Group is 0.5% (2011: Nil).

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to interest bearing current accounts and time deposits, with appropriate maturities to manage its overall liquidity position. As at 31st December 2012, the Group maintains cash and cash equivalents of approximately RMB422,552,000 (2011: RMB254,982,000), that are expected to be readily available to meet the cash outflows of its financial liabilities.

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

(a) Provision for impairment of receivables

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

(b) Taxes

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

5 SEGMENT INFORMATION

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

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

The CODM assesses the performance of the operating segments based on a measure of profit/(loss) before tax. This measurement basis excludes other income and the effects of non-recurring expenditure from the operating segments.

As at 31st December 2012, the Group is organised into the following business segments:

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

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

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

There were no sales or other transactions between the business segments for the year ended 31st December 2012.

For the year ended 31st December 2011, the Group had the following discontinued operation:

Market research and analysis, which provides business information and analysis services.

	Year ended 31st December 2012			
	On-line services RMB'000	**Trade catalogues and yellow page directories RMB'000**	**Seminars and other services RMB'000**	**Total RMB'000**
Revenue	**411,462**	**54,866**	**82,240**	**548,568**
Segment results	**94,341**	**(44,333)**	**13,820**	**63,828**
Other income				**3,307**
Finance income				**11,807**
Finance cost				**(615)**
Profit before income tax				**78,327**
Other information:				
Depreciation and amortisation (including share based compensation expense)	**24,640**	**2,982**	**2,354**	**29,976**

	Continuing operations				Discontinued operations	
	Year ended 31st December 2011					
	On-line services	Trade catalogues and yellow page directories	Seminars and other services	Total	Market research and analysis	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	289,581	82,289	66,486	438,356	55,376	493,732
Segment results	53,643	(28,087)	7,259	32,815	11,637	44,452
Other income				5,480	–	5,480
Finance income				3,777	–	3,777
Profit before income tax				42,072	11,637	53,709
Other information:						
Depreciation and amortisation (including share based compensation expense)	19,365	3,537	1,311	24,213	736	24,949
Share on profit from an associated company	–	–	–	–	2,390	2,390
Pre-tax profit on disposal of discontinued operations	–	–	–	–	7,891	7,891

The Group is domiciled in the PRC. All the revenue from external customers from continuing and discontinued operations are from the PRC for the year ended 31st December 2012 (2011: same).

As at 31st December 2012, the total non-current assets other than financial instruments and deferred tax assets (there were no employment benefit assets and rights arising under insurance contracts) located in the PRC is approximately RMB225,222,000 (2011: RMB196,542,000), and the total of these non-current assets located in other countries is Nil (2011: Nil).

6 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2012	2011
	RMB'000	RMB'000
Trade receivables (note a)	**22,237**	24,928
Less: provision for impairment of trade receivables	**(3,069)**	(3,346)
Trade receivables – net	**19,168**	21,582
Deposits, prepayments and other receivables (note b)	**97,178**	76,194
	116,346	97,776
Less: Non-current deposit, prepayments and other receivables	**(54,510)**	(48,814)
Current portion	**61,836**	48,962

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

	Group	
	2012	2011
	RMB'000	RMB'000
Current to 90 days	**14,498**	16,230
91 to 180 days	**3,166**	3,607
181 to 365 days	**3,009**	3,490
Over 1 year	**1,564**	1,601
	22,237	24,928

The carrying amounts of trade receivables approximate their fair values.

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

The Group has recognised a loss of approximately RMB1,015,000 for the impairment of its trade receivables during the year ended 31st December 2012 (2011: RMB1,559,000).

As at 31st December 2012, trade receivables of approximately RMB3,069,000 (2011: RMB3,346,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

As at 31st December 2012, trade receivables of approximately RMB4,670,000 (2011: RMB5,352,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2012	2011
	RMB'000	RMB'000
91 to 180 days	**3,166**	3,607
181 to 365 days	**1,504**	1,745
	4,670	5,352

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

	2012	2011
	RMB'000	RMB'000
At beginning of the year	**3,346**	2,017
Impairment of receivables	**1,015**	1,559
Write off for impaired receivables	**(1,292)**	(230)
At end of the year	**3,069**	3,346

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

The other classes within trade and other receivables do not include a provision for impairment of other receivables.

