THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in HC International, Inc., you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This circular is for information purposes only and does not constitute an offer or invitation to acquire, purchase or subscribe for securities.

HC INTERNATIONAL, INC.

慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2280)

(Stock Code: 05839)

(1) VERY SUBSTANTIAL DISPOSAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BEIJING ZHIXING RUIJING FOR CERTAIN SHARES IN SHANGHAI GANGLIAN AND CASH; (2) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF XIZANG RUIJING; AND (3) CONNECTED TRANSACTION: PROPOSED OFF-MARKET SHARE BUY-BACKS

Financial adviser to the Company

八方金融有限公司
OCTAL Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Shareholders and the Independent Board Committee for Buy-Backs and the Disinterested Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "DEFINITIONS" in this circular. A letter from the Board is set out on pages 15 to 63 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders in connection with the Transactions is set out on pages 64 to 65 of this circular. A letter from the Independent Board Committee for Buy-Backs containing its recommendation to the Disinterested Shareholders in connection with the Transactions (including the Buy-Backs) is set out on pages 66 to 67 of this circular. A letter from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Shareholders in connection with the Transactions and the Independent Board Committee for Buy-Backs and the Disinterested Shareholders, containing its advice and recommendation in connection with the Transactions (including the Buy-Backs), is set out on pages 68 to 100 of this circular.

A notice convening the EGM to be held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the People's Republic of China (100098) on Friday, 23 September 2016, at 4:00 p.m. is set out on pages 953 to 957 of this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

* *For identification purpose only*

30 August 2016

TABLE OF CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"1st Batch HC Consideration Shares"	an aggregate of 66,726,370 HC Consideration Shares to be released to the Zhixing Ex-Shareholders or his/her wholly-owned company if the performance target for the year ended 30 June 2016 has been met pursuant to the Sale and Purchase Agreement
"2nd Batch HC Consideration Shares"	an aggregate of 44,479,057 HC Consideration Shares to be released to the Zhixing Ex-Shareholders or his/her wholly-owned company if the performance target for the year ending 30 June 2017 has been met pursuant to the Sale and Purchase Agreement
"3rd Batch HC Consideration Shares"	an aggregate of 44,479,058 HC Consideration Shares to be released to the Zhixing Ex-Shareholders or his/her wholly-owned company if the performance target for the year ending 30 June 2018 has been met pursuant to the Sale and Purchase Agreement
"Acquisition"	the proposed acquisition of certain shares in the Purchaser by Beijing Huicong Construction and Xizang Ruijing as a result of the receipt of the Consideration Shares pursuant to the terms of the Framework Agreement
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 6 May 2016 in relation to the Transactions
"Announcements"	the announcement of the Company dated 6 May 2016 in relation to the Transactions, the announcement of the Company dated 13 May 2016 in relation to the appointment of the Independent Financial Adviser, the announcement of the Company dated 30 May 2016 in relation to the First Supplemental Agreement, the announcement of the Company dated 6 June 2016 in relation to the termination agreement to the Management and Operations Agreement, the announcement of the Company dated 29 June 2016 in relation to the Second Supplemental Agreement, the announcement of the Company dated 4 August 2016 in relation to the Second Supplemental Partnership Agreement and the announcement of the Company dated 23 August 2016 in relation to the Third Supplemental Partnership Agreement

"Assets"	certain domain names, registered trademarks and other intellectual property rights owned by Orange Triangle
"Asset Transfer Agreement"	the conditional asset transfer agreement in respect of the transfer of, among others, certain intellectual property rights owned by Orange Triangle from Orange Triangle to Beijing Zhixing Ruijing entered into between Orange Triangle and Beijing Zhixing Ruijing dated 26 April 2016
"Asset Valuation Report"	the asset valuation report in relation to the valuation of the Target Assets issued by a qualified valuer in the PRC for the purpose of the Framework Agreement with date of valuation of 29 February 2016
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Huicong Construction"	Beijing Huicong Construction Information Consulting Co., Ltd. (北京慧聰建設信息諮詢有限公司), a company established in the PRC on 11 September 1998, whose equity interest is owned as to 50% by Mr. Guo Fansheng (the chairman of the Board and an executive Director) and 50% by Mr. Guo (the chief executive officer of the Company and an executive Director) as at the Latest Practicable Date. It is a subsidiary of the Company in light of the Existing Contractual Arrangements as at the Latest Practicable Date
"Beijing International Information"	Beijing Huicong International Information Co., Ltd (北京慧聰國際資訊有限公司), a company established in the PRC on 8 April 1999 and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Beijing Zhixing Ruijing"	Beijing Zhixing Ruijing Technology Co., Ltd (北京知行銳景科技有限公司), a company established in the PRC on 11 September 2014, whose equity interest is owned as to 60% and 40% by Mr. Guo and Mr. Liu respectively as at the Latest Practicable Date. It is a subsidiary of the Company in light of the arrangements under the Existing Structured Contracts as at the Latest Practicable Date
"Board"	the board of Directors

"Buy-Backs"	the buy-backs of the Buy-Backs Shares in accordance with the Supplemental Deed
"Buy-Backs Code"	the Hong Kong Code on Share Buy-backs
"Buy-Backs Completion"	the completion of the transactions contemplated under the Supplemental Deed pursuant to the terms of the Supplemental Deed
"Buy-Backs Conditions"	the conditions precedent of the Supplemental Deed as set out under the paragraph headed "The Supplemental Deed and Proposed Off-market Share Buy-Backs – Buy-Backs Conditions" in this circular
"Buy-Backs Long Stop Date"	31 December 2016, or such other date as may be agreed between the Company, NAVI-IT, the Zhixing Ex- Shareholders in writing
"Buy-Backs Share(s)"	the 88,958,115 Shares, being the aggregate of the 2nd Batch HC Consideration Shares and the 3rd Batch HC Consideration Shares
"Cash Consideration"	consideration in cash to satisfy 45% of the Total Consideration pursuant to the terms of the Framework Agreement
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law"	Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company"	HC INTERNATIONAL, INC., a company incorporated with limited liability under the laws of the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the transactions contemplated under the Framework Agreement pursuant to its terms
"Completion Date"	date of the Completion
"Conditions Precedent"	the conditions precedent of the Framework Agreement as set out under the paragraph headed "Framework Agreement — Conditions Precedent" in this circular

"Consideration Issue"	the proposed allotment and issue of the Consideration Shares pursuant to the terms of the Framework Agreement
"Consideration Shares"	new shares of the Purchaser of RMB1 each to be allotted and issued to the Vendors at the Issue Price to satisfy 55% of the Total Consideration pursuant to the terms of the Framework Agreement
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Designated Person(s)"	the entity wholly-owned by the Zhixing Ex-Shareholders
"Directors"	directors of the Company
"Disinterested Shareholders"	Shareholders other than the Zhixing Ex-Shareholders, Mr. Guo, Mr. Guo Fansheng, their close associates and parties acting in concert with any of them
"Disposal"	the proposed disposal of the Target Interest by the Vendors to the Purchaser pursuant to the terms of the Framework Agreement
"Domain Names and Trademarks Licence Agreement"	the domain names and trademarks licence agreement (as subsequently supplemented and amended) entered into between Beijing International Information and Beijing Huicong Construction dated 2 January 2002
"EGM"	the extraordinary general meeting of the Company to be convened and held at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing, the People's Republic of China (100098) on Friday, 23 September 2016, at 4:00 p.m. to consider and approve, among other things, the Transactions
"Equity Pledge Agreement"	the equity pledge agreement entered into between Beijing International Information, Mr. Guo Fansheng and Mr. Guo dated 15 September 2014

"Equity Transfer Agreement"	the conditional equity transfer agreement entered into between Mr. Guo, Mr. Liu, Beijing Huicong Construction and Xizang Ruijing in respect of the transfer of the entire equity interest in Beijing Zhixing Ruijing from Mr. Guo and Mr. Liu to Beijing Huicong Construction and Xizang Ruijing dated 26 April 2016
"Escrow Agent"	First Shanghai Securities Limited, an independent escrow agent jointly appointed by the Company and the Zhixing Ex-Shareholders pursuant to the Escrow Agreements
"Escrow Agreements"	the escrow agreements with respect to the HC Consideration Shares entered into among the Zhixing Ex- Shareholders, the Company and the Escrow Agent all dated 3 July 2015
"Escrow Documents"	all documents evidencing the Zhixing Ex-Shareholders' title in the HC Consideration Shares and the Pre-signed Documents
"Exclusive Option Agreement"	the exclusive option agreement entered into between Beijing International Information, Beijing Huicong Construction, Mr. Guo Fansheng and Mr. Guo dated 15 September 2014
"Exclusive Right to Share Purchase Agreement"	the exclusive right to purchase agreement entered into amongst Orange Beijing, Beijing Zhixing Ruijing and Beijing Zhixing Ruijing's then shareholders (i.e. Mr. Guo and Mr. Liu) dated 3 July 2015
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of the Executive Director
"Existing Contractual Arrangements"	the arrangements contemplated under the Domain Names and the Trademarks Licence Agreement, the Technology Services Agreement, the Online Information Distribution Agreement, the Online Advertisement Publication Agreement, the Exclusive Option Agreement, the Equity Pledge Agreement and the Powers of Attorney

"Existing Structured Contracts"	the exclusive technical services agreement, the exclusive licensing agreement on intellectual property, the exclusive right to purchase agreement, the voting rights proxy agreement, the pledge agreement and the business and management services agreement entered into among Orange Beijing, Orange Triangle, Beijing Zhixing Ruijing, Mr. Guo and/or Mr. Liu on 3 July 2015, details of which are set out in the announcement of the Company dated 3 July 2015
"First Supplemental Agreement"	the first supplemental agreement to the Initial Framework Agreement entered into among the Purchaser, the Company, Beijing Huicong Construction and Xizang Ruijing dated 30 May 2016
"Framework Agreement"	the Initial Framework Agreement (as supplemented by the Supplemental Agreements) in relation to the proposed disposal of the Target Interest
"Group"	the Company and its subsidiaries
"HC Advertising"	Huicong Shangqing (Beijing) Co., Ltd. (慧聰商情廣告(北京)有限公司) (formerly known as Beijing Huicong Advertising Co., Ltd. (北京市慧聰廣告有限公司)), a limited liability company established in the PRC on 25 June 1996, and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"HC Consideration Shares"	an aggregate of 155,684,485 Shares allotted and issued to the Zhixing Ex-Shareholders as part of the consideration for the purchase of the entire issued share capital of Orange Triangle by the Company pursuant to the Sale and Purchase Agreement
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	a committee of the Board comprising all of the three independent non-executive Directors, established for the purpose of advising and giving recommendation to the Shareholders on the transactions contemplated under the Transactions

"Independent Board Committee for Buy-Backs"	a committee of the Board comprising all of the non-executive Directors and independent non-executive Directors established for the purpose of advising and giving recommendation to the Disinterested Shareholders on the Transactions (including the Buy-Backs)
"Independent Financial Adviser" or "Lego Corporate Finance"	Lego Corporate Finance Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Transactions and the Independent Board Committee for Buy-Backs and the Disinterested Shareholders in respect of the Transactions (including the Buy-Backs)
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
"Initial Framework Agreement"	the conditional framework agreement in relation to the proposed disposal of the Target Interest entered into among the Purchaser, the Company, Beijing Huicong Construction and Xizang Ruijing dated 26 April 2016
"Issue Price"	the issue price per Consideration Share, which is subject to adjustments as mentioned in the paragraph headed "Framework Agreement – Consideration" in this circular, and is currently fixed at RMB36.49 per Consideration Share
"Latest Practicable Date"	26 August 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Management and Operations Agreement"	the conditional management and operations agreement entered into among Beijing International Information, Beijing Huicong Construction, Mr. Guo and Mr. Guo Fansheng in relation to the appointment of Beijing International Information by Beijing Huicong Construction as its exclusive services provider of management and operations services dated 26 April 2016
"Mr. Guo"	Mr. Guo Jiang (郭江), an executive Director and chief executive officer of the Company
"Mr. Liu"	Mr. Liu Xiaodong (劉小東), one of the Zhixing Ex-Shareholders
"Mr. Shi"	Mr. Shi Shilin (施世林), one of the Zhixing Ex-Shareholders
"Ms. Wang"	Ms. Wang Qian (王倩), one of the Zhixing Ex-Shareholders
"Ms. Yang"	Ms. Yang Ye (楊葉), one of the Zhixing Ex-Shareholders
"NAVI-IT"	NAVI-IT LIMITED, a company incorporated with limited liability under the laws of the British Virgin Islands, which is owned as to 40%, 25%, 20% and 15% by Wisdom Limited (a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Liu), Wiki Limited (a company incorporated in the British Virgin Islands and wholly and beneficially owned by Ms. Wang), Mr. Shi and Ms. Yang, respectively as at the Latest Practicable Date
"New Performance Target(s)"	a yearly target of net profit of RMB130,000,000, RMB169,000,000 and RMB219,700,000 of Beijing Zhixing Ruijing for each of three New Performance Undertaking Years respectively
"New Performance Undertaking Period"	three years ending 31 December 2018
"New Performance Undertaking Year(s)"	each twelve-month period during the New Performance Undertaking Period

"Online Advertisement Publication Agreement"	the online advertisement publication agreement (as subsequently supplemented and amended) entered into between HC Advertising and Beijing Huicong Construction dated 2 January 2002
"Online Information Distribution Agreement"	the online information distribution agreement (as subsequently supplemented and amended) entered into between Beijing International Information and Beijing Huicong Construction dated 2 January 2002
"Orange Beijing"	Beijing Orange Triangle Technology Co., Ltd. (北京橙三角科技有限公司), a company established in the PRC and a wholly-owned subsidiary of Orange HK as at the Latest Practicable Date
"Orange HK"	Orange Triangle (HK) Limited, a company incorporated in Hong Kong with limited liability and a wholly and beneficially owned subsidiary of Orange Triangle as at the Latest Practicable Date
"Orange Triangle"	Orange Triangle Inc., a limited liability company incorporated under the laws of the State of Delaware of the USA, a wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Partnership Agreement"	the partnership agreement entered into among Beijing Huicong Construction and the Zhixing Ex-Shareholders in respect of the formation of Xizang Ruijng dated 24 March 2016
"Powers of Attorney"	the powers of attorney executed by each of Mr. Guo Fansheng and Mr. Guo, respectively, in favour of Beijing International Information dated 15 September 2014
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
"PRC Equity Owners"	Mr. Guo and Mr. Guo Fansheng, being the shareholders of Beijing Huicong Construction

"Pre-signed Documents"	the agreement between the Company and each Zhixing Ex-Shareholder or its Designated Persons in relation to the repurchase of the relevant HC Consideration Shares (the amount of which is left in blank) by the Company and each Zhixing Ex-Shareholder or his/her Designated Persons and such other documents required to give effect to the repurchase, as duly executed by each Zhixing Ex-Shareholder or his/her Designated Persons left undated in accordance with the Sale and Purchase Agreement
"Price Determination Date"	the date of the first board resolutions of the Purchaser approving the transactions under the Initial Framework Agreement, being 26 April 2016
"Purchaser" or "Shanghai Ganglian"	上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd*), a company established under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange
"Purchaser Fund Raising"	the proposed fund raising of the Purchaser by allotment and issue of new shares of the Purchaser at a price not lower than the Issue Price and total proceeds to be raised shall not be more than RMB953,000,000, one of the five proposed subscribers is Mr. Guo
"Remaining Group"	means the Group (excluding Beijing Zhixing Ruijing) immediately following completion of the Disposal
"Reorganization"	the transfer of certain assets and manpower in relation to the operation of the Target Business from the Group to Beijing Zhixing Ruijing pursuant to Asset Transfer Agreement, the transfer of 60% and 40% equity interests in Beijing Zhixing Ruijing by Mr. Guo and Mr. Liu to Beijing Huicong Construction and Xizang Ruijing, respectively pursuant to the Equity Transfer Agreement and the termination of the Existing Structured Contracts pursuant to the Termination Agreement