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

(b) Deposits, prepayments and other receivables

	Group	
	2012	2011
	RMB'000	RMB'000
Short-term deposits	**6,436**	2,960
Long-term deposits	**1,443**	1,810
Short-term prepayments	**7,921**	16,287
Long-term prepayments (Note (i))	**21,600**	21,600
Other receivables		
– Short-term from former associate company (Note (ii))	**2,768**	7,047
– Short-term others (Note (iii))	**25,543**	1,086
– Long-term others (Note (iii))	**–**	25,404
– Loans to employees (Note (iv))	**31,467**	–
	97,178	76,194
The fair values are as follows:		
Deposits	**7,879**	4,770
Prepayments	**29,521**	37,887
Other receivables	**59,778**	33,537
	97,178	76,194
Denominated in:		
HK dollars	**31,651**	117
RMB	**65,527**	76,077
	97,178	76,194

Note (i): This amount represents the prepayments for an acquisition of land use rights which is subject to final approval from the related government authorities.

Note (ii): This amount represents receivable balances for provision of data library services from the former associate company, 北京鄧白氏慧聰市場信息諮詢有限公司, which was disposed of in 2011.

Note (iii): This amount includes loan receivable from a private company incorporated in the PRC through a financial institution. The principle amount is RMB25,404,000 (2011: RMB25,404,000). The borrower is one of the new shareholders of the disposed market research and analysis business who is an independent third party of the Group. The loan will be matured on 5th December 2013 and bears an interest at 8% per annum pledged by certain shares of the disposed market research and analysis business.

Note (iv): Loans to employees

On 21st December 2012, the Group has granted loans to several employees of the Group for their sole purpose of purchase of shares of the Company at market price. The loans will mature on 21st December 2015, and bear interest at a rate of 5% per annum. The loans are denominated in HK dollars. The fair value of the loans to employees approximates its carrying value.

7 SHARE CAPITAL

	Number of ordinary shares	Par value RMB'000
At 1st January 2011	488,878,960	52,116
Exercise of share options	3,560,000	295
Issuance of new shares	53,809,685	4,473
At 31st December 2011	546,248,645	56,884
Exercise of share options	15,803,104	1,283
At 31st December 2012	562,051,749	58,167

The total authorised number of ordinary shares is 1,000,000,000 shares (2011: 1,000,000,000 shares) with a par value of HK$0.1 per share (2011: HK$0.1 per share). All issued shares are fully paid.

Share options

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

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

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

During the year ended 31st December 2004, a total of 26,000,000 share options were granted to two executive directors and certain employees pursuant to the Share Option Scheme, of which 9,350,000, 1,080,000, 581,000, 265,000, 245,000 and 286,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009, 2010, 2011 and 2012, respectively. The grantees can exercise these options at an exercise price of HK$2.40 per share in a ten-year period starting from the expiry of twelve months from the date of the granting of options, being 18th February 2004. Commencing from the first, second and third anniversaries of the Offer Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively.

During the year ended 31st December 2006, a total of 10,000,000 share options were granted to one executive Director and certain employees pursuant to the Share Option Scheme, of which 2,908,000, 346,000, 644,000, 274,000 and 134,000 share options were lapsed during the year ended 31st December 2008, 2009, 2010, 2011 and 2012 respectively. During the year ended 31st December 2012, 366,000 share options were exercised. 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 1,035,000, 2,403,000, and 668,000 share options were lapsed during the year ended 31st December 2009, 2010, and 2011 respectively. During the year ended 31st December 2012, 1,376,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$1.24 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 11th July 2007. Commencing from the first and second anniversaries of the Offer Date, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2008, a total of 14,600,000 share options were granted to one executive director and certain employees pursuant to Share Option Scheme, of which 500,000, 1,180,000 and 120,000 share options were lapsed during the year ended 31st December 2009, 2010 and 2011 respectively. During the year ended 31st December 2011 and 2012, 2,300,000 and 2,600,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$0.604 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 29th September 2008. Commencing from the first anniversary of the Offer Date, the relevant grantee may exercise options 100%.

During the year ended 31st December 2010, a total of 33,800,000 share options were granted to one executive Director and certain employees pursuant to Share Option Scheme, of which 700,000, 400,000 and 800,000 share options were lapsed during the year ended 31st December 2010, 2011 and 2012 respectively. During the year ended 31st December 2011 and 2012, 1,000,000 and 5,550,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$0.82 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 7th April 2010. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2011, a total of 3,000,000 share options were granted to certain employees pursuant to share option scheme, of which 100,000 and 100,000 share options were lapsed during the year ended 31st December 2011 and 2012. During the year ended 31st December 2012, 800,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$1.108 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 28th March 2011. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

The assumptions used are as follows:

	30th November 2003	**18th February 2004**	**23rd June 2006**	**11th July 2007**	**29th September 2008**	**7th April 2010**	**28th March 2011**
Exercise price (in HK dollar)	0.44	2.40	1.49	1.24	0.604	0.82	1.108
Fair value of the options (in RMB)	5,945,628	20,193,000	3,919,000	9,390,000	2,756,000	12,527,000	1,377,000
Risk free interest rate (in %)	1.30-4.43	1.30-4.43	4.911	4.757	3.133	2.865	2.820
Expected life (in years)	5.4-6.6	5.4-6.6	3.2-5.5	2.4-6.2	3.8-4.8	3.4-5.9	3.8-4.9
Volatility (in %)	32	32	34.8	49	72.2	79.8	77.6
Expected dividend per share (cents)	0	0	0	0	0	0	0

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

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

(i) Pre-IPO Share Option Scheme

	Expiry date	**2012** Exercise price in HK$ per share	**2012** Share options	2011 Exercise price in HK$ per share	2011 Share options
At 1st January		**0.44**	**9,147,120**	0.44	9,147,120
Exercised		**0.44**	**(5,111,104)**	–	–
At 31st December	17th December 2013	**0.44**	**4,036,016**	0.44	9,147,120

(ii) Share Option Scheme

	Expiry date	**2012** Exercise price in HK$ per share	**2012** Share options	2011 Exercise price in HK$ per share	2011 Share options
At 1st January		**2.40**	**6,629,000**	2.40	6,874,000
		1.49	**3,368,000**	1.49	3,642,000
		1.24	**8,367,000**	1.24	9,295,000
		0.604	**9,800,000**	0.604	12,220,000
		0.82	**31,700,000**	0.82	33,100,000
		1.108	**2,900,000**	1.108	–
Granted		**2.40**	**–**	2.40	–
		1.49	**–**	1.49	–
		1.24	**–**	1.24	–
		0.604	**–**	0.604	–
		0.82	**–**	0.82	–
		1.108	**–**	1.108	3,000,000
Lapsed and exercised		**2.40**	**(286,000)**	2.40	(245,000)
		1.49	**(500,000)**	1.49	(274,000)
		1.24	**(1,376,000)**	1.24	(928,000)
		0.604	**(2,600,000)**	0.604	(2,420,000)
		0.82	**(6,350,000)**	0.82	(1,400,000)
		1.108	**(900,000)**	1.108	(100,000)
At 31st December	18th February 2014	**2.40**	**6,343,000**	2.40	6,629,000
	23rd June 2016	**1.49**	**2,868,000**	1.49	3,368,000
	11th July 2017	**1.24**	**6,991,000**	1.24	8,367,000
	29th September 2018	**0.604**	**7,200,000**	0.604	9,800,000
	7th April 2020	**0.82**	**25,350,000**	0.82	31,700,000
	27th March 2021	**1.108**	**2,000,000**	1.108	2,900,000

Share Award Scheme adopted on 17th November 2011 (as amended) (the "Share Award Scheme")

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

On 14th June 2012, the Board resolved to grant to Lee Wee Ong, an executive director of the Company, 3,000,000 shares, subject to a vesting period up to 36 months.