"Reward Mechanism"	the mechanism pursuant to which if the New Performance Target of the relevant New Performance Undertaking Year can be met, Beijing Huicong Construction will transfer an agreed percentage of the partnership equity with the corresponding capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing to the Zhixing Ex-Shareholders at a consideration in an amount equal to the relevant capital amounts contributed by Beijing Huicong Construction in accordance with the terms of the Supplemental Partnership Agreement
"Sale and Purchase Agreement"	the sale and purchase agreement (as supplemented and amended by an agreement dated 2 June 2015) dated 8 May 2015 entered into between the Company, NAVI-IT and the Zhixing Ex-Shareholders in respect of the acquisitions of Orange Triangle and Beijing Zhixing Ruijing for a consideration of RMB1,500,000,000, details of which are set out in the announcements of the Company dated 8 May 2015 and 2 June 2015 and the circular of the Company dated 4 June 2015
"Second Supplemental Agreement"	the second supplemental agreement to the Initial Framework Agreement entered into among the Purchaser, the Company, Beijing Huicong Construction and Xizang Ruijing dated 29 June 2016
"Second Supplemental Partnership Agreement"	the second supplemental partnership agreement to the Partnership Agreement (as supplemented by the Supplemental Partnership Agreement) entered into among Beijing Huicong Construction and the Zhixing Ex-Shareholders dated 4 August 2016
"SFC"	The Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of Share(s)
"Share Options"	share options of the Company to subscribe for Shares pursuant to the share option scheme of the Company adopted on 30 November 2003
"Shares"	ordinary share(s) of HK$0.10 each in the share capital of the Company

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the subscription agreement dated 9 December 2015 and entered into between the Company, Mr. Guo, Mr. Lee Wee Ong, Mr. Liu Jun and Mr. Liu in relation to the subscription of the convertible bonds in an aggregated principal amount of HK$500,000,000 entitling the holders the right to convert the bonds into Shares at HK$4.00 per Share (subject to adjustments)
"Supplemental Agreements"	the First Supplemental Agreement and the Second Supplemental Agreement
"Supplemental Deed"	the conditional deed supplemental to the Sale and Purchase Agreement entered into between the Company, NAVI-IT and the Zhixing Ex-Shareholders in relation to the Buy-Backs dated 26 April 2016
"Supplemental Partnership Agreement"	the conditional supplemental partnership agreement entered into between Beijing Huicong Construction and the Zhixing Ex-Shareholders dated 26 April 2016 in relation to, among others, the Reward Mechanism
"Supplemental Partnership Agreements"	the Supplemental Partnership Agreement, the Second Supplemental Partnership Agreement and the Third Supplemental Partnership Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Business"	the operation of the websites under the key domain names www.zol.com.cn (中關村在線) and www.zol.com (中關村商城) in the PRC
"Target Interest" or "Target Assets"	the entire equity interest in Beijing Zhixing Ruijing
"Technology Services Agreement"	the technology services agreement (as subsequently supplemented and amended) entered into between Beijing International Information and Beijing Huicong Construction dated 2 January 2002
"Termination Agreement"	the conditional termination agreement entered into between Mr. Guo, Mr. Liu, Orange Beijing, Beijing Zhixing Ruijing and Orange Triangle in relation to the termination of the Existing Structured Contracts dated 26 April 2016

"Third Supplemental Partnership Agreement"	the third supplemental partnership agreement to the Partnership Agreement (as supplemented by the Supplemental Partnership Agreement and the Second Supplemental Partnership Agreement) entered into among Beijing Huicong Construction and the Zhixing Ex-Shareholders dated 23 August 2016
"Total Consideration"	the aggregate consideration of not more than RMB2,080,000,000 and not less than RMB2,000,000,000 payable by the Purchaser to the Vendors for the Disposal by the Vendors to the Purchaser, which shall be settled by way of the Consideration Issue and payment of the Cash Consideration
"Transactions"	the Framework Agreement, the Supplemental Partnership Agreements, the Supplemental Deed, the Buy-Backs, the Reorganization and the transactions contemplated thereunder
"Transitional Period"	the period from the day after 29 February 2016 to the Completion Date
"Valuation"	the valuation result on the Target Assets as at 29 February 2016 prepared by the Valuer
"Valuer"	Can Win Appraisal Co., Ltd.* (坤元資產評估有限公司), an independent valuer
"Vendors"	Beijing Huicong Construction and Xizang Ruijing
"Xizang Ruijing"	西藏銳景慧傑創業投資合夥企業 (Xizang Ruijing Huijie Entrepreneurship Investment Partnership*), a limited partnership established in the PRC on 25 March 2016 of which Beijing Huicong Construction is its general partner and the Zhixing Ex-Shareholders are its limited partners, contributing 99% and 1% of the capital amounts to the partnership respectively
"Zhixing Ex-Shareholder(s)"	Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang

"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

** The English names of Chinese entities marked with "*" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

For illustration purpose only, certain amount denominated in Renminbi have been translated into Hong Kong dollars at an exchange rate of RMB0.84 = HK$1.00. Such conversions shall not be construed as representations that amounts in Renminbi were or may have been converted into Hong Kong dollars at such rates or any other exchange rate or at all.

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2280)
(Stock Code: 05839)

Executive Directors:
Mr. Guo Fansheng *(Chairman)*
Mr. Guo Jiang *(Chief Executive Officer)*
Mr. Lee Wee Ong *(Chief Financial Officer)*

Non-executive Directors:
Mr. Li Jianguang
Mr. Guo Wei

Independent non-executive Directors:
Mr. Zhang Ke
Mr. Xiang Bing
Mr. Zhang Tim Tianwei

Registered Office:
4th Floor
One Capital Place
P.O. Box 847
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business:
Tower B
Jingyi Technical Building
No. 9 Dazhongsi East Road
Haidian District
Beijing 100098
The People's Republic of China

30 August 2016

To the Shareholders

Dear Sirs or Madams,

(1) VERY SUBSTANTIAL DISPOSAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BEIJING ZHIXING RUIJING FOR CERTAIN SHARES IN SHANGHAI GANGLIAN AND CASH; (2) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF XIZANG RUIJING; AND (3) CONNECTED TRANSACTION: PROPOSED OFF-MARKET SHARE BUY-BACKS

I. INTRODUCTION

Reference is made to the Announcements.

* *For identification purpose only*

On 26 April 2016, Beijing Huicong Construction and Xizang Ruijing as the Vendors, the Company and the Purchaser entered into the Initial Framework Agreement pursuant to which, inter alia, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Interest, which represents the entire equity interest in Beijing Zhixing Ruijing, for the total consideration initially estimated to be RMB2,080,000,000 and shall not be more than RMB2,080,000,000. On 30 May 2016, the parties to the Initial Framework Agreement has entered into the First Supplemental Agreement to set a lower limit of the total consideration for the Disposal to be RMB2,000,000,000. On 6 June 2016, the parties to the Management and Operations Agreement which was originally entered into in light of the Reorganization under the Framework Agreement has entered into a termination agreement to terminate the Management and Operations Agreement with effect from 6 June 2016. For details of the termination of the Management and Operations Agreement, please refer to the announcement of the Company dated 6 June 2016. On 29 June 2016, the parties to the Initial Framework Agreement entered into the Second Supplemental Agreement pursuant to which the parties agree to adjust the proportion of the Consideration Issue and Cash Consideration from 67% and 33% respectively to 55% and 45% respectively.

In view of the intention of the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the Disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing after the Disposal, Beijing Huicong Construction has entered into the Supplemental Partnership Agreement with the Zhixing Ex-Shareholders on 26 April 2016 for the Reward Mechanism pursuant to which the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders pursuant to the Reward Mechanism if the New Performance Targets for each of the New Performance Undertaking Years have been met.

In view of the Reward Mechanism, on 26 April 2016, the Company entered into the Supplemental Deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back and the Zhixing Ex-Shareholders conditionally agreed to sell, or procure to sell, the Buy-Backs Shares at nil consideration subject to the terms and conditions of the Supplemental Deed. As the Buy-Backs are in effect for the purpose of implementing the Reward Mechanism and the Total Consideration shall be not more than RMB2,080,000,000 and not less than RMB2,000,000,000, the consideration for the Buy-Backs shall be the 40% of the Total Consideration which shall be not more than RMB832,000,000, and not less than RMB800,000,000, if the New Performance Targets for each of the New Performance Undertaking Years are met.

The purpose of this circular is to provide you with, among other things, (i) details of the Transactions; (ii) the letter from the Independent Board Committee giving its recommendation to the Shareholders on the Transactions; (iii) the letter from the Independent Board Committee for Buy-Backs giving its recommendation to the Disinterested Shareholders on the Transactions (including the Buy-Backs); (iv) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders on the Transactions and the Independent Board Committee for Buy-Backs and the Disinterested Shareholders on the Transactions (including the Buy-Backs); (v) other information as required to be disclosed under the Listing Rules and the Buy-Backs Code; and (vi) the notice of the EGM.

II. FRAMEWORK AGREEMENT

Date: 26 April 2016 (Initial Framework Agreement)

30 May 2016 (First Supplemental Agreement)

29 June 2016 (Second Supplemental Agreement)

Parties:

(1) Beijing Huicong Construction;

(2) Xizang Ruijing (together with Beijing Huicong Construction as the Vendors);

(3) the Company; and

(4) the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party as at the Latest Practicable Date. Beijing Huicong Construction is owned as to 50% by Mr. Guo Fansheng (the uncle of Mr. Guo, the chairman of the Board and an executive Director) and 50% by Mr. Guo (the nephew of Mr. Guo Fansheng, the chief executive officer of the Company and an executive Director). Mr. Guo Fansheng and Mr. Guo are shareholders of Beijing Huicong Construction appointed by the Company to hold the entire equity interests of Beijing Huicong Construction. Xizang Ruijing is a limited partnership held by Beijing Huicong Construction as the general partner and the Zhixing Ex-Shareholders as the limited partners.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Zhixing Ex-Shareholders' interest in the Buy-Backs Shares, each of the Zhixing Ex-Shareholders (except for Mr. Liu, being a director of Beijing Zhixing Ruijing) are Independent Third Parties.

Assets proposed to be disposed of

The Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Interest, representing the entire equity interest in Beijing Zhixing Ruijing. Upon Completion, Beijing Zhixing Ruijing will cease to be a subsidiary of the Company.

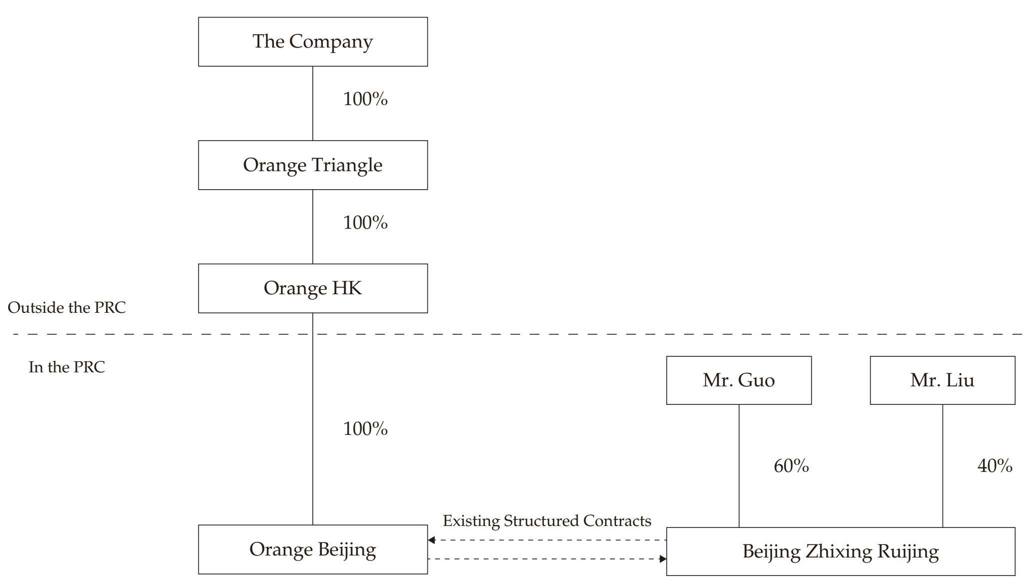
Reorganization

In order to implement the Disposal, the Company shall undergo the Reorganization with respect to its existing IT vertical website assets, businesses and manpower as set out in the Framework Agreement. Immediately upon completion of the Reorganization, Beijing Zhixing Ruijing shall independently operate the Target Business and Beijing Zhixing Ruijing shall be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing.

During the course of the Reorganization, Beijing Huicong Construction and Xizang Ruijing shall ensure that (1) Beijing Zhixing Ruijing has undergone suitable procedures to unwind all the Existing Structured Contracts; (2) all the operating assets, liabilities and manpower related to the Target Business shall be transferred to Beijing Zhixing Ruijing, and if the relevant assets cannot be transferred to Beijing Zhixing Ruijing in time for special reasons, the Company shall implement feasible arrangement and schedule during the Transitional Period; and (3) the Reorganization has complied with the applicable laws, regulations, the Listing Rules, the memorandum and articles of association and constitutional documents of the relevant companies in all material aspects and all approvals, consents, registrations and filings have been obtained as required by the applicable laws and competent departments.

During the implementation of the Reorganization, Beijing Huicong Construction, Xizang Ruijing and the Company shall timely inform the Purchaser of the progress. If there are events which may have material impacts on the implementation of the Reorganization and the expected timeframe of the completion of the Reorganization, the parties agree to mutually adjust the Reorganization. As regards events which would not have material impacts on the Reorganization, Beijing Huicong Construction, Xizang Ruijing and the Company are entitled to adjust the Reorganization and notify the Purchaser.

The following simplified diagram illustrates the flow of economic benefits from Beijing Zhixing Ruijing to Orange Beijing stipulated under the Existing Structured Contracts immediately before the Reorganization:



The material terms of the Reorganization are set out below:

(1) the existing shareholders of Beijing Zhixing Ruijing, i.e. Mr. Guo and Mr. Liu, shall transfer their entire equity interest in Beijing Zhixing Ruijing to Beijing Huicong Construction and Xizang Ruijing. After such transfer, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing (to effect the same, the Equity Transfer Agreement has been entered into by the Group);

(2) the Company and other companies controlled by the Company shall transfer all the assets, manpower, contracts, etc. relevant to the operation of Beijing Zhixing Ruijing to Beijing Zhixing Ruijing (to effect the same, the Asset Transfer Agreement has been entered into by the Group);

(3) the Existing Structured Contracts shall be terminated (to effect the same, the Termination Agreement has been entered into by the Group); and

(4) the Reorganization is subject to the approval of the Shareholders at the EGM. It is expected that the Reorganization shall be completed within 15 business days after having sought the Shareholders' approval at the EGM.

Please refer to the paragraph headed "Framework Agreement — Agreements entered into pursuant to the Framework Agreement" for the principal terms of the Equity Transfer Agreement, the Asset Transfer Agreement and the Termination Agreement relating to the Reorganization.

Conditions Precedent

Completion shall be conditional upon and subject to the satisfaction of, among others, the following conditions:

(1) the Framework Agreement becoming effective;

(2) the Shareholders having approved the Framework Agreement and the transactions contemplated thereunder at a general meeting;

(3) the Reorganization having been completed in accordance with the terms of Reorganization set out in the Framework Agreement.

Effectiveness of the Framework Agreement

The Framework Agreement shall be effective upon the fulfillment of, among others, all of the following conditions:

(1) the board of directors and shareholders of the Purchaser having passed the resolutions approving the Disposal and the Acquisition;

(2) the Disposal and the Acquisition having obtained the approval of the CSRC; and

(3) the subscription agreement relating to the non-public share issue of the Purchaser entered into between the Purchaser and each of the five proposed subscribers of the Purchaser Fund Raising (including Mr. Guo) and its supplemental agreement having become effective upon the fulfillment of all of the following conditions:

(a) the shareholders of the Purchaser having passed the resolution approving the Purchaser Fund Raising;

(b) the CSRC having approved the Purchaser Fund Raising; and

(c) the Framework Agreement having become effective in accordance with its terms.

Completion

The Completion Date shall be determined by the Vendors, the Company and the Purchaser upon the transactions contemplated under the Framework Agreement being approved by the CSRC, but in any event shall be within 60 days from the satisfaction or waiver (where applicable) of all the Conditions Precedent.

Unless otherwise agreed, if the Vendors cannot complete the industrial and commercial registration modification for the Target Interest within six months from the date of approval of the CSRC of the transactions contemplated under the Framework Agreement, the Purchaser shall have the right to terminate the Framework Agreement.