On 20th August 2012, the shareholders resolved to grant to Guo Jiang, an executive director of the Company, 16,700,000 shares, subject to a vesting period up to 72 months.

As at 31st December 2012, 24,118,000 shares had been purchased by the trustee as awarded shares pursuant to the terms of the Share Award Scheme. The awarded shares will be held by the trustee in accordance with the rules of the Share Award Scheme and the relevant trust period.

The awarded shares are subject to vesting periods from 6 months to 72 months.

The following table represents the movements for number of shares under the Share Award Scheme for the year ended 31st December 2012.

	Number of shares
As at 1st January 2012	17,654,000
Shares purchased from the market	6,464,000
Shares vested during the year	(844,663)
As at 31st December 2012	23,273,337

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

		Number of shares (in thousand unit)	
	Cumulative Total	**2012**	2011
As at 1st January	–	**24,181**	–
Granted during the year	43,881	**19,700**	24,181
Shares lapsed	–	**–**	–
Shares vested	(845)	**(845)**	–
Allocated but not vested	43,036	**43,036**	24,181

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

8 OTHER RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange Reserve RMB'000	Shares held for share reward scheme RMB'000	Total RMB'000
At 1st January 2011	133,044	987	(48,474)	108,830	37,002	496	(7,490)	–	224,395
Share based compensation – value of employee services	–	–	–	–	6,731	–	–	–	6,731
Exercise of share options	1,806	–	–	–	–	–	–	–	1,806
Currency translation difference	–	–	–	–	–	–	(2,688)	–	(2,688)
Issuance of new shares	62,475	–	–	–	–	–	–	–	62,475
Shares purchased for share award scheme	–	–	–	–	–	–	–	(22,234)	(22,234)
At 31st December 2011	197,325	987	(48,474)	108,830	43,733	496	(10,178)	(22,234)	270,485
At 1st January 2012	197,325	987	(48,474)	108,830	43,733	496	(10,178)	(22,234)	270,485
Share based compensation – value of employee services	–	–	–	–	8,766	–	–	–	8,766
Exercise of share options	8,072	–	–	–	–	–	–	–	8,072
Currency translation difference	–	–	–	–	–	–	37	–	37
Shares purchased for share award scheme	–	–	–	–	–	–	–	(10,447)	(10,447)
Vesting of share award	–	–	–	–	(1,033)	–	–	1,033	–
Acquisition of additional interest in subsidiaries	–	–	(1,144)	–	–	–	–	–	(1,144)
At 31st December 2012	205,397	987	(49,618)	108,830	51,466	496	(10,141)	(31,648)	275,769

PRC companies are required to allocate 10% of the companies' net profit to a subsidiary reserve fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval of relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31st December 2012, retained earnings comprised statutory reserve fund amounted to RMB7,707,000 (2011: Nil).

9 TRANSACTION WITH NON-CONTROLLING INTERESTS

Establishment of subsidiaries

On 4th January 2012, the Group established 慧聰(天津)電子商務產業投資有限公司 ("Tianjin HC"). The non-controlling shareholder contributed a total capital of RMB36,700,000.

On 3rd July 2012, the Group established 廣東慧聰家電城投資有限公司 through Tianjin HC. The non-controlling shareholder contributed a total capital of RMB73,500,000.

Acquisition of additional interests in subsidiaries

On 16th February 2012, the Group acquired an additional 30% of the issued and paid-up share capital in 北京慧智普吉科技有限公司, a subsidiary of the Group, from a non-controlling shareholder, increasing the percent of effective interest held from 70% to 100%. The transaction cost as incurred together with the acquisition cost amounted to approximately RMB148,000.