Within five business days from the Completion Date, the Purchaser should also engage an accountants' firm with the relevant qualifications to conduct capital verification and issue a capital verification report in relation to subscription of the Consideration Shares by the Vendors in consideration of the Target Assets. After the issue of the capital verification report, the Vendors and the Purchaser should apply to the clearing company to register Consideration Shares under the names of the Vendors. The Purchaser shall ensure that the Consideration Shares are registered under the names of the Vendors within 15 business days from the Completion Date.

Within 3 business days from the completion of the registration of the issue of shares under the Purchaser Fund Raising, the Purchaser shall make a one-off payment of the Cash Consideration to the Vendors to their designated accounts, but in any event not later than the 60th day from the Completion Date.

Consideration

The Total Consideration is initially estimated to be RMB2,080,000,000 (equivalent to approximately HK$2,476,190,000).

The Total Consideration shall be determined after arm's length negotiations between the Vendors and the Purchaser with reference to (1) the valuation of the Target Assets based on the Asset Valuation Report and (2) the operating conditions of Beijing Zhixing Ruijing and prospect of the industry. It is expected that parties to the Framework Agreement will enter into a separate supplemental agreement to determine the final Total Consideration upon the confirmation of the Asset Valuation Report by the Purchaser.

In any event, the Total Consideration shall not be more than RMB2,080,000,000 and not less than RMB2,000,000,000.

Under the Second Supplemental Agreement, the Total Consideration shall be satisfied in the following manner:

(a) as to 55% (originally 67% under the Initial Framework Agreement) of the Total Consideration, by the allotment and issue of the Consideration Shares by the Purchaser to the Vendors; and

(b) as to 45% (originally 33% under the Initial Framework Agreement) of the Total Consideration, payment of the Cash Consideration by the Purchaser to the Vendors.

Pursuant to the Framework Agreement, the parties agree that the Total Consideration shall be split between Beijing Huicong Construction and Xizang Ruijing in the proportion of 60% and 40%.

The Issue Price is currently fixed at RMB36.49 per Consideration Share (subject to adjustments as mentioned below), which:

(i) is 90% of the volume-weighted average price of the Purchaser (i.e. total trading turnover divided by total trading volume) quoted on the Shenzhen Stock Exchange for the 20 trading days immediately before the Price Determination Date; and

(ii) represents a discount of approximately 20.36% to the closing price of RMB45.82 per share of the Purchaser as quoted on the Shenzhen Stock Exchange on 24 February 2016, being the last trading date of the Purchaser immediately before its suspension from 25 February 2016.

The number of shares of the Purchaser to be issued to Beijing Huicong Construction and Xizang Ruijing shall be calculated in accordance with the following formula:

Number of Consideration Shares = Total Consideration x 55% ÷ Issue Price

The Issue Price was arrived at after arm's length negotiations between the Vendors and the Purchaser and in accordance with the rules of the Shenzhen Stock Exchange. The Directors consider that the Issue Price is fair and reasonable.

The number of Consideration Shares to be finally issued and the Issue Price will be subject to ex-right and ex-dividend adjustment in the event of, amongst others, any ex-right and ex-dividend event such as payment of dividend, bonus issue of shares, placing of shares or transfer of capital surplus into share capital of the Purchaser during the period from the Price Determination Date up to the issue date of the Consideration Shares (the "**Adjustment Mechanism**"). The Adjustment Mechanism will be made in accordance with the then prevailing listing rules of the Shenzhen Stock Exchange. Details of the Adjustment Mechanism are set out below:

Assuming the Issue Price before the Adjustment Mechanism is P0, the bonus issue of shares or transfer of capital surplus into share capital per share is N, the issue of new share or placing of share per share is K, issue of new share price or placing price is A, dividends per share is D, the Issue Price after the Adjustment Mechanism is P1, then:

In case of dividend distribution: P1 = P0 – D

In case of bonus issue of shares or transfer of capital surplus into share capital: P1 = P0/(1 + N)

In case of issue of new shares or placing of shares: P1 = (P0 + AK)/(1 + K)

In the event that all the above three events occur simultaneously: P1 = (P0 – D + AK)/(1 + K + N)

As the Purchaser does not record profit for the latest two years, it cannot fulfill the condition to be fulfill before any issuance of new securities as set out in "Interim Measures on Securities Issue by Companies Listed on ChiNext"《創業板上市公司證券發行管理暫行辦法》. Accordingly, the Purchaser shall not issue or place any new shares during the period from the Price Determination Date up to the issue date of the Consideration Shares. In the event that there is any dividend distribution, bonus issue of shares or transfer of capital surplus into share capital by the Purchaser during the period from the Price Determination Date up to the issue date of the Consideration Shares, the net asset value per share of the Purchaser will be reduced. As a result, the Purchaser will make the ex-right and ex-dividend adjustment according to the rules of the Shenzhen Stock Exchange. After the ex-right and ex-dividend adjustment, the new Issue Price will be lower than the original Issue Price and accordingly, the number of the Consideration Shares to be issued will be increased correspondingly. In view of the aforesaid, such ex-right and ex-dividend adjustment will not result in the new Issue Price to be higher than the original Issue Price nor in the reduction of the number of Consideration Shares to be issued.

Pursuant to the Initial Framework Agreement, based on the maximum Total Consideration and assuming the Issue Price is RMB36.49 per Consideration Share, (i) Beijing Huicong Construction shall receive RMB411,840,000 in cash and 22,914,771 Consideration Shares and (ii) Xizang Ruijing shall receive RMB274,560,000 in cash and 15,276,514 Consideration Shares.

As set out in the announcement of the Company dated 29 June 2016 in relation to the Second Supplemental Agreement, as a result of the Answers of the CSRC on

Issues concerning the Issuance of Shares to Purchase of Assets and Currently Raising the Supporting Fund (《關於上市公司發行股份購買資產同時募集配套資金用途等問題與解答》) as published on 17 June 2016, in order to further comply with the CSRC's new requirements on major asset restructuring by the listed companies and to ensure stabilization of the controlling stake in the Purchaser held by the controlling shareholder and its ultimate controller of the Purchaser, the parties conclude the Second Supplemental Agreement to adjust the percentage of the Consideration Issue to the Total Consideration downward from 67% to 55%. In addition, as the parties recognize the curial role to be played by the Zhixing Ex-Shareholders to meet the New Performance Targets, the proportion of the Cash Consideration and the Consideration Issue to be received by Xizang Ruijing remains unchanged under the Second Supplemental Agreement. The Board considered that the increase in cash proportion for Beijing Huicong Construction under the Second Supplemental Agreement will provide more working capital for the operation of the Company.

As such, pursuant to the Second Supplemental Agreement, based on the initial Total Consideration and assuming the Issue Price is RMB36.49 per Consideration Share, (i) Beijing Huicong Construction shall receive RMB661,440,000 in cash and 16,074,540 Consideration Shares and (ii) Xizang Ruijing shall receive RMB274,560,000 in cash and 15,276,514 Consideration Shares.

The Asset Valuation Report

Can Win Appraisal Co., Ltd.* (坤元資產評估有限公司), an independent valuer, performed an independent valuation in respect of the Target Assets using the income-based approach and the market-based approach, and selected the income-based approach as the adopted valuation methodology for the Asset Valuation Report. The Asset Valuation Report is required by the applicable laws and regulations in the PRC that are applicable to the Purchaser in connection with its acquisition of the Target Assets. Under the "Administrative Measures for Material Asset Reorganisation of Listed Companies" (CSRC Decree No.109) (《上市公司重大資產重組管理辦法》(中國證監會令第109號)) promulgated by the CSRC, the Purchaser is required to engage a qualified asset appraisal institution to issue a valuation report on the Target Assets as the Disposal forms part of a major reorganization undertaken by the and the consideration for which is to be determined by the parties with reference to the valuation results. Based on the Asset Valuation Report, the appraised value of the Target Assets as of 29 February 2016 was approximately RMB2,083,170,000. Details of the Asset Valuation Report are set out in Appendix VI of this circular. The Asset Valuation Report was originally prepared in Chinese and was subsequently translated into English. In the event of any inconsistency between the two texts, the Chinese text of information of the Asset Valuation Report shall prevail over the English text.

As the Valuer has adopted the income-based approach in performing the Valuation, which has taken into account the discounted cash flow forecast of the Target Assets, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock

Exchange granted the waiver from strict compliance with Rules 14.66(2) and 14A.70(13) of and paragraph 29(2) of Appendix 1B to the Listing Rules. Please refer to pages 61 to 62 of this circular for the details of the waiver.

Purchaser Fund Raising

Under the Second Supplemental Agreement, the Purchaser shall also raise funds in the total amount of not more than RMB953,000,000 (originally RMB2,080,000,000 under the Initial Framework Agreement) from five specific investors by allotting and issuing shares of the Purchaser. The issue price for such shares shall not be less than the Issue Price and shall also be subject to the Adjustment Mechanism detailed above. One of the proposed subscribers of the Purchaser Fund Raising is Mr. Guo.

Under the Initial Framework Agreement, it was originally agreed that the Purchaser Fund Raising shall not be a condition precedent of the Disposal and the Acquisition. If the Purchaser Fund Raising is not approved by the CSRC or cannot be wholly or partially implemented, it does not affect the implementation of the Disposal and the Acquisition. Such agreed terms were amended under the First Supplemental Agreement, for details, please refer to the paragraph headed "Supplemental Agreements to the Initial Framework Agreement — I. First Supplemental Agreement" on pages 33 to 34 of this circular.

Lock-up period

The Consideration Shares shall be subject to a lock-up period of 36 months after their allotment and issue during which no transfer of any of the Consideration Shares by the Vendors is permitted (the "**Lock-up Period**").

During the Lock-up Period, the Vendors may attach mortgages, pledges, guarantees, priorities or other third-party rights to not more than 80% of the number of released Consideration Shares to be determined in accordance with the following formula:

The number of released Consideration Shares for each of the year ending 31 December 2016, 31 December 2017 and 31 December 2018 will be as follows:

= A x B – C

Where:

A = the total number Consideration Shares obtained under the Framework Agreement;

B = 30% for the year ending 31 December 2016;
30% for the year ending 31 December 2017;
40% for the year ending 31 December 2018; and

C = the number of Consideration Shares compensated by the Vendors to the Purchaser for the relevant year in accordance with the Framework Agreement.

Performance Undertaking

The Vendors has undertaken that Beijing Zhixing Ruijing shall achieve the New Performance Target for each New Performance Undertaking Year during the New Performance Undertaking Period as follows:

New Performance Undertaking Year	Net profit as set out in the audited results of Beijing Zhixing Ruijing
Year ending 31 December 2016 (“**First Performance Undertaking Year**”)	RMB130,000,000
Year ending 31 December 2017 (“**Second Performance Undertaking Year**”)	RMB169,000,000
Year ending 31 December 2018 (“**Third Performance Undertaking Year**”)	RMB219,700,000

The net profit for the First Performance Undertaking Year is calculated as follows:

$$= (A + B + C) \text{ X } (1 - D)$$

Where:

A = the audited operating profit of Beijing Zhixing Ruijing for the year ending 31 December 2016;

B = the audited operating profit of Orange Beijing prior to the termination of the Existing Structured Contracts;

C = the intellectual property usage fee payable by Beijing Zhixing Ruijing to Orange Triangle prior to the termination of the Existing Structured Contracts; and

D = the effective tax rates of Beijing Zhixing Ruijing i.e. the tax rates including the research and development deduction, disabled persons deduction and other tax incentives divided by profit before tax.

The net profits for the Second Performance Undertaking Year and the Third Performance Undertaking Year refer to the net profits attributable to shareholders of parent company after deduction of non-recurring profit and loss.

Set out below is the table showing the compensation to be made by Beijing Huicong Construction and Xizang Ruijing if the net profit in any of the New Performance Undertaking Years is less than the New Performance Target in the corresponding year:

First Performance Undertaking Year

Performance rate of the New Performance Target for the year ending 31 December 2016	Compensation by Xizang Ruijing Number of shares of the Purchaser to be compensated	Compensation by Xizang Ruijing Amount of cash to be compensated *(RMB)*	Compensation by Beijing Huicong Construction Number of shares of the Purchaser to be compensated	Compensation by Beijing Huicong Construction Amount of cash to be compensated *(RMB)*
90% to less than 100%	2,137,571	N/A	N/A	N/A
80% to less than 90%	4,275,143	N/A	N/A	N/A
70% to less than 80%	4,582,954	82,368,000	641,271	N/A
50% to less than 70%	4,582,954	82,368,000	3,847,629	N/A
Less than 50%	4,582,954	82,368,000	4,822,362	81,432,000

Second Performance Undertaking Year

Performance rate of the New Performance Target for the year ending 31 December 2017	Compensation by Xizang Ruijing Number of shares of the Purchaser to be compensated	Compensation by Xizang Ruijing Amount of cash to be compensated *(RMB)*	Compensation by Beijing Huicong Construction Number of shares of the Purchaser to be compensated	Compensation by Beijing Huicong Construction Amount of cash to be compensated *(RMB)*
90% to less than 100%	2,137,571	N/A	N/A	N/A
80% to less than 90%	4,275,143	N/A	N/A	N/A
70% to less than 80%	4,582,954	82,368,000	641,271	N/A
50% to less than 70%	4,582,954	82,368,000	3,847,629	N/A
Less than 50%	4,582,954	82,368,000	4,822,362	81,432,000

Third Performance Undertaking Year

Performance rate of the New Performance Target for the year ending 31 December 2018	Compensation by Xizang Ruijing Number of shares of the Purchaser to be compensated	Compensation by Xizang Ruijing Amount of cash to be compensated *(RMB)*	Compensation by Beijing Huicong Construction Number of shares of the Purchaser to be compensated	Compensation by Beijing Huicong Construction Amount of cash to be compensated *(RMB)*
90% to less than 100%	2,850,095	N/A	N/A	N/A
80% to less than 90%	5,700,191	N/A	N/A	N/A
70% to less than 80%	6,110,606	109,824,000	855,028	N/A
50% to less than 70%	6,110,606	109,824,000	5,130,172	N/A
Less than 50%	6,110,606	109,824,000	6,429,816	108,576,000

Assuming the Total Consideration would be RMB2,080,000,000, set out below is the table showing the net payoff to each of Beijing Huicong Construction and Xizang Ruijing under the Transactions if the New Performance Targets for each of the New Performance Undertaking Years are met:

	Cash Consideration	**Number of shares of Purchaser**
Beijing Huicong Construction	RMB661,440,000	16,074,540
Xizang Ruijing	RMB274,560,000	15,276,514
Total	RMB936,000,000	31,351,054

Assuming the Total Consideration would be RMB2,080,000,000, set out below is the table showing the net payoff to each of Beijing Huicong Construction and Xizang Ruijing under the Transactions if the New Performance Targets for all of the New Performance Undertaking Years are not met (assuming all performance rates are less than 50%):

	Cash Consideration	**Number of shares of Purchaser**
Beijing Huicong Construction	RMB390,000,000	Nil
Xizang Ruijing	Nil	Nil
Total	RMB390,000,000	Nil

Under the expected arrangement, if the New Performance Targets cannot be met, Xizang Ruijing shall make compensation before Beijing Huicong Construction in accordance with the Framework Agreement. Pursuant to this arrangement, compensation would first be made from Xizang Ruijing (which the Zhixing Ex-Shareholders are interested in). The Zhixing Ex-Shareholders will, through Xizang Ruijing, obtain 40% of the Total Consideration if the New Performance Targets are met for each of the New Performance Undertaking Year. Therefore, the Group is of the view that this arrangement would give incentives to the Zhixing Ex-Shareholders to achieve the New Performance Targets and this arrangement would also be to the benefits and interest of the Company.

For the avoidance of doubt, in the scenario where the New Performance Targets for each of the New Performance Undertaking Years are met, Xizang Ruijing and Beijing Huicong Construction will not be required to release any of their splits of Consideration Shares and Cash Consideration. In the scenario where the New Performance Targets fall below 50% for each of the New Performance Undertaking Years, Xizang Ruijing will be required to compensate all of its split of Consideration Shares and Cash Consideration while Beijing Huicong Construction will be required to compensate all of its split of Consideration Shares and approximately 41.04% of its split of Cash Consideration.

Shall the Vendors fail to compensate the Purchaser in accordance with the terms of the Framework Agreement for failure to fulfill any New Performance Targets, the Company shall be responsible for compensating the deficient amount. The obligation of the Vendors and the Company to compensate the Purchaser pursuant to the Framework Agreement shall, in any event, be not more than the Total Consideration received by them in aggregate from the Disposal and the Acquisition.