On 6th December 2012, the Group acquired an additional 8% of the issued and paid-up share capital in 廣東慧聰家電城投資有限公司, a subsidiary of the Group, from a non-controlling shareholder, increasing the percent of effective interest held from 51% to 59%. The transaction cost as incurred together with the acquisition cost amounted to approximately RMB13,000,000.

The carrying amounts of the non-controlling interests acquired and consideration paid in excess of the carrying value recognised within equity as follows:

	2012
	RMB'000
Carrying amount of non-controlling interests acquired	**12,004**
Consideration paid for the non-controlling interests, including transaction costs	**(13,148)**
Consideration paid in excess of carrying value recognised within equity	**(1,144)**

The effect of transaction with non-controlling interests on the equity attributable to the Company's equity holders for the year ended 31st December 2012 was summarised as follows:

	2012
	RMB'000
Total comprehensive income for the year attributable to the equity holders of the Company	**66,761**
Changes in equity attributable to shareholders of the Company arising from the acquisition of additional interests in a subsidiary	**(1,144)**
	65,617

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

	Group	
	2012	2011
	RMB'000	RMB'000
Trade payables (a)	**2,825**	2,285
Deferred revenue	**337,417**	290,820
Accrued expenses and other payables	**33,663**	29,699
	373,905	322,804

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

	2012	2011
	RMB'000	RMB'000
Current to 90 days	**952**	2,052
91 to 180 days	**1,126**	8
181 to 365 days	**313**	25
Over 1 year	**434**	200
	2,825	2,285

11 FINANCE LEASE OBLIGATIONS

The finance lease obligations are related to the purchase of motor vehicles.

	2012	2011
	RMB'000	RMB'000
Finance lease obligations		
Non-current	**2,491**	–
Current	**1,671**	–
Total finance lease obligations	**4,162**	–

	2012	2011
	RMB'000	RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	**1,814**	–
Later than 1 year and no later than 5 years	**3,246**	–
Future finance charges on finance leases	**(898)**	–
Present value of finance lease liabilities	**4,162**	–
The present value of finance lease liabilities is as follows:		
No later than 1 year	**1,671**	–
Later than 1 year and no later than 5 years	**2,491**	–
	4,162	–

The fair values of the finance lease obligations approximate their carrying amounts. The carrying amounts of the finance lease obligations are denominated in RMB. The effective interest rates for the finance lease obligations ranges from 1.20% to 1.43% per month.

12 OTHER INCOME

	2012	2011
	RMB'000	RMB'000
Continuing operations		
Government grants	**3,307**	5,480

The Group received grants mainly from various local tax authorities in the PRC for promoting electronic trading platform amongst enterprises in the PRC, the conditions specified in the government approval were fully achieved during the year.

13 EXPENSES BY NATURE

	2012 RMB'000	2011 RMB'000
Continuing operations		
Direct expenses of trade catalogues and yellow page directories	**25,784**	32,544
Direct expenses of on-line services	**72,368**	50,915
Direct expenses of seminars and other services	**38,368**	30,349
Marketing expenses	**25,625**	20,345
Network and telephone expenses	**12,060**	13,393
Auditor's remuneration	**2,018**	1,975
Staff costs, including directors' emoluments	**230,109**	196,742
Amortisation of land use rights	**427**	427
Amortisation of intangible assets	**455**	2,619
Depreciation of property, plant and equipment	**20,328**	14,815
Provision for impairment and write off of trade receivables	**1,015**	1,559
Gain on disposal of property, plant and equipment	**(29)**	(98)
Operating lease payments in respect of land and buildings	**14,381**	13,617
Direct write off of other receivables	**1,980**	2,284
Over provision of other taxes	**–**	(7,430)
Provision for impairment of intangible assets	**–**	3,481
Travelling expense	**9,464**	7,881
Other expenses	**30,387**	20,123
Total cost of revenue, selling and marketing expenses and administrative expenses	**484,740**	405,541