Further announcements will be made by the Company for disclosing the results of (i) the achievement of the New Performance Targets and (ii) the Reward Mechanism after the end of each of the New Performance Undertaking Years.

Composition of directors

Upon completion of the Disposal and Acquisition, the board of directors of the Purchaser shall consist of 9 directors, among which 3 shall be independent directors and 6 shall be shareholders-represented directors. Each of Beijing Huicong Construction and Xizang Ruijing shall be entitled to nominate 1 shareholder-represented director.

Acquisition of shares in the Purchaser

Part of the Total Consideration will be satisfied by the Purchaser to the Vendors on Completion by the allotment and issue of the Consideration Shares to the Vendors. Based on the initial estimated amount of the Total Consideration, the number of Consideration Shares will be 31,351,054, such Consideration Shares will represent approximately 14.45% of the issued share capital of the Purchaser as enlarged by the Consideration Issue and 26,116,744 shares of the Purchaser to be issued at the Issue Price upon completion of the Purchaser Fund Raising (assuming that there is no other change to the Purchaser after the Latest Practicable Date).

The receipt of the Consideration Shares by the Group amounts to an acquisition of certain issued share capital in the Purchaser by the Group.

Upon completion of the Disposal and Acquisition, the Company would effectively hold 14.45% equity interest of the Purchaser (assuming that there is no other change to the Purchaser after the Latest Practicable Date). However, there would be several uncertain factors, including the potential Purchaser Fund Raising which may dilute the Company's equity interest in the Purchaser, as well as the uncertainty in relation to the level of influence can demonstrate over the board of directors of the Purchaser.

As confirmed with the Company's auditor, after considering all the existing circumstance and uncertain factors, the Company's 14.45% equity investment in the Purchaser shall be accounted as available-for-sale financial assets in the Company's accounts.

Agreements entered into pursuant to the Framework Agreement

Set out below are the principal terms of the agreements that have been entered into by the Group pursuant to the Framework Agreement:

1. *Equity Transfer Agreement*

Date: 26 April 2016 (after trading hours)

Parties:

(1) Mr. Guo;

(2) Mr. Liu; (Mr. Guo and Mr. Liu are together referred to as the "**Transferors**")

(3) Beijing Huicong Construction; and

(4) Xizang Ruijing (Beijing Huicong Construction and Xizang Ruijing are together referred to as the "**Transferees**").

Subject matter: The Transferors have conditionally agreed to transfer to the Transferees and the Transferees have conditionally agree to receive from the Transferors the entire equity interest in Beijing Zhixing Ruijing on completion date subject to the terms and conditions of the Equity Transfer Agreement (the "**Equity Transfer**").

Consideration: RMB46.6 million, which was determined with reference to the net assets value of Beijing Zhixing Ruijing as at 31 March 2016.

The Transferees shall make payments of the consideration to the designated account of Orange Triangle within 15 business days from the date of completion set out in the Equity Transfer Agreement or at such other time agreed by the parties. The parties agree that within two business days after the payment of the consideration into such designated accounts, such sums shall be passed to Orange Triangle for its action.

Effectiveness of the agreement: The Equity Transfer Agreement will come into effect upon the fulfilment of, among others, the obtaining of the approval of transactions contemplated under the Equity Transfer Agreement in the Shareholders' meeting.

Conditions precedent: Completion of the Equity Transfer Agreement is conditional upon the fulfilment of, among others, the following conditions (the conditions precedent which have been waived by the Transferees in writing shall be treated as having been fulfilled):–

(1) up to the date of completion, the statements and undertakings given by the Transferors remain true, accurate and complete in all material aspects (if a certain statement or undertaking is only made for a specific date, such statement or undertaking shall remain true, accurate and complete);

(2) the Transferors have obtained the approvals from their relevant internal departments in respect of the Equity Transfer (if required);

(3) the Transferors have obtained prior written consent from Orange Triangle in accordance with the Exclusive Right to Share Purchase Agreement; and

(4) up to the date of completion, there is no litigation involving Beijing Zhixing Ruijing which affects the performance of the Equity Transfer Agreement and there is no material adverse change.

Completion: Upon the fulfilment of the conditions precedent, the Transferors shall as soon as possible send the Transferees a completion notice notifying the Transferees that the conditions precedent are fulfilled and accounts information regarding the receiving of payment. Upon receipt of such completion notice, the Transferees shall notify the Transferors in writing confirming the date of completion and they will fulfill their payment obligations (the "**Transferees' Notice**"). The equity transfer shall be treated as completed on the date of completion specified in the Transferees' Notice.

The parties shall on the completion date cause changes to the register of members of Beijing Zhixing Ruijing and transfer of company seal, files, etc. The Transferors shall procure Beijing Zhixing Ruijing to register with the industrial and commercial administrative departments, under the assistance of both parties, the Equity Transfer within the time specified in the Transferees' Notice.

2. *Asset Transfer Agreement*

Date: 26 April 2016 (after trading hours)

Parties:

(1) Orange Triangle; and

(2) Beijing Zhixing Ruijing.

Subject matter: Orange Triangle has conditionally agreed to transfer to Beijing Zhixing Ruijing and Beijing Zhixing Ruijing has conditionally agreed to receive from Orange Triangle, subject to the terms and conditions of the Asset Transfer Agreement, certain domain names, registered trademarks and other intellectual property rights owned by Orange Triangle (the "**Assets**").

Consideration: Nil. Orange Triangle agrees to waive any payment obligation of Beijing Zhixing Ruijing.

Effectiveness of the agreement: The Asset Transfer Agreement will come into effect upon the fulfilment of, among others, the obtaining of the approval of transactions contemplated under the Asset Transfer Agreement in the Shareholders' meeting.

Completion: Both parties shall within 3 days from the effective date of the Asset Transfer Agreement submit the application documents for the transfer of the ownership of the Assets to the relevant registration competent department(s). Completion is deemed to take place when the registration competent department(s) has completed the transfer of ownership of the Assets and issued new ownership certificates of the Assets.

Following completion, the ownership of the Assets will be transferred to Beijing Zhixing Ruijing who shall solely and legally own the Assets. Beijing Zhixing Ruijing shall also have the sole rights to operate the Assets. Orange Triangle will cease to be the owner of the Assets and will not have any rights to the operation of the Assets.

3. *Termination Agreement*

Date: 26 April 2016 (after trading hours)

Parties:

(1) Mr. Guo;

(2) Mr. Liu;

(3) Orange Beijing;

(4) Beijing Zhixing Ruijing; and

(5) Orange Triangle.

Subject matter: The parties to the Termination Agreement agree that from the effective date of the Termination Agreement, the Existing Structured Contracts shall be terminated and have no further legal effect. Any rights, obligations or responsibilities (whether existing or contingent) of the parties under the Existing Structured Contracts shall be terminated and released.

The parties confirmed that there are no unfulfilled obligations, responsibilities, disagreements or disputes under the Existing Structured Contracts. The parties also agree that all actual or potential compensation obligations or liabilities for breach of contracts (if any) are waived between themselves.

The parties confirmed to take all necessary actions to terminate the Existing Structured Contracts and register the release of share pledge (if any), including but not limited to undergoing relevant procedures and executing relevant documents.

Effectiveness of the agreement: The Termination Agreement shall be effective upon the later of the following events:

(1) the obtaining of the approval of the transactions contemplated under the Termination Agreement in the Shareholders' meeting; or

(2) the completion of the Equity Transfer under the Equity Transfer Agreement.

II.A. SUPPLEMENTAL AGREEMENTS TO THE INITIAL FRAMEWORK AGREEMENT

I. First Supplemental Agreement

On 30 May 2016, the parties to the Initial Framework Agreement entered into the First Supplemental Agreement to amend certain terms of the Initial Framework Agreement:

A. Total Consideration

As it is expected that the confirmed Asset Valuation Report would not be available before the EGM and in order to give more information to the Shareholders on the range of the total consideration for the Disposal, the parties to the Initial Framework Agreement entered into the First Supplemental Agreement to set a lower limit of the total consideration for the Disposal to be not less than RMB2,000,000,000. Accordingly, under the Framework Agreement, the Total Consideration for the Disposal shall not be more than RMB2,080,000,000 and shall not be less than RMB2,000,000,000.

Such lower limit of the total consideration for the Disposal was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the initial valuation of the Target Assets. As set out in the Framework Agreement, the estimated value of the Target Assets was RMB2,083,000,000 as at 29 February 2016.

B. Purchaser Fund Raising

In order to further meet the CSRC's principle on major asset restructuring by companies listed on the ChiNext Board of the Shenzhen Stock Exchange and to ensure stabilization of the controlling stake in the Purchaser held by the controlling shareholder and its ultimate controller of the Purchaser, the parties to the First Supplemental Agreement also agreed under the First Supplemental Agreement to:

(a) amend the terms relating to the Purchaser Fund Raising such that the Disposal and the Acquisition together with the Purchaser Fund Raising shall become effective simultaneously and be inter-conditional. If any transactions of the Framework Agreement and the Purchaser Fund Raising could not be performed, the other transactions not yet performed shall lapse automatically and the transactions already been performed shall be unwound unconditionally. In such circumstances, in the event that the Framework Agreement could not be completed, the Purchaser Fund Raising would be unwound unconditionally; and

(b) add condition (3) as set out in the paragraph headed "Framework Agreement — Effectiveness of the Framework Agreement" on page 20 of this circular.

II. Second Supplemental Agreement

On 29 June 2016, parties to the Initial Framework Agreement entered into the Second Supplemental Agreement to further amend certain terms of the Initial Framework Agreement (as supplemented by the First Supplemental Agreement):

A. Adjusted Consideration Issue and Cash Consideration

The parties agree to adjust the proportion of the Consideration Issue and Cash Consideration from 67% and 33% respectively to 55% and 45% respectively.

B. Adjusted Compensation, if any

Under the Second Supplemental Agreement, the number of shares of the Purchaser and/or an agreed amount of cash to be compensated by Xizang Ruijing, if the net profit in any of the New Performance Undertaking Years is less than the New Performance Target in the corresponding year, remains unchanged. Other than the number of shares of the Purchaser and/or an agreed amount of cash to be compensated by Beijing Huicong Construction if the performance rate of the New Performance Target for any one of the New Performance Undertaking Years is less than 50%, the number of shares of the Purchaser and/or an agreed amount of cash to be compensated by Beijing Huicong Construction, if the net profit in any of the New Performance Undertaking Years is equal to or more than 50% and less than 80%, remains unchanged.

The aggregate value of the cash and the share compensation to be made by Beijing Huicong Construction and Xizang Ruijing if the net profit in any of the New Performance Undertaking Years is less than the New Performance Target in the corresponding year as set out in the Initial Framework Agreement and the Second Supplemental Agreement remain unchanged. Please refer to the table on page 26 of this circular for the compensation to be made by Beijing Huicong Construction and Xizang Ruijing if the net profit in any of the New Performance Undertaking Years is less than the New Performance Target in the corresponding year under the Second Supplemental Agreement.

C. Purchaser Fund Raising

Pursuant to the Second Supplemental Agreement, the total amount to be raised by the Purchaser under the Purchaser Fund Raising was revised from RMB2,080,000,000 to RMB953,000,000.

As a result of the Answers of the CSRC on Issues concerning the Issuance of Shares to Purchase of Assets and Currently Raising the Supporting Fund (《關於上市公司發行股份購買資產同時募集配套資金用途等問題與解答》) as published on 17 June 2016, in order to further comply with the CSRC's new requirements on major asset restructuring by the listed companies and to ensure stabilization of the controlling stake in the Purchaser held by the controlling shareholder and its ultimate controller of the Purchaser, the parties conclude the Second Supplemental Agreement to adjust the percentage of the Consideration Issue to the Total Consideration downward from 67% to 55%. In addition, as the parties recognize the curial role to be played by the Zhixing Ex-Shareholders to meet the New Performance Targets, the proportion of the Cash Consideration and the Consideration Issue to be received by Xizang Ruijing remains unchanged under the Second Supplemental Agreement. The Board considered that the increase in cash proportion for Beijing Huicong Construction under the Second Supplemental Agreement will provide more working capital for the operation of the Company.

III. SUPPLEMENTAL PARTNERSHIP AGREEMENTS

I. Supplemental Partnership Agreement

On 24 March 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into a partnership agreement (the "**Partnership Agreement**"), pursuant to which a limited partnership, Xizang Ruijing was formed in which Beijing Huicong Construction is a general partner and Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang are limited partners, contributing 99% and 0.4%, 0.25%, 0.2% and 0.15% of the capital amounts to the partnership respectively and each being titled to 99% and 1% partnership equity of Xizang Ruijing, respectively. The total capital amounts to be contributed by Beijing Huicong Construction and the Zhixing Ex-Shareholders to Xizang Ruijing is RMB30,000,000 (as to RMB29,700,000 by Beijing Huicong Construction, RMB120,000 by Mr. Liu, RMB75,000 by Ms. Wang, RMB60,000 by Mr. Shi and RMB45,000 by Ms. Yang). As at the Latest Practicable Date, the amount of capital value paid up of Xizang Ruijing is RMB10,000,000.

In view of the intention of the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the Disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing after the Disposal, Beijing Huicong Construction has entered into the Supplemental Partnership Agreement with the Zhixing Ex-Shareholders on 26 April 2016 for the Reward Mechanism pursuant to which the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders pursuant to the Reward Mechanism if the New Performance Targets for each of the New Performance Undertaking Years have been met.

Set out below are the principal terms of the Supplemental Partnership Agreement:

Date: 26 April 2016 (after trading hours)

Parties: (1) Beijing Huicong Construction; and

(2) the Zhixing Ex-Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Zhixing Ex-Shareholders' interest in the Buy-Backs Shares, each of the Zhixing Ex-Shareholders (except for Mr. Liu, being a director of Beijing Zhixing Ruijing) and his/her ultimate beneficial owners are Independent Third Parties.

Subject matter:

The Supplemental Partnership Agreement is supplemental to the Partnership Agreement.

As part of the Reward Mechanism, the parties agree that, if the New Performance Target of the relevant Performance Undertaking Year is achieved, Beijing Huicong Construction shall transfer the following partnership equity with the corresponding paid-up capital value to the Zhixing Ex-Shareholders at a consideration in the amount equal to the relevant paid-up capital amount:

	% of partnership equity
First Performance Undertaking Year	29%
Second Performance Undertaking Year	30%
Third Performance Undertaking Year	40%

The above-mentioned consideration was determined with reference to the amount of capital amount paid-up by Beijing Huicong Construction.

Each of the Zhixing Ex-Shareholders shall receive the partnership equity and the corresponding paid-up capital amount transferred by Beijing Huicong Construction in accordance with the proportion of the actual capital contribution of each limited partners.

For the avoidance of doubt, in the scenario where the New Performance Targets for each of the New Performance Undertaking Years are met, the Zhixing Ex-Shareholders will be entitled to 100% interest in Xizang Ruijing. In the scenario where none of the New Performance Targets for each of the New Performance Undertaking Years are met, the Zhixing Ex-Shareholders will remain to be interested in 1% of Xizang Ruijing.

Upon completion of the industrial and commerce registration for the change in 99% partnership equity in Xizang Ruijing by Beijing Huicong Construction, it will cease to be a general partner of Xizang Ruijing. Xizang Ruijing's limited partners shall choose a general partner among themselves.

The parties agree that the Cash Consideration to be received by Xizang Ruijing under the Framework Agreement shall be distributed to the limited partners as dividend (the "**Dividend**") within 30 days upon receipt. Each limited partner shall receive the Dividend in accordance with the proportion of the actual capital contribution of each limited partners. Such agreed terms were amended under the Third Supplemental Partnership Agreement. For details, please refer to paragraph headed "Supplemental Partnership Agreements — III. Third Supplemental Partnership Agreement" on page 38 of this circular.

Effectiveness of the agreement:

The Supplemental Partnership Agreement will come into effect upon the fulfillment of, among others, the approval of the transactions contemplated under the Supplemental Partnership Agreement in the Shareholders' meeting.