	2011 RMB'000
Discontinued operations	
Cost of market research and analysis	26,942
Marketing expenses	–
Network and telephone expenses	376
Auditor's remuneration	–
Staff costs, including directors' emoluments	19,936
Amortisation of intangible assets	–
Depreciation of property, plant and equipment	357
Operating lease payments in respect of land and building	2,134
Other expenses	4,275
Total cost of revenue, selling and marketing expenses and administrative expense (a)	54,020

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

14 INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Continuing operations:		
Current income tax expense		
– Hong Kong profits tax (note a)	–	–
– The PRC Corporate income tax ("CIT") (note b)	13,359	1,190
Deferred income tax (credit)/expense	(454)	8,076
	12,905	9,266
Discontinued operations:		
Current income tax expenses		
– CIT		3,077
Deferred income tax expense		–
		3,077

(a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2011: Nil).

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

The tax rate applicable to the subsidiaries in the PRC is 25%, except for subsidiaries granted with preferential tax treatment as High/New Technology Enterprise of which the applicable tax rate is 15%.

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

	2012 RMB'000	2011 RMB'000
Profit before income tax	78,327	42,072
Tax calculated at 25% (2011: 25%)	19,582	10,518
Effect of different taxation rates in other cities under preferential tax treatment	(6,560)	(1,824)
Expenses not deductible for tax purposes	1,414	2,158
Utilisation of previously unrecognised tax losses	–	(1,155)
Tax losses for which no deferred income tax asset was recognised	102	–
Recognition of deferred tax assets for previously unrecognised tax losses	–	(431)
Tax refund from previous asset impairment in accordance with new ordinances from 國家稅務總局	(1,633)	–
Income tax expense	12,905	9,266

15 DISCONTINUED OPERATIONS

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

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

	2011 RMB'000
Revenue	55,376
Expenses (note 13)	(54,020)
Share of net profit of an associated company	2,390
Profit before tax of discontinued operations	3,746
Income tax credit	–
Profit after tax of discontinued operations	3,746
Pre-tax profit on disposal of discontinued operations	7,891
Income tax on disposal of discontinued operations	(3,077)
Profit for the year from discontinued operations	8,560

The cash flows for the discontinued operations are as follows:

	2011 RMB'000
Operating cash flows	1,382
Investing cash flows	(22)
Financing cash flows	–
Total cash flows	1,360

16 EARNINGS PER SHARE

	2012 **RMB'000**	2011 RMB'000
Profit from continuing operations attributable to equity holders of the Company	**66,724**	32,942
Profit from discontinued operations attributable to equity holders of the Company	**–**	8,263
	66,724	41,205

	2012 No. of shares ('000)	2011 No. of shares ('000)
Weighted average number of shares in issue	**554,035**	518,190
Incremental shares from assumed exercise of share options granted	**34,748**	27,925
Diluted weighted average number of shares	**588,783**	546,115
Basic earnings per share – from continuing operations (in RMB)	**0.1204**	0.0636
Basic earnings per share – from discontinued operations (in RMB)	**N/A**	0.0159
Diluted earnings per share – from continuing operations (in RMB)	**0.1133**	0.0603
Diluted earnings per share – from discontinued operations (in RMB)	**N/A**	0.0151

17 DIVIDENDS

No dividend was paid or declared by the Company during the year (2011: Nil).

To the best knowledge of the Directors, there was no arrangement under which a shareholder has waived or agreed to waive any dividends during the year ended 31st December 2012 and 2011.

18 COMMITMENTS

Commitments under operating leases

At 31st December 2012, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**9,806**	9,880
In the second to fifth year inclusive	**2,051**	7,866
	11,857	17,746

19 CONTINGENT LIABILITIES

As at 31st December 2012, there were no material contingent liabilities to the Group (2011: Nil).