II. Second Supplemental Partnership Agreement

On 4 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Second Supplemental Partnership Agreement pursuant to which the parties agree the followings:

(i) the investment objective of Xizang Ruijing (a limited partnership) is to invest in the equity interest in Beijing Zhixing Ruijing and to hold the 40% equity interest in Beijing Zhixing Ruijing before Completion and Xizang Ruijing will hold the shares of the Purchaser after Completion;

(ii) other than the aforesaid investment, without the consent of all the partners of Xizang Ruijing, Xizang Ruijing shall not develop or launch any other business or conduct re-investing;

(iii) other than the distribution of the agreed portion of the Consideration Shares and Cash Consideration to be received by Xizang Ruijing under the Second Supplemental Agreement to the Framework Agreement, before the expiry of the New Performance Undertaking Period, Xizang Ruijing will not make distribution of profit earned during the New Performance Undertaking Period; and

(iv) the power of the executive partner under the Partnership Agreement to represent Xizang Ruijing to invest in different investment projects was amended to manage the investment project according to the investment objective of Xizang Ruijing or the other business as agreed by all the partners of Xizang Ruijing.

The Second Supplemental Partnership Agreement was entered into to further define the role of Xizang Ruijing in the transactions contemplated under the

Framework Agreement, i.e. to act as an investment vehicle of the Zhixing Ex-Shareholders to complete the transactions contemplated under the Framework Agreement. Xizang Ruijing was established and will operate solely for the purpose of being a shareholder of Beijing Zhixing Ruijing after the Reorganization and holding the shares of the Purchaser after Completion.

III. Third Supplemental Partnership Agreement

On 23 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Third Supplemental Partnership Agreement pursuant to which the parties agree to amend the timing of distribution of the Cash Consideration to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders) in the following manner:

(a) In the event that the net profits of Beijing Zhixing Ruijing as set out in its audited results for the year ending 31 December 2016 is not less than RMB104,000,000 (i.e. 80% of the first New Performance Target of RMB130,000,000), Xizang Ruijing shall distribute 30% of the Cash Consideration received by it to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders) as dividend in accordance with the proportion of the actual capital contribution of each limited partner;

(b) In the event that the net profits of Beijing Zhixing Ruijing as set out in its audited results for the year ending 31 December 2017 is not less than RMB135,200,000 (i.e. 80% of the second New Performance Target of RMB169,000,000), Xizang Ruijing shall distribute 30% of the Cash Consideration received by it to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders) as dividend in accordance with the proportion of the actual capital contribution of each limited partner; and

(c) In the event that the net profits of Beijing Zhixing Ruijing as set out in its audited results for the year ending 31 December 2018 is not less than RMB175,760,000 (i.e. 80% of the third New Performance Target of RMB219,700,000), Xizang Ruijing shall distribute 40% of the Cash Consideration received by it to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders) as dividend in accordance with the proportion of the actual capital contribution of each limited partner.

In the event that the net profits of Beijing Zhixing Ruijing as set out in its audited results for any New Performance Undertaking Year is less than 80% of the relevant New Performance Target, the relevant portion of the Cash Consideration would not be distributed to the limited partners of Xizang Ruijing but would be applied to compensate to the Purchaser pursuant to the Framework Agreement (as amended) (the "**Cash Compensation**"). The limited partners of Xizang Ruijing shall be responsible for all the taxes arising from any distribution of the Cash Consideration.

IV. SUPPLEMENTAL DEED AND PROPOSED OFF-MARKET SHARE BUY-BACKS

In view of the Reward Mechanism, on 26 April 2016, the Company entered into the Supplemental Deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back and the Zhixing Ex-Shareholders conditionally agreed to sell, or procure to sell, the Buy-Backs Shares at nil consideration subject to the terms and conditions of the Supplemental Deed.

The principal terms of the Supplemental Deed are set out below:

Date: 26 April 2016 (after trading hours)

Parties: (i) the Company, as purchaser;

(ii) NAVI-IT; and

(iii) the Zhixing Ex-Shareholders as vendors.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Zhixing Ex-Shareholders' interest in the Buy-Backs Shares, each of the Zhixing Ex-Shareholders (except for Mr. Liu, being a director of Beijing Zhixing Ruijing) and his/her ultimate beneficial owners are Independent Third Parties.

Buy-Backs Shares

Subject to the terms and conditions of the Supplemental Deed, the Company conditionally agreed to buy back and each of the Zhixing Ex-Shareholders conditionally agreed to sell the Buy-Backs Shares free and clear from all encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared made or paid, the record date of which is on or after the date of Buy-Backs Completion.

The HC Consideration Shares represents approximately 15.41% of the issued share capital of the Company as at the Latest Practicable Date. It is expected that the Buy-Backs Completion would take place by the end of 2016. By then the 1st Batch HC Consideration Shares (for the performance undertaking year ended 30 June 2016) should have already been released to the Zhixing Ex-Shareholders or their wholly-owned company in accordance with the terms of the Sale and Purchase Agreement. As such, the Buy-Backs would only involve the 2nd Batch HC Consideration Shares and the 3rd Batch HC Consideration Shares, and i.e. 88,958,115 Shares, which represent approximately 8.81% of the issued share capital of the Company as at the Latest Practicable Date.

Consideration

The total consideration for the Buy-Backs Shares is nil, which was determined following arm's length commercial negotiations between the Company and the Zhixing Ex-Shareholders, taking into account of the Reward Mechanism.

The Buy-Backs are in effect for the purpose of implementing the Reward Mechanism through which the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders if the New Performance Targets for each of the New Performance Undertaking Years have been met. Pursuant to the Framework Agreement, the Total Consideration shall be not more than RMB2,080,000,000 and not less than RMB2,000,000,000. As such, although the consideration for the Buy-Backs set out in the Supplemental Deed is nil, the consideration for the Buy-Backs shall be the 40% of the Total Consideration which shall be not more than RMB832,000,000, and not less than RMB800,000,000, if the New Performance Targets for each of the New Performance Undertaking Years are met. The actual maximum consideration for the Buy-Backs shall be RMB832,000,000, RMB274,560,000 of which will be settled in cash by the Purchaser upon Completion and the remaining RMB557,440,000 will be settled by the issue of the 15,276,514 Consideration Shares.

Buy-Backs Conditions

Completion of the Supplemental Deed is conditional upon the satisfaction of the following conditions:

(1) the Disinterested Shareholders having approved the transactions contemplated under the Supplemental Deed in accordance with the requirements of the Listing Rules, the Buy-Backs Code (i.e. the Buy-Backs to be approved by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders at the EGM) and other applicable laws and regulations, and having approved the manner of Buy-Backs in accordance with the requirements of the Company's memorandum and articles of association;

(2) the Executive having granted and not having withdrawn his approval of the Buy-Backs;

(3) no mandatory offer for the Shares and other securities of the Company under Rule 26 of the Takeovers Code is required to be made as a result of the transactions contemplated under the Supplemental Deed;

(4) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Supplemental Deed; and

(5) the due execution of the Framework Agreement and completion of the transactions contemplated thereunder.

If the Buy-Backs Conditions are not satisfied or waived on or before the Buy-Backs Long Stop Date, the Supplemental Deed shall automatically lapse, provided, amongst others, that the lapse of the Supplemental Deed shall be without prejudice to the rights and liabilities of any party to the Supplemental Deed accrued prior to such lapse. Since the resolutions to approve the Framework Agreement and the Buy-Backs would be made inter conditional upon one another, if the Buy-Backs are not approved, the Transactions would not proceed.

To the best knowledge of the Directors, the transactions contemplated under the Supplemental Deed would not trigger any mandatory general offer for the Shares or other securities of the Company under Rule 26 of the Takeovers Code, and accordingly, Buy-Backs Condition (3) above is expected to be satisfied.

Buy-Backs Completion

Buy-Backs Completion shall take place on the date of fulfilment of the Buy-Backs Conditions or such other time as the Company may direct.

The Directors confirmed that the Buy-Backs, upon becoming unconditional, would be completed as soon as practicable and it is targeted that the Buy-Backs Completion shall take place simultaneously with the completion of the Consideration Issue, subject to external factors' restrictions such as time gap due to time required for completion of filing procedures of the Buy-Backs in accordance with the Companies Law.

At Buy-Backs Completion:

(1) the Company, each of the Zhixing Ex-Shareholders or his/her Designated Person shall jointly instruct the Escrow Agent to release the Escrow Documents and the Buy-Backs Shares and all dividends attached to the Buy-Backs Shares (if any) to the Company on the date of Buy-Backs Completion and procure the termination of the Escrow Agreements immediately upon such release;

(2) each of the Zhixing Ex-Shareholders or his/her Designated Person shall be deemed to unconditionally and automatically authorise the Company to fill in the amount of the Buy-Backs Shares and date the Pre-signed Documents and to do such other action to give effect to the Buy-Backs on behalf of the relevant the Zhixing Ex-Shareholder or his/her Designated Person; and

(3) the Zhixing Ex-Shareholders shall deliver or cause to be delivered to the Company any documents as the Company may reasonably require so as to give effect to the terms of the Supplemental Deed.

Following Buy-Backs Completion, the Buy-Backs Shares will be cancelled in accordance with the Companies Law.

Pursuant to the Sale and Purchase Agreement, the Zhixing Ex-Shareholders have undertaken that Orange Triangle, Orange HK, Orange Beijing and Beijing Zhixing Ruijing shall achieve certain performance targets for three years from 1 July 2015 and, if:

(i) during the said period, the performance targets cannot be met, the Company shall repurchase an agreed portion of the HC Consideration Shares at a total consideration of RMB1; and

(ii) Orange Triangle, Orange HK, Orange Beijing and Beijing Zhixing Ruijing shall achieve less than RMB70,000,000 after-tax profit for the year ended 30 June 2016, the Company has absolute discretion to unwind the Sale and Purchase Agreement ((i) and (ii) together, the "**Original Mechanism**").

Further details of the Original Mechanism are set out in the paragraphs headed "The Sale and Purchase Agreement – Performance Targets and Adjustment mechanism" and "The Sale and Purchase Agreement – Buy back mechanism" in the announcement of the Company dated 8 May 2015.

These provisions in the Sale and Purchase Agreement in relation to the Original Mechanism will cease to have any effect upon Buy-Backs Completion.

REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL DEED AND THE BUY-BACKS

The Original Mechanism is not only a price adjustment mechanism of the Sale and Purchase Agreement and was structured as an incentive for the Zhixing Ex-Shareholders to achieve the performance targets as set out in the Sale and Purchase Agreement (the "**Old Performance Targets**"). If the Old Performance Targets have been met, the Company would be required to release an aggregate of 155,684,485 Shares (including the Buy-Backs Shares) to the Zhixing Ex-Shareholders under the Sale and Purchase Agreement.

If the New Performance Targets for each of the New Performance Undertaking Years have been met, the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders pursuant to the Reward Mechanism.

Although the consideration for the Buy-Backs set out in the Supplemental Deed is nil, the consideration for the Buy-Backs shall be the 40% of the Total Consideration which shall be not more than RMB832,000,000, and not less than RMB800,000,000, if the New Performance Targets for each of the New Performance Undertaking Years are met. The Company is of the view that Reward Mechanism and the Buy-Backs are justifiable based on the followings:

(1) since the New Performance Targets are 30% higher which are more difficult to achieve than the Old Performance Targets and the Zhixing Ex-Shareholders are at the risk of losing all Buy-Backs Shares without any shares in the Purchaser nor cash being given in return if the New Performance Targets are

all the same as the amounts originally undertaken under the Sale and Purchase Agreement, the Group believes that it is necessary to provide advantages (including the distribution of the Cash Consideration of RMB274,560,000 in accordance with the terms of the Third Supplemental Partnership Agreement) to the Zhixing Ex-Shareholders to attract them to agree to participate in the Transactions;

(2) if the Zhixing Ex-Shareholders are not willing to participate in the Transactions, the Group would not be able to close the deal with the Purchaser as the direct participation of key management of Beijing Zhixing Ruijing is a key request of the Purchaser;

(3) avoid the duplication of (i) releasing of the HC Consideration Shares to the Zhixing Ex-Shareholders pursuant to the Sale and Purchase Agreement if the Old Performance Targets could be met and (ii) the Reward Mechanism;

(4) the Buy-Backs are part and parcel of the Disposal, which is expected to bring a net gain in the amount of RMB149,684,000 to the Group (as mentioned below in the paragraph headed "Gain on the Disposal, the Acquisition, the Buy-Backs and the Proposed Disposal of Xizang Ruijing" on pages 51 to 52 of this circular); and

(5) the reasons and benefits as a result of the Disposal and the Acquisition, in particular, allowing the parties to have opportunities in the business of upstream and downstream B2B and commodities trading in the future and creating a synergy effect that would be beneficial to the Group and the Shareholders as a whole.

Meanwhile, given, (i) the Company is of the view that replacement of the Original Mechanism with the Reward Mechanism can effectively reduce the Group's administrative burden and costs when compared to having the Original Mechanism and the Reward Mechanism in operation simultaneously; and (ii) the close relationship between the Zhixing Ex-Shareholders (being long term business partners whom intend to act coordinately), it has not been possible to negotiate a new arrangement that would only include the two Zhixing Ex-Shareholders that are key management of Beijing Zhixing Ruijing (being Mr. Liu and Ms. Wang) but exclude the two others, all four Zhixing Ex-Shareholders are included in the Reward Mechanism despite the fact that only Mr. Liu and Ms. Wang are key management of Beijing Zhixing Ruijing.

In view of the above, the Directors (including the members of Independent Board Committee for Buy-Backs) consider that the terms of the Supplemental Deed are fair and reasonable and the Buy-Backs are in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the Latest Practicable Date; and (ii) immediately upon Buy-Backs Completion:

Name of Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Buy-Backs Completion	
	Number of Shares	*% of total issued Shares (approx.)*	*Number of Shares*	*% of total issued Shares (approx.)*
Directors and their associate(s)				
Guo Jiang and his spouse	125,358,771	12.41	125,358,771	13.60
Guo Fansheng	57,749,015	5.71	57,749,015	6.27
Callister Trading Limited *(Note 1)*	32,000,384	3.17	32,000,384	3.47
Lee Wee Ong	18,350,672	1.82	18,350,672	1.99
Substantial Shareholders				
Talent Gain Developments Limited *(Note 2)*	142,621,107	14.12	142,621,107	15.48
Unique Golden Limited *(Note 2)*	23,408,000	2.32	23,408,000	2.54
Zhixing Ex-Shareholders				
Mr. Liu	62,273,794	6.16	26,690,548	2.90
Ms. Wang	38,921,121	3.85	16,681,593	1.81
Mr. Shi	31,136,897	3.08	13,345,274	1.45
Ms. Yang	23,352,673	2.31	10,008,955	1.09
Sub-total	155,684,485	15.40	66,726,370 *(Note 3)*	7.25
Other public Shareholders	455,125,669	45.05	455,125,669	49.40
Total	1,010,298,103	100	921,339,988	100

Notes:

1. The entire share capital of Callister Trading Limited is owned by Mr. Li Jianguang, a non-executive Director.

2. Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 861). Therefore, each of Talent Gain Developments Limited, Digital China (BVI) Limited and Unique Golden Limited are deemed to be interested in the Shares owned by Digital China Holdings Limited.

3. Since the Buy-Backs would only involve buy-backs of the 2nd Batch HC Consideration Shares and the 3rd Batch HC Consideration Shares, these Shares represent the 1st Batch HC Consideration Shares, assuming that the Zhixing Ex-Shareholders do not hold any other Shares at the time of Buy-Backs Completion.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of the Buy-Backs. The Company will be able to maintain the minimum public float requirement pursuant to Rule 8.08 of the Listing Rules after the Buy-Backs.

FINANCIAL EFFECTS OF THE BUY-BACKS

As the Buy-Backs are part and parcel of the Transactions, the financial effects of the Transactions are assessed in totality. Please see the sub-section headed "Financial Effects of the Disposal, the Acquisition, the Buy-Backs and the Proposed Disposal of Xizang Ruijing" for the financial effects of the Transactions, including the Buy-Backs. The Buy-Backs will result in an increase in the consolidated earnings per Share and a decrease in the consolidated net assets value per Share on a fully diluted basis. The Buy-Backs is not expected to affect or have a material adverse impact on the liabilities of the Group. Given the Total Consideration will be settled by the Purchaser upon Completion, the Company is satisfied on reasonable grounds that the Company is, immediately following the date on which the Buy-Backs Shares are effected, able to meet its working capital requirements and pay its debts as they fall due in the ordinary course of business.

INFORMATION ON THE ZHIXING EX-SHAREHOLDERS

The Zhixing Ex-Shareholders or their Designated Person(s) are the legal and beneficial owners of NAVI-IT, the vendor to the Sale and Purchase Agreement. As at the Latest Practicable Date, each of Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang or their respective Designated Person(s) is interested in approximately 6.16%, 3.85%, 3.08% and 2.31% of the issued share capital of the Company respectively.

Both Mr. Liu and Ms. Wang are senior management members of Beijing Zhixing Ruijing. Mr. Liu is the general manager of Beijing Zhixing Ruijing responsible for overall business management and strategic planning of Beijing Zhixing Ruijing. Ms. Wang is the director of general management department of Beijing Zhixing Ruijing responsible for the management of human resources, finance and administration in Beijing Zhixing Ruijing. Mr. Liu and Ms. Wang are expected to continue to perform their existing roles in Beijing Zhixing Ruijing upon completion of the Transactions. Mr. Shi and Ms. Yang are not involved in the business operation of Beijing Zhixing Ruijing. Mr. Shi is currently a professional investor and Ms. Yang is currently an employee of a power company. Save and except for the aforesaid, the Zhixing Ex-Shareholders are not otherwise related to the Group.

BUY-BACKS CODE IMPLICATION

The Buy-Backs constitute an off-market share buy-back by the Company under the Buy-Backs Code. The Company has made an application to the Executive for approval of the Buy-Backs pursuant to Rule 2 of the Buy-Backs Code. The Executive's approval, if granted, will be conditional upon, among other things, approval of the Buy-Backs by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders at the EGM.

OTHER DISCLOSURE PURSUANT TO THE TAKEOVERS CODE

The Company confirms that as at the Latest Practicable Date:

(1) save for the Supplemental Deed, there is no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares and which might be material to the Buy-Backs;

(2) save for the Framework Agreement and the Supplemental Deed, there is no agreement or arrangement to which the Company is a party which relates to circumstances in which it may or may not seek to invoke a pre-condition or a condition to the Buy-Backs;

(3) the Company has not received any irrevocable commitment to approve or vote against the Supplemental Deed and the Buy-Backs; and

(4) save for (i) the outstanding 14,964,000 Share Options granted under the share option scheme of the Company adopted on 30 November 2003 pursuant to which Shares may be issued and allotted, (ii) the convertible bonds with an outstanding principal amount of HK$780,000,000 (pursuant to which 69,148,936 Shares may be issued and allotted assuming full conversion at the adjusted conversion price of HK$11.28 (subject to adjustment)), (iii) the convertible bonds with an outstanding principal amount of HK$100,712,500 (pursuant to which 10,071,250 Shares may be issued and allotted assuming full conversion at the initial conversion price of HK$10 (subject to adjustment)); and (iv) the proposed subscription of convertible bonds with an outstanding principal amount of HK$120,000,000 (pursuant to which 30,000,000 Shares may be issued and allotted assuming full conversion at the initial conversion price of HK$4.00 (subject to adjustment)), there is no outstanding derivative in respect of the securities in the Company entered into by the Company.

V. FURTHER INFORMATION ON THE PARTIES, FINANCIAL EFFECTS AND REASONS FOR THE DISPOSAL AND ACQUISITION

Information on Beijing Zhixing Ruijing

Beijing Zhixing Ruijing is a limited liability company established in the PRC on 11 September 2014 with registered capital of RMB10,000,000 and paid up capital of RMB10,000,000. As at the Latest Practicable Date, the registered capital of Beijing Zhixing Ruijing is owned as to 60% by Mr. Guo (the chief executive officer of the Company and an executive Director) and 40% by Mr. Liu, (a shareholder of the Company and a director of several subsidiaries of the Company). Mr. Guo and Mr. Liu are shareholders of Beijing Zhixing Ruijing appointed by the Company to hold the entire equity interest in Beijing Zhixing Ruijing. Since incorporation Beijing Zhixing Ruijing has not had any subsidiary undertakings.

Beijing Zhixing Ruijing is mainly engaged in the operation of the websites under the key domain names www.zol.com.cn (中關村在線) ("**ZOL**") and www.zol.com (中關村商城) in the PRC. In particular, ZOL offers content mainly relating to IT-related products such as handsets and accessories, wearable devices, computers (desktop, laptop and tablets), camera, computer hardware and software, gaming, audio and video products, home appliances, office equipment and automobile accessories. At present, ZOL has registered users of over 40 million and the daily visitors reached around 150 million which covers over 70% of the IT users in the PRC. Meanwhile, the customers of ZOL include most of the leading international and domestic manufacturers of IT-related products.

As disclosed in the Group's annual report for the year ended 31 December 2015, the Group acquired 100% equity interest of Orange Triangle and its subsidiaries, and also acquired the control over Beijing Zhixing Ruijing by entering into a series of structured contracts via a wholly-owned subsidiary of Orange Triangle. The original acquisition costs were RMB1,299,997,000.

The audited consolidated financial information of the Company has been prepared at group level and no separate audited financial statements for Beijing Zhixing Ruijing has been prepared. Based on the unaudited financial information of Beijing Zhixing Ruijing, the total assets value and the net assets value of Beijing Zhixing Ruijing as at 31 December 2015 were approximately RMB161,539,000 and approximately RMB62,666,000 respectively. The unaudited financial information of Bejing Zhixing Ruijing for the period from 11 September 2014 (date of incorporation) to 31 December 2014 and for the year ended 31 December 2015 are as follows:

	Period ended 31 December 2014 (approximately) *RMB* (unaudited)	**Year ended 31 December 2015 (approximately)** *RMB* (unaudited)
Net profit before taxation	1,621,000	61,825,000
Net profit after taxation	1,457,000	51,209,000

The unaudited financial information of Bejing Zhixing Ruijing for the period from 11 September 2014 (date of incorporation) to 31 December 2014, for the year ended 31 December 2015 and for the six months ended 30 June 2015 and 2016 are set out in Appendix II of this circular.

Information on the Purchaser

The Purchaser is a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 300226). The Purchaser is an E-Commerce operator of B2B information and transaction for steels and other commodities.

The audited total assets value and the net assets value of the Purchaser as at 31 December 2015 were approximately RMB1,870,875,000 and approximately RMB77,231,000 respectively. The financial information of the Purchaser for the two years ended 31 December 2014 and 2015 are as follows:

	Year ended 31 December 2014 (approximately) *RMB* (audited)	**Year ended 31 December 2015 (approximately)** *RMB* (audited)
Net profit/(loss) before taxation	11,593,000	(442,343,000)
Net profit/(loss) after taxation	18,776,000	(250,385,000)

The audited financial information of the Purchaser for the three years ended 31 December 2015 and for the three months ended 31 March 2016 and the management discussion and analysis of the Purchaser for the three years ended 31 December 2015 and for the three months ended 31 March 2016 are set out in Appendix V of this circular.

Information of the Group

Currently, the Group has five business segments, namely: (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminars and other services, (iv) O2O household electrical appliances business exhibition centre and (v) anti-counterfeiting products and services.

The total assets value and the net assets value of the Company as at 31 December 2015 are approximately RMB5,687,042,000 and approximately RMB2,598,946,000 respectively. The financial information of the Company for the two years ended 31 December 2014 and 2015 are as follows:

	Year ended 31 December 2014 (approximately) *RMB* (audited)	**Year ended 31 December 2015 (approximately)** *RMB* (audited)
Net profit before taxation	221,088,000	33,326,000
Net profit after taxation	183,261,000	23,058,000

The audited financial information of the Company for the two years ended 31 December 2015 and the unaudited financial information of the Company for the six months ended 30 June 2016 are set out in Appendix I of this circular. The management discussion and analysis of the Remaining Group for the three years ended 31 December 2015 and for the six months ended 30 June 2016 are set out in Appendix III of this circular.

Information on Xizang Ruijing

On 24 March 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Partnership Agreement, pursuant to which a limited partnership, Xizang Ruijing was formed in which Beijing Huicong Construction is a general partner and Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang are limited partners, contributing 99% and 0.4%, 0.25%, 0.2% and 0.15% of the capital amounts to the partnership respectively and each being titled to 99% and 1% partnership equity of Xizang Ruijing, respectively. The total amount of the capital amounts to be contributed by Beijing Huicong Construction and the Zhixing Ex-Shareholders to Xizang Ruijing is RMB30,000,000. As at the Latest Practicable Date, the amount of capital value paid up of Xizang Ruijing is RMB10,000,000. Xizang Ruijing is principally engaged in investment holding.

As Xizang Ruijing has just been newly established, the profit before and after tax attributable to Xizang Ruijing for the two financial years preceding to the signing of the Framework Agreement are not available and no profit or loss was recorded for the period from 25 March 2016 (date of establishment) to the Latest Practicable Date.

Information on Orange Triangle and the Assets

Orange Triangle is a limited liability company incorporated under the laws of the State of Delaware of the USA, a wholly-owned subsidiary of the Company. It wholly owns Orange HK which in turn wholly-owns Orange Beijing who entered into the Existing Structured Contracts with Beijing Zhixing Ruijing.

Orange Triangle owns the Assets which comprise certain domain names, registered trademarks and other intellectual property rights.

As at 31 December 2015, the book value of the Assets was RMB94,300,000.

Financial Effects of the Disposal, the Acquisition, the Buy Backs and the Proposed Disposal of Xizang Ruijing

Immediately upon Completion, Beijing Zhixing Ruijing will cease to be a subsidiary of the Company and the Company will cease to have any interest in Beijing Zhixing Ruijing except for the interest through the Group's equity interest in the Purchaser.

Immediately upon completion of the Reorganization, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing. The parties agree that the Total Consideration shall be split between Beijing Huicong Construction and Xizang Ruijing in the proportion of 60% and 40%. Each of the Zhixing Ex-Shareholders shall receive the partnership equity and the corresponding paid-up capital amount transferred by Beijing Huicong Construction in accordance with the proportion of their actual capital contribution.

In view of the Reward Mechanism, pursuant to Supplemental Deed, the Company conditionally agreed to buy back and the Zhixing Ex-Shareholders conditionally agreed to sell, or procure to sell, the Buy-Backs Shares of 88,958,115 Shares at nil consideration.

Assuming 100% of the Reward Mechanism completed and upon completion of the industrial and commerce registration for the change in 99% partnership equity in Xizang Ruijing by Beijing Huicong Construction, it will cease to be a general partner of Xizang Ruijing, Xizang Ruijing's limited partners shall choose a general partner among themselves and accordingly, the Zhixing Ex-Shareholders shall receive RMB274,560,000 in cash and 15,276,514 Consideration Shares.

The Directors are of the opinion that Xizang Ruijing is set up as an investment holding vehicle in the form of a limited partnership solely for the purposes of the Transactions to operate the Reward Mechanism during the New Performance Undertaking Period.

According to the Partnership Agreement and the Supplemental Partnership Agreement, if the New Performance Targets of the relevant Performance Undertaking Years are achieved, Beijing Huicong Construction will transfer its 99% partnership equity in Xizang Ruijing to the Zhixing Ex-Shareholders by stages during the New Performance Undertaking Period. In the scenario where the New Performance Targets for each of the New Performance Undertaking Years are met, the Zhixing Ex-Shareholders will be entitled to 100% interest in Xizang Ruijing. In the scenario where none of the New Performance Targets for each of the New Performance Undertaking Years are met, the Zhixing Ex-Shareholders will remain to be interested in 1% of Xizang Ruijing.

The Company and the Zhixing Ex-Shareholders have confirmed their mutual understanding that Xizang Ruijing will only hold the shares to be issued by the Purchasers in accordance with the Framework Agreement in a passive manner, and will not carry out any other business activities without unanimous shareholder consent through the Second Supplemental Partnership Agreement signed between Beijing Huicong Construction and the Zhixing Ex-Shareholders on 4 August 2016. The Second Supplemental Partnership Agreement further confirms that apart from the distribution of the agreed portion of the Consideration Shares and Cash Consideration to be received by Xizang Ruijing under the Second Supplemental Agreement, no other dividend or any other forms of distributions will be made during the New Performance Undertaking Period.

Although Beijing Huicong Construction owns 99% partnership equity in Xizang Ruijing at the beginning of the New Performance Undertaking Period and acts as the general partner of Xizang Ruijing, the Directors believe that the probability of achieving the New Performance Targets is very high. Thus, the Directors believe there is a very high probability that 99% partnership equity in Xizang Ruijing will ultimately transfer to the Zhixing Ex-Shareholders after completion of the New Performance Undertaking.

Based on the rationale of the set up of Xizang Ruijing and the Second Supplemental Partnership Agreement between Beijing Huicong Construction and the Zhixing Ex-Shareholders explained above, the Directors consider that the Company does not have power over Xizang Ruijing and also is not exposed to significant variable returns from Xizang Ruijing. According to paragraph 7 of HKFRS 10, Consolidated Financial Statements, a parent company should consolidate a subsidiary if the parent company has significant exposure, or rights, to variable returns from its involvement in the operations of the subsidiary. The Company has no control on Xizang Ruijing, therefore Xizang Ruijing should not be consolidated.

Gain on the Disposal, the Acquisition, the Buy Backs and the Proposed Disposal of Xizang Ruijing

As stated in note 4 under the notes to unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, it is expected that an unaudited capital redemption reserves will arise from the Buy-Backs of approximately RMB24,737,000, being the difference between:

(a) the sum of (i) the fair value of the Buy-Backs Shares as at 3 July 2015 of approximately RMB491,290,000; and (ii) 40% of the carrying amount of deferred tax liabilities in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB39,900,000; and

(b) the sum of (i) 40% of the carrying amount of the intangible assets in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB551,699,000; and (ii) 40% of the net assets of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB4,228,000.

As stated in note 4 under the notes to unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular, it is expected that an unaudited pro forma gain of approximately RMB149,684,000 will be recognised, being the difference between:

(a) the sum of (i) the net consideration of approximately RMB930,324,000 (being the maximum Total Consideration for the Disposal of RMB2,080,000,000 after taking into account of the consideration to be paid to Xizang Ruijing of approximately RMB832,000,000, the estimated expenses of approximately RMB5,960,000 and the estimated tax expenses of approximately RMB311,716,000); (ii) the amount of financial assets at fair value through profit or loss arising from the Acquisition of approximately RMB36,100,000; and (iii) 60% of the carrying amount of deferred tax liabilities in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB59,850,000; and

(b) the sum of (i) the amount of financial liabilities at fair value through profit or loss arising from the Acquisition of approximately

RMB36,100,000; (ii) the carrying amount of financial assets through profit or loss in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB6,600,000; (iii) 60% of the carrying amount of the intangible assets in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB827,548,000; and (iv) 60% of the net assets of Beijing Zhixing Ruijing as at 3 July 2015 of approximately RMB6,342,000.

The actual capital redemption reserve and gain or loss as a result of the Disposal, the Acquisition, the Buy Backs and the Proposed Disposal of Xizang Ruijing to be recorded by the Group are subject to audit and are to be determined based on the final Total Consideration, the amount of the net assets of Beijing Zhixing Ruijing at the Completion and the potential accounting impact on the Reward Mechanism.

Based on the unaudited financial information of Beijing Zhixing Ruijing as at 31 December 2015, the difference between (i) the maximum Total Consideration for the Disposal of RMB2,080,000,000 and (ii) the net assets value of Beijing Zhixing Ruijing as at 31 December 2015 of RMB62,666,000 would be RMB2,017,334,000.

As stated in the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group as set out in Appendix IV to this circular, assuming that the Disposal had been completed on 3 July 2015 (having taken into account of the Disposal, the Acquisition and the Buy Backs, the profit would increase from approximately RMB23,058,000 to approximately RMB103,403,000.

Net asset value

Upon the Completion, the statement of financial position of Beijing Zhixing Ruijing will no longer be consolidated into the consolidated statement of financial position of the Group going forward. As stated in the unaudited pro forma condensed consolidated interim statement of financial position of the Remaining Group as set out in Appendix IV to this circular, assuming that the Disposal had been completed on 30 June 2016 (having taken into account of the Disposal, the Acquisition and the Buy Backs), (i) the total assets would decrease from approximately RMB6,481,458,000 to approximately RMB6,253,911,000; (ii) the total liabilities would increase from approximately RMB3,428,716,000 to approximately RMB3,656,908,000; and (iii) the total equity would decrease from approximately RMB3,052,742,000 to approximately RMB2,597,003,000.

Please refer to the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix IV to this circular for further details.