20 EVENT AFTER THE BALANCE SHEET DATE

On 5th February 2013, 廣東慧聰家電城投資有限公司 ("Shunde subsidiary"), a subsidiary of the Group won a tender for the land use rights of an area of 43,964.82 square meters located in Shunde, Foshan of the PRC, at a consideration of RMB334,480,000. The consideration was partly financed by the loan from shareholders of the Shunde subsidiary, which include the Group and the non-controlling shareholders of the Shunde subsidiary. Such shareholder's loans amounted to RMB204,738,000.

BUSINESS REVIEW

Despite the sluggish global economic environment in 2012, China small and medium enterprises ("SME")'s B2B e-commerce transactions still maintained a steady growth and encountered the new challenges to open up a new age with integration, transformation, upgrading and innovation coexistence.

During the year, we celebrated the 20th anniversary of the Group. Over the past years, we achieved brilliant records and also encountered with difficulties arising from the transitions of internet business. Taking the lead to ride through all these, our future challenge obviously will lay on the continuous upgrade and innovation of products and services so as to support and satisfy the trading needs of business community.

Through our on-line product portfolio of Biao-Wang Search, Mai-Mai-Tong and value-added services such as Cai-Gou-Tong and Micro-Portal, we help speeding up the matching of buyers and sellers. By grasping the sector information and linking business services, the users can promptly keep abreast of the sector news and trends and capture any business opportunities arised. We also organise off-line seminars, trade fairs, exhibitions, Industrial Top-ten, trade catalogues and yellow page directories to facilitate communications and activities among the community members of different sectors. By enhancing the synergy between on-line and off-line marketing, the marketing efficiency of e-commerce business is maximised and so as the success rate of transactions.

To date, the revenue of approximately 75% of hc360.com generated from internet services, and of approximately 15% from seminars and other services, while less than 10% is from the early business of traditional printed media.

(1) Products

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

On-line Products

Mai-Mai-Tong

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

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

Search Products

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

On-line Advertising

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

Off-line Products

Trade Catalogues

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

Yellow Page Directories

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

Top 10 Enterprises Awards

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

(2) Marketing Channels

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

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

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

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

(3) Customer Service

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

Member Care

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

PROSPECTS

Since the Company's listings on GEM board in 2003, hc360.com has transformed itself from a traditional business media firm to a B2B internet enterprise, and has been actively exploring its most appropriate development path through transitions. A vertical indepth services model is steadily formed and genetically embedded. We have a much clearer goal to achieve over time.

We committed ourselves to understand about our customers' needs, the market, the products and services, and business operations. Through the interactions of on-line and off-line marketing, we help enterprises to establish internet sales network. After years of developing efforts, our proprietary and sustainable development strategy is gradually formed, focusing on three major strategies of B2B domestic trading, vertical industry segmentation and "transaction + media services".

In 2013, we will continue to carry out the three major strategies to satisfy the need of SMEs and provide valuable services by constant products innovation and value-added services offerings. Enabling transactions will be one of the important parts. Through a highly value-added, customised, specialised product and service solution, our customers shall enjoy superior business experience.

Professional and dedication are always the core DNA of hc360.com, this characteristic determines our focus on vertical integration and horizontal alignment strategies. With our distinguish way of doing business, along with our leading partners, we are able to provide one-stop solution for SMEs via our platform, helping them to build a long standing business with track records and heritage.

hc360.com had grown with SMEs for the past 20 years. We supported and helped each other over those 20 years. In the future, we will continue to do so and to build China's domestic B2B e-commerce platform, a prospect and challenging future!

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2012, the Group's cash and bank balances increased by approximately RMB167,570,000 from approximately RMB254,982,000 as at 31st December 2011 to approximately RMB422,552,000.

The Group had a short-term finance lease obligation amounted to RMB1,671,000 as at 31st December 2012 (2011: Nil). Gearing ratio of the Group is 0.5% (2011: 0%) as at 31st December 2012, calculated with reference to short-term loans (including finance lease obligations) and capital and reserves attributable to the Company's equity holders of approximately RMB345,784,000 (2011: RMB272,493,000). The capital and reserves attributable to the Company's equity holders increased by approximately RMB73,291,000 as compared to last year.