Reasons and Benefits of the Disposal and Acquisition

As disclosed in the announcement of the Company dated 26 August 2016, the Old Performance Target for the first performance undertaking year ended 30 June 2016 has been met. Therefore, pursuant to the Sale and Purchase Agreement, the 1st Batch HC Consideration Shares in aggregate of 66,726,370 HC Consideration Shares will be released to the Zhixing Ex-Shareholders.

It is expected that the Zhixing Ex-Shareholders would be receiving a total consideration of approximately RMB818,511,000 (being the aggregate of RMB450,000,000 in cash and the 1st Batch HC Consideration Shares in fair value of approximately RMB368,511,000 (calculated based on the 66,726,370 HC Consideration Shares at the closing price of HK$7.00 (equivalent to approximately RMB5.52) per Share as quoted on the Stock Exchange on 3 July 2015, being the issue date of the HC Consideration Shares)), for disposal of the entire interest of Beijing Zhixing Ruijing, being the acquisition cost to the Company for Beijing Zhixing Ruijing.

Set out below is the comparison of the consideration entitlements and payment obligations under the Sale and Purchase Agreement, and under the Framework Agreement of the Company and the Zhixing Ex-Shareholders respectively:

Sale & Purchase Agreement

	Old Performance Targets of RMB400,000,000 are met	**Old Performance Target for the first performance undertaking year was met and for the second and the third performance undertaking years are not met**
The Company	• Payment of RMB1,500,000,000 (including RMB450,000,000 in cash and 155,684,485 HC Consideration Shares)	• Payment of RMB450,000,000 in cash and 66,726,370 HC Consideration Shares • Repurchase of 88,958,115 HC Consideration Shares
Zhixing Ex-Shareholders	• Receipt of RMB1,500,000,000 (including RMB450,000,000 in cash and 155,684,485 HC Consideration Shares)	• Receipt of RMB450,000,000 in cash and 66,726,370 HC Consideration Shares • Surrender of 88,958,115 HC Consideration Shares

Framework Agreement

	New Performance Targets of RMB518,700,000 are met	New Performance Targets are not met at all
The Company	• Receipt of RMB1,248,000,000 (including RMB661,440,000 in cash and 16,074,540 Consideration Shares) • Repurchase of 88,958,115 Buy-Backs Shares	• Receipt of RMB390,000,000 in cash • Repurchase of 88,958,115 Buy-Backs Shares
Zhixing Ex-Shareholders	• Receipt of RMB832,000,000 (including RMB274,560,000 in cash and 15,276,514 Consideration Shares) • Surrender of 88,958,115 Buy-Backs Shares	• Nil • Surrender of 88,958,115 Buy-Backs Shares

As described in the above table,

(i) under the scenario where the New Performance Targets are met, the Company would be entitled to greater benefits compared to the scenario where the Old Performance Targets are met under the existing structure;

(ii) under the scenario where the New Performance Targets are not met, the Company would be able to retain the cash of RMB390,000,000; and

(iii) the consideration of RMB1,248,000,000 for the disposal of 60% interest of Beijing Zhixing Ruijing is substantially higher than the acquisition cost of RMB818,511,000 for the entire interest of Beijing Zhixing Ruijing.

Based on the above, although the Company shall receive an amount of RMB1,248,000,000 which is less than the Total Consideration of RMB2,080,000,000 irrespective of whether the New Performance Targets are met or not, the Board considered that the consideration of RMB1,248,000,000 for 60% interest of Beijing Zhixing Ruijing is fair and reasonable and in the interest of the Company and its shareholders as a whole.

In addition, given that (i) the Purchaser believes that the management team of Beijing Zhixing Ruijing (the Zhixing Ex-Shareholders) is the key attribute to achieve the New Performance Targets; (ii) the Group would not be able to close the deal with the Purchaser unless having the key management team of Beijing Zhixing Ruijing engaged fulfilling a key request of the Purchaser; and (iii) the structure under the Framework Agreement would better align the interest of the Zhixing Ex-Shareholder with that of the Purchaser thereby increasing the chance of achieving the New Performance Targets, the Company has agreed to the terms of the Framework Agreement. Although it seems the Zhixing Ex-Shareholders would receive RMB832,000,000 through the transfer of the equity interest of Xizang Ruijing at nil consideration in the event that the New Performance Targets for each of the relevant years are met, the Zhixing Ex-Shareholder shall:

(i) surrender the Buy-Backs Shares with a fair value of approximately RMB491,290,000 calculated based on the 88,958,115 Buy-Backs Shares at the closing price of HK$7.00 (equivalent to approximately RMB5.52) per Share as quoted on the Stock Exchange on 3 July 2015, being the issue date of the HC Consideration Share; and

(ii) compensate an amount equal to its full portion of consideration of RMB832,000,000 if the performance undertaking for all of the New Performance Targets (which are 30% higher which are more difficult to achieve than the Old Performance Targets) in an aggregate after-tax profit of RMB518,700,000 for the three performance undertaking years are not met,

in exchange for the consideration of RMB832,000,000 for 40% interest of Beijing Zhixing Ruijing.

Given the Zhixing Ex-Shareholder shall surrender the Buy-Backs Shares to the Company and the obligations of the Zhixing Ex-Shareholders under the New Performance Targets are more onerous than the Company, the Board considered that the level of consideration of RMB832,000,000 for 40% interest of Beijing Zhixing Ruijing to the Zhixing Ex-Shareholders through the transfer of equity interest of Xizang Ruijing is fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Company expects that the Disposal and the Acquisition would enhance the value of the Group as a whole as a gain is expected to be recorded by the Group and the Consideration Shares are expected to be issued to the Group at a discount.

Based on the maximum Total Consideration of RMB2,080,000,000, it is expected that the net proceeds from Cash Consideration in the amount of approximately RMB936,000,000 will be used in the following manners:

(i) RMB274,560,000 will be retained in Xizang Ruijing and would be distributed to the limited partners, being Zhixing Ex- Shareholders, as Dividend upon the relevant New Performance Targets are met pursuant to the Third Supplemental Partnership Agreement; and

(ii) the rest will be used for potential acquisition of vertical website businesses and general working capital of the Group.

Given (i) the Cash Consideration would be distributed to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders) only when the relevant New Performance Targets are met and the relevant portion of the Cash Consideration would be applied to compensate to the Purchaser if the New Performance Targets are not met, the Company shall not be responsible for bearing any Cash Compensation. Accordingly, the Board considered that the subsequent payment of the Cash Consideration of RMB274,560,000 to Xizang Ruijing (and thereafter Dividend distribution to the Zhixing Ex-Shareholders) after the New Performance Targets being met pursuant to the Third Supplemental Partnership Agreement, is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Furthermore, the Purchaser is an E-Commerce operator of B2B information and transaction for steels and other commodities and the Company is a domestic B2B E-Commerce operator mainly for small and medium enterprises. It is expected that the parties would have opportunity to cooperate with each other in the business of upstream and downstream B2B and commodities trading in the future, creating a synergy effect that would be beneficial to the Group and the Shareholder as a whole.

The fulfilment of the New Performance Targets would be beneficial to both the Purchaser and the Group, as such it is the intention of both the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the Disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing. The Purchaser and the Group are both of the view that (i) shareholdings entitlement in the Purchaser would be an appropriate incentive as it would align the interests of the Purchaser, the Group and the Zhixing Ex-Shareholders where the Zhixing Ex-Shareholders would be able to enjoy appreciation in value of the shares in the Purchaser and possible declaration of dividend as a result of good financial performance of Beijing Zhixing Ruijing, which would be consolidated in the Purchaser's accounts upon Completion; and (ii) Cash Compensation in the event of failure to fulfil the New Performance Targets would be an effective penalty on the Zhixing Ex-Shareholders. The Reward Mechanism has therefore been designed to link the fulfilment of the New Performance Targets with the shareholdings in the Purchaser that the Zhixing Ex-Shareholders can obtain and the Cash Consideration that the Zhixing Ex-Shareholders can keep.

In addition to the reasons mentioned above in the paragraph headed "Reasons for and benefits of the Supplemental Deed and the Buy-Backs" on pages 42 to 43, the Company is expected to record a net gain of approximately RMB149,684,000. As the completion of the Supplemental Deed and the Buy-Backs would occur only after completion of the transactions contemplated under the Framework Agreement and the Reward Mechanism will only be triggered over a span of three years when the New Performance Targets are met for the three years ending 31 December 2018, the Company consider that the merits and rationale of the Supplemental Deed and the Buy-Backs should be evaluated alongside with the transactions contemplated under the Framework Agreement.

Thus, taking into account that (i) upon completion of the transactions contemplated under the Framework Agreement, the Company will become a shareholder of the Purchaser and will be able to consolidate the resources and network of the existing B2B information and transaction for steels and other commodities of the Purchaser and the Beijing Zhixing Ruijing business with a view to create synergy effect; (ii) the net gain of approximately RMB149,684,000 as a result of the financial impact as stated above; and (iii) the nil consideration for the Buy-Backs implied a saving of approximately RMB491,290,000 calculated based on the 88,958,115 Buy-Backs Shares at the closing price of HK$7.00 (equivalent to approximately RMB5.52) per Share as quoted on the Stock Exchange on 3 July 2015, being the issue date of the HC Consideration Shares, although (1) the Company shall (i) be entitled to only 60% of the Total Consideration per the Framework Agreement and (ii) compensate, in any event, not more than the Total Consideration received by them in aggregate from the Disposal and the Acquisition if the New Performance Targets are not met; (2) the Zhixing Ex-Shareholders will, through its 100% interest in Xizang Ruijing, obtain 40% of the Total Consideration if the New Performance Targets are met; and (3) the maximum consideration of the Buy-Backs Shares shall be RMB832,000,000, being 40% of the maximum Total Consideration; the Directors (including the independent non-executive Directors) are of the view that the Transactions are fair and reasonable and taking into account, in particular, the expected gain to be recorded from the Disposal and Acquisition, the Transactions are in the interest of the Company and the Shareholders as a whole.

The resolutions to approve the Framework Agreement and the Buy-Backs at the EGM will be made conditional upon the passing of the other. Accordingly, all the resolutions being approved by the Disinterested Shareholders at the EGM are essential for the Company to proceed with the Transactions.

The Framework Agreement is conditional upon, among other things, completion of the Reorganization. In the event that the Framework Agreement has not become unconditional due to failure to fulfill other Condition(s) Precedent and has lapsed notwithstanding completion of the Reorganization:

(i) the Company did not intend to rescind the Reorganization;

(ii) the Supplemental Deed shall lapse; and

(iii) the subject matters of the Supplemental Partnership Agreement and the Third Supplemental Partnership Agreement, being the Consideration Shares and the Cash Consideration, would not be issued or paid.

VI. LISTING RULES IMPLICATIONS

As (i) one or more of the applicable percentage ratio(s) of the Disposal is/are more than 75%, (ii) one or more than one of the applicable percentage ratio(s) for the Acquisition is/are more than 25% but less than 100%, (iii) Mr. Guo, an executive Director and chief executive officer of the Company and thus a connected person of the Company, is involved in the transactions contemplated under the Framework Agreement (being a party to each of the Termination Agreement, the Equity Transfer Agreement and one of the five proposed subscribers of the Purchaser Fund Raising); and (iv) Mr. Liu, a director of Beijing Zhixing Ruijing (a subsidiary of the Company) and thus a connected person of the Company, is involved in the transactions contemplated under the Framework Agreement (being a party to each of the Termination Agreement and the Equity Transfer Agreement), the transactions contemplated under the Framework Agreement, the Termination Agreement, the Equity Transfer Agreement and the Asset Transfer Agreement constitute a very substantial disposal and a major transaction of the Company under Chapter 14 of the Listing Rules and a deemed connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

As (i) one or more of the applicable percentage ratio(s) of the transaction contemplated under the Supplemental Partnership Agreement is/are more than 5% but less than 25%, and (ii) Mr. Liu, a director of Beijing Zhixing Ruijing (a subsidiary of the Company) and thus a connected person of the Company, is a party to the Supplemental Partnership Agreement, the transactions contemplated under the Supplemental Partnership Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

As (i) one or more of the applicable percentage ratio(s) of the transaction contemplated under the Supplemental Deed is/are more than 5%, (ii) Mr. Liu, a director of Beijing Zhixing Ruijing (a subsidiary of the Company) and thus a connected person of the Company, is a party to the Supplemental Deed, the transactions contemplated under the Supplemental Deed constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Completion is subject to the fulfilment of the conditions, the Transactions may or may not proceed. Shareholders and investors should exercise caution when dealing in the securities of the Company.

Mr. Guo, Mr. Guo Fansheng, the Zhixing Ex-Shareholders, their respective close associates and parties acting in concert with any of them shall abstain from voting at the EGM to be convened to consider and, if thought fit, to approve the Transactions (including the Buy-Backs). To the best of the Directors' information, belief and knowledge, save for Mr. Guo, Mr. Guo Fansheng, the Zhixing Ex-Shareholders, their respective close associates and parties acting in concert with any of them, no other parties have any material interest which is different from other Shareholders in relation to the Transactions (including the Buy-Backs).

The Independent Board Committee for Buy-Backs comprising all of the two non-executive Directors, namely, Mr. Li Jianguang and Mr. Guo Wei who are not interested or involved in the Transactions or related to Mr. Guo or Mr. Guo Fansheng and the three independent non-executive Directors, namely, Mr. Zhang Ke, Mr. Xiang Bing and Mr. Zhang Tim Tianwei, has been established to consider the Transactions (including the Buy-Backs) and to give recommendation to the Disinterested Shareholders as to how to vote on the resolutions to be proposed at the EGM in relation to the Transactions (including the Buy-Backs).

The Independent Board Committee comprising all of the three independent non-executive Directors, namely, Mr. Zhang Ke, Mr. Xiang Bing and Mr. Zhang Tim Tianwei, has been established to consider the Transactions and to give recommendation to the Shareholders as to how to vote on the resolutions to be proposed at the EGM in relation to the Transactions.

Lego Corporate Finance has been appointed with approval of the Independent Board Committee and the Independent Board Committee for Buy-Backs to advise the Independent Board Committee and the Shareholders on the Transactions and the Independent Board Committee for Buy-Backs and the Disinterested Shareholders on the Transactions (including the Buy-Backs). For the avoidance of doubt, only the Disinterested Shareholders are entitled to vote at the EGM.

VII. WAIVERS SOUGHT

A. Waiver from Strict Compliance with Rule 14.67(6)(a)(i) and Chapter 4 of the Listing Rules

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountant's report on the Purchaser prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on the Purchaser must be prepared using accounting policies which should be materially consistent with those of the Company. In this regard, the Company is required under Chapter 4 of the Listing Rules to include an accountant's report on the Purchaser with the financial information of the Purchaser for the three financial years ended 31 December 2015 prepared under HKFRS.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

(i) the Company will only hold approximately 14.45% of the issued share capital of the Purchaser as enlarged by the Consideration Issue and issue of shares of the Purchaser under the Purchaser Fund Raising, the Purchaser will not become a subsidiary of the Company and the financial results of the Purchaser will not be consolidated into the Group and the equity interests shall be accounted as available-for-sale financial assets in the Company's accounts; and

(ii) the Company is unable to gain access to the underlying books and records of the Purchaser save for the published audited reports of the Purchaser and to compile the accountant's report covering the required period under Rule 14.67(6)(a)(i) for inclusion in the circular given the information available.

Alternative Disclosure and Waiver

As an alternative disclosure, the Company includes in Appendix V to this circular (i) the audited financial statements of the Purchaser, a company listed on the Shenzhen Stock Exchange, for the three years ended 31 December 2015 published by the Purchaser; and (ii) the management and analysis discussion on the performance of the Purchaser as required under Rule 14.67(7) of the Listing Rules.

In addition, the Company's 14.45% equity investment in the Purchaser shall be accounted as available for sale ("**AFS**") financial asset, which will be carried at fair value. The shares of the Purchaser are listed on the Shenzhen Stock Exchange, and the price can be observed in active market. The Company considers that the Purchaser's financial information prepared under China Accounting Standards will afford the Shareholders with all material information necessary to assess the financial impact of this AFS on the Company, and it would not result in undue risks to the Shareholders.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules.

B. Waiver from Strict Compliance with Rules 14.66(2) and 14A.70(13) of and paragraph 29(2) of Appendix 1B to the Listing Rules

Background

As the valuation of Beijing Zhixing Ruijing under the Asset Valuation Report is based on income approach and projections of the earnings, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. The Company would therefore need to comply with the disclosure and reporting requirements on profit forecasts under Rules 14.66(2) and 14A.70(13) of and paragraph 29(2) of Appendix 1B to the Listing Rules in this circular.

Waiver sought and granted

The Company has applied to the Stock Exchange for waiver from strict compliance with Rules 14.66(2) and 14A.70(13) of and paragraph 29(2) of Appendix 1B to the Listing Rules regarding the disclosure and reporting requirements on profit forecasts for the following reasons:

(1) it was the Purchaser (a company listed on the Shenzhen Stock Exchange), and not the Company, which was obliged to prepare the Asset Valuation Report in accordance with the requirements under the relevant PRC regulations;

(2) the valuer of the Asset Valuation Report was engaged by the Purchaser for the purpose of complying with the relevant PRC regulations. The Company was not involved in preparing the Asset Valuation Report and the involvement of the Company is to coordinate the valuation by providing historical financial information and operating data of Beijing Zhixing Ruijing and to understand the process of the valuation;

(3) while the Total Consideration will be determined by reference to the appraised value under the Asset Valuation Report, the Board also considered other factors i.e. the operating conditions of Beijing Zhixing Ruijing and prospect of the industry when assessing the consideration for the Disposal; and

(4) the entire equity interest of Beijing Zhixing Ruijing would be disposed of to the Purchaser on Completion and Beijing Zhixing Ruijing would cease to be a subsidiary of the Company after the Disposal.

Based on the information provided by the Company, the Stock Exchange granted the waiver from strict compliance with Rules 14.66(2) and 14A.70(13) of and paragraph 29(2) of Appendix 1B to the Listing Rules regarding the disclosure and reporting requirements on profit forecasts.

VIII. EGM

An EGM will be convened and held for the Disinterested Shareholders to consider and, if thought fit, to approve the Transactions (including the Buy-Backs).

As at the Latest Practicable Date, each of Mr. Liu, Ms. Wang, Mr. Shi, Ms. Yang, Mr. Guo and Mr. Guo Fansheng and their respective associates had an interest in 62,273,794 Shares, 38,921,121 Shares, 31,136,897 Shares, 23,352,673 Shares, 125,358,771 Shares and 57,749,015 Shares, representing approximately 6.16%, 3.85%, 3.08%, 2.31%, 12.41% and 5.71% of the existing issued share capital of the Company respectively. The Zhixing Ex-Shareholders, Mr. Guo and Mr. Guo Fansheng and their respective close associates and parties acting in concert with any of them will abstain from voting on the resolutions to be proposed at the EGM for approving the Transactions and the transactions contemplated thereunder.

The notice of EGM is set on pages 953 to 957 of this circular. A form of proxy for use in connection with the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment meeting thereof) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions at the EGM will be voted on by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The special resolution on the Buy-Backs will be voted on by way of poll pursuant to Rule 2 of the Buy-Backs Code.

IX. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of each of the Transactions are fair and reasonable and on normal commercial terms so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM to approve the Transactions.

The Directors (including the members of the Independent Board Committee for Buy-Backs whose views are expressed in the letter from the Independent Board Committee for Buy-Backs to the Disinterested Shareholders set out on pages 66 to 67 of this circular) are of the opinion that the terms of the Transactions (including the Buy-Backs) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Disinterested Shareholders to vote in favour of the resolutions as set out in the notice of the EGM to approve the Transactions (including the Buy-Backs).

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 64 to 65 of this circular, the letter from the Independent Board Committee for Buy-Backs set out on pages 66 to 67 of this circular and the letter from the Independent Financial Adviser set out on pages 68 to 100 of this circular. The Disinterested Shareholders are advised to read the said letters before deciding as to how to vote on the relevant resolutions to be proposed at the EGM.

X. FURTHER INFORMATION

Your attention is also drawn to the appendices to this circular.

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

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2280)
(Stock Code: 05839)

30 August 2016

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BEIJING ZHIXING RUIJING FOR CERTAIN SHARES IN SHANGHAI GANGLIAN AND CASH; (2) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF XIZANG RUIJING; AND (3) CONNECTED TRANSACTION: PROPOSED OFF-MARKET SHARE BUY-BACKS

We refer to the circular dated 30 August 2016 issued by the Company (the "Circular"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and advise the Shareholders as to our opinion on whether the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned.

Lego Corporate Finance has been appointed as the independent financial adviser to the Independent Board Committee to advise on the fairness and reasonableness of the terms of the Transactions. The letter of advice from Lego Corporate Finance are set out on pages 68 to 100 of the Circular.

Having taken into account the principal factors and reasons considered by Lego Corporate Finance, its conclusion and advice, we concur with the view of Lego Corporate Finance that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Transactions are fair and reasonable so far as the Shareholders are concerned and the Transactions are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions.

* *For identification purpose only*

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Zhang Ke **Mr. Xiang Bing** **Mr. Zhang Tim Tianwei**
Independent non-executive Directors

慧聪网
HC360.com
20 years, young HC!

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2280)
(Stock Code: 05839)

30 August 2016

To the Disinterested Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BEIJING ZHIXING RUIJING FOR CERTAIN SHARES IN SHANGHAI GANGLIAN AND CASH; (2) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF XIZANG RUIJING; AND (3) CONNECTED TRANSACTION: PROPOSED OFF-MARKET SHARE BUY-BACKS

We refer to the circular dated 30 August 2016 issued by the Company (the "Circular"), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee for Buy-Backs to consider and advise the Disinterested Shareholders as to our opinion on whether the terms of the Transactions (including the Buy-Backs) are fair and reasonable so far as the Disinterested Shareholders are concerned.

Lego Corporate Finance has been appointed as the independent financial adviser to the Independent Board Committee for Buy-Backs to advise on the fairness and reasonableness of the terms of the Transactions (including the Buy-Backs). The letter of advice from Lego Corporate Finance are set out on pages 68 to 100 of the Circular.

Having taken into account the principal factors and reasons considered by Lego Corporate Finance, its conclusion and advice, we concur with the view of Lego Corporate Finance that the terms of the Transactions (including the Buy-Backs) are fair and reasonable so far as the Disinterested Shareholders are concerned and the Transactions (including the Buy-Backs) are in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions (including the Buy-Backs).

Yours faithfully,
For and on behalf of the
Independent Board Committee for Buy-Backs

Mr. Li Jianguang **Mr. Guo Wei**
Non-executive Directors

Mr. Zhang Ke **Mr. Xiang Bing** **Mr. Zhang Tim Tianwei**
Independent non-executive Directors

The following is the full text of a letter of advice from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee, the Independent Board Committee for Buy-Backs and the Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee, the Independent Board Committee for Buy-Backs and the Shareholders in respect of the Framework Agreement, the Supplemental Partnership Agreements, the Supplemental Deed, the Buy-Backs, the Reorganisation and the transactions contemplated thereunder.

Lego Corporate
Finance Limited
力高企業融資有限公司

30 August 2016

To the Independent Board Committee, the Independent Board Committee for Buy-Backs, Shareholders and the Disinterested Shareholders

Dear Sirs or Madams,

(1) VERY SUBSTANTIAL DISPOSAL, MAJOR TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN BEIJING ZHIXING RUIJING FOR CERTAIN SHARES IN SHANGHAI GANGLIAN AND CASH;
(2) DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION: PROPOSED DISPOSAL OF XIZANG RUIJING; AND
(3) CONNECTED TRANSACTION: PROPOSED OFF-MARKET SHARE BUY-BACKS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee, the Independent Board Committee for Buy-Backs and the Shareholders in respect of the Framework Agreement, the Supplemental Partnership Agreements, the Supplemental Deed, the Buy-Backs, the Reorganisation and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company dated 30 August 2016 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 26 April 2016, the Vendors, the Company and the Purchaser entered into the Initial Framework Agreement pursuant to which, inter alia, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Interest, which represents the entire equity interest in Beijing Zhixing Ruijing, for the Total Consideration initially estimated to be RMB2,080,000,000, and shall not be more than RMB2,080,000,000. The Total Consideration shall be satisfied partly by the Consideration Issue and partly by payment of the Cash Consideration. Following the

Disposal, the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders under the Reward Mechanism pursuant to the Supplemental Partnership Agreement if the New Performance Targets for each of the New Performance Undertaking Years have been met. On 30 May 2016, the parties to the Initial Framework Agreement entered into the First Supplemental Agreement to, among others, set a lower limit of RMB2,000,000,000 to the Total Consideration and include the implementation of the Purchaser Fund Raising as condition precedent to the Framework Agreement. On 29 June 2016, the parties to the Initial Framework Agreement further entered into the Second Supplemental Agreement, pursuant to which the parties agree to adjust the proportion of the Consideration Issue and Cash Consideration from 67% and 33% respectively to 55% and 45% respectively. On 4 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Second Supplemental Partnership Agreement to further define the role of Xizang Ruijing in the transactions contemplated under the Framework Agreement, i.e. to act as an investment vehicle of the Zhixing Ex-Shareholders to complete the transactions contemplated under the Framework Agreement. On 23 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Third Supplemental Partnership Agreement pursuant to which the parties agree to amend the timing of distribution of the Cash Consideration to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders).

To facilitate the Disposal and implementation of the Reward Mechanism, the Group entered into the Equity Transfer Agreement, the Asset Transfer Agreement and the Termination Agreement on even date to implement the Reorganisation. Immediately upon completion of the Reorganisation, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing.

On even date, the Company entered into the Supplemental Deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back and the Zhixing Ex-Shareholders conditionally agreed to sell the Buy-Backs Shares at nil consideration for the purpose of implementing the Reward Mechanism. As such, although the consideration for the Buy-Backs set out in the Supplemental Deed is nil, the consideration for the Buy-Backs shall be the 40% of the Total Consideration.

The Buy-Backs constitute an off-market share buy-back by the Company under the Buy-Backs Code. The Company has made an application to the Executive for approval of the Buy-Backs pursuant to Rule 2 of the Buy-Backs Code. The Executive's approval, if granted, will be conditional upon, among other things, approval of the Buy-Backs by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders at the EGM.

According to the Letter from the Board, as (i) one or more of the applicable percentage ratio(s) of the Disposal is/are more than 75%; (ii) one or more of the applicable percentage ratio(s) of the Acquisition is/are more than 25% but less than 100%; and (iii) each of Mr. Guo and Mr. Liu are connected person of the Company, the transactions contemplated under the Framework Agreement, the Termination Agreement, the Equity Transfer Agreement and the Asset Transfer Agreement constitute a very substantial disposal and a major transaction of the Company under Chapter 14 of the Listing Rules and deemed connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

As one or more of the applicable percentage ratio(s) of the transaction contemplated under each of the Supplemental Partnership Agreements and the Supplemental Deed is/are more than 5% but less than 25%, and Mr. Liu is a party to each of the Supplemental Partnership Agreements and the Supplemental Deed, the transactions contemplated under the Supplemental Partnership Agreements and the Supplemental Deed constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang Ke, Mr. Xiang Bing and Mr. Zhang Tim Tianwei, has been formed to advise the Independent Shareholders as to whether the Transactions are fair and reasonable so far as the Shareholders are concerned and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Shareholders on how to vote in respect of the relevant resolutions to be proposed at the EGM to approve the Transactions. The Independent Board Committee for Buy-Backs comprising all of the two non-executive Directors, namely, Mr. Li Jianguang and Mr. Guo Wei who are not interested or involved in the Transactions or related to Mr. Guo or Mr. Guo Fansheng, and the three independent non-executive Directors, namely, Mr. Zhang Ke, Mr. Xiang Bing and Mr. Zhang Tim Tianwei, has been established to consider the Transactions (including the Buy-Backs) and to give recommendation to the Disinterested Shareholders as to how to vote on the resolutions to be proposed at the EGM in relation to the Transactions (including the Buy-Backs). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Board Committee for Buy-Backs in this respect and to advise the Disinterested Shareholders as to how they should vote on the resolutions to be proposed at the EGM, and our appointment has been approved by the Independent Board Committee and the Independent Board Committee for Buy-Backs.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. We are not associated or connected with the Company, its substantial shareholders, Zhixing Ex-Shareholders or any party acting, or presumed to be acting, in concert with any of them. In the last two years, there was no engagement between the Group and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information and facts supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and opinions expressed to us by them and that all information or representations regarding the Group and the Transactions provided to us by the Group, the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the period after the Latest Practicable Date until the date of the EGM as soon as possible. The Shareholders will also be informed by us as soon as practicable should there be any material changes to our opinion after the Latest Practicable Date until the date of the EGM. We have also relied on the responsibility statements made by the Directors contained in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, the advisers of the Company.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion, we have considered the following principal factors and reasons:

1. Background Information

1.1 Information of the Group

The principal businesses of the Group include (i) on-line services; (ii) trade catalogues and yellow page directories; (iii) seminars and other services; (iv) online to offline ("**O2O**") household electrical appliances business exhibition centre; and (v) anti-counterfeiting products and services.

The following table is a summary of the consolidated financial information of the Group for the financial years ended 31 December 2014 and 2015, as extracted from the annual report of the Company for the financial year ended 31 December 2015 ("**2015 Annual Report**") and the consolidated financial information of the Group for the six months ended 30 June 2015 and 2016, as extracted from the interim results announcement of the Company for the six months ended 30 June 2016.

	For the year ended 31 December		**For the six months ended 30 June**	
	2014	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	966,637	916,138	391,052	465,769
– Online services	*812,935*	*733,309*	*315,936*	*387,893*
– Trade catalogues and yellow page directories	*35,630*	*18,251*	*8,447*	*6,124*
– Seminars and other services	*101,879*	*109,364*	*37,061*	*46,243*
– Anti-counterfeiting products and services	*16,193*	*55,168*	*29,608*	*22,667*
– Financing services	*–*	*46*	*–*	*2,842*
Selling and marketing expenses	(530,578)	(598,874)	(229,511)	(311,968)
Total finance cost	(4,951)	(47,802)	(21,640)	(34,215)
Profit attributable to equity holders	187,633	52,552	41,131	29,048

	As at 31 December 2014	**As at 31 December 2015**	**As at 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Cash and cash equivalents	1,321,989	790,701	676,026
Intangible assets	105,687	1,461,722	1,545,415
Net assets	1,315,167	2,598,946	3,052,742

With reference to the above table, the revenue of the Group amounted to approximately RMB916.1 million for the year ended 31 December 2015, representing a decrease of approximately 5.2% as compared to the prior year. According to the 2015 Annual Report, such decrease was mainly attributable to the decrease in revenue generated from the online services segment and the trade catalogues and yellow page directories segment. The Group primarily derived its revenue from the online services segment for the years ended 31 December 2014 and 2015, which mainly include the provision of business-to-business ("**B2B**") e-commerce service platform for small to medium enterprises ("**SMEs**") in the PRC. For the year ended 31 December 2015, revenue generated from online services decreased by approximately

RMB79.6 million, representing a decrease of approximately 9.8%. According to the 2015 Annual Report, such decrease was primarily due to the slowdown and structural adjustment in the PRC macro-economy which resulted in the difficulty in survival of SMEs and in turn weakened their ability to pay information advertising fees for B2B websites. In view of the reforms in the B2B business, the Group underwent a series of reformation in the internet technology service during 2015, including, among others, the building of the B2B 2.0 transaction platform, the construction of the O2O business exhibition centre, adding of the supplementary service of "Mai-Mai-Tong" (e.g. Xunpanbao) which enable sellers to count the effective number of buyers, development of applications of mobile terminals in B2B transactions, B2B warehousing and logistics services provided by third parties through strategic cooperation. Such value of the new generation of B2B 2.0 business has been widely recognised by customers of the Group in 2015. Nonetheless, the Group recorded a significant decrease in profit attributable to equity holders of approximately 72.0% from approximately RMB187.6 million to approximately RMB52.6 million, primarily due to (i) the increase in selling and marketing expenses as a result of the increase in sales staff salaries and commissions and marketing expenses; and (ii) the increase in finance cost as a result of the interest for the convertible bonds in the principle amount of HK$780.0 million which carries a coupon rate of 5% per annum issued on 27 November 2014. Such factors continued to affect the results of the Group for the six months ended 30 June 2016. Although the revenue of the Group increased from approximately RMB391.1 million for the six months ended 30 June 2015 to approximately RMB465.8 million for the six months ended 30 June 2016, profit attributable to equity shareholders decreased from approximately RMB41.1 million to approximately RMB