The Group's net current assets amounted to approximately RMB171,338,000 as at 31st December 2012 (2011: RMB33,492,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.43 times as at 31st December 2012 as compared to approximately 1.10 times as at 31st December 2011.

The Group's trade receivables turnover has decreased from approximately 16.8 days in 2011 to approximately 13.6 days in 2012.

SIGNIFICANT INVESTMENT

The Group had no significant investment held in the year ended 31st December 2012.

MATERIAL ACQUISITIONS AND DISPOSALS

On 3rd July 2012, Tianjin HC, an indirect non-wholly owned subsidiary of the Company, entered into an investment and cooperation agreement with 佛山市天諾投資發展有限公司 ("Tian Nuo"), pursuant to which parties agreed to, inter alia, form a company, to be owned as to 51% by Tianjin HC and as to 49% by Tian Nuo for the purpose of the construction, development and operation of a household electrical appliances exhibition centre in Shunde Beijiao, Foshan City, the PRC. The establishment of the company constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. For details, please also refer to the announcement of the Company dated 3rd July 2012. The company is named as 廣東慧聰家電城投資有限公司. The Group further acquired 8% of the equity interest in such company at a consideration of RMB13,000,000 on 6th December 2012.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 562,051,749 as at 31st December 2012.

STAFF

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2012, the total number of Group's employees were 2,883, among which 2,125 were employed in the Sales and Marketing Division, 182 were employed in the Editorial Division, 197 were employed in the Information Technology Division and the remaining were employed 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 2012, no asset was pledged to secure any of the Group's loan.

EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31st December 2012, the Group had no contingent liability (2011: Nil).

AUDIT COMMITTEE

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

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

The audit committee of the Company has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Company for the year ended 31st December 2012 and has met with external auditors and discussed the financial matters of the Group that arose during the course of audit for the year ended 31st December 2012. The audit committee held 4 meetings during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company had complied with the code provisions of the Code on Corporate Governance Practices (effective up to 31st March 2012) during the period from 1st January 2012 to 31st March 2012 and the Corporate Governance Code (effective since 1st April 2012) during the period from 1st April 2012 to 31st December 2012 as set out in Appendix 15 to the GEM Listing Rules throughout the reporting period.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors 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 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

SUBSEQUENT EVENTS

On 5th February 2013, the Shunde subsidiary, an indirectly non-wholly owned subsidiary of the Company whose equity interest was owned as to 59% by Huicong (Tianjin) E-Commerce Industry Investment Co., Ltd.* (慧聰(天津)電子商務產業投資有限公司), as to 16.5% by Foshan Shunde Bo Shi Investment Co., Ltd.* (佛山市順德區博時投資有限公司) and as to 24.5% by Foshan Shunde Cheng Shun Assets Management Co., Ltd.* (佛山市順德區誠順資產管理有限公司) won the public tender for the sale of the land use rights of a land with a planned land area of 43,964.82 square meters and located at No.8, East of State Road 105, Beijiao Town, Shunde, Foshan, Guangdong Province (廣東省佛山市順德北滘鎮105國道東側8號) of the PRC (the "Land") at the consideration of RMB334,480,000.

The Shunde subsidiary and Foshan Shunde Land and Property Transactions Centre (佛山市順德區土地房產交易中心) have signed a Confirmation on Completion of the Sale of Land Used Rights (國有建設用地使用權掛牌出讓成交確認書) on 5th February 2013. The Shunde subsidiary has entered into the Transfer Contract in respect of the Land with The Land Construction and Water Conservancy Bureau of Shunde, Foshan, and the consideration was fully paid by the Shunde subsidiary on 4th March 2013.

* *For identification only.*

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 2012.

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

Beijing, the PRC, 19th March 2013

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

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

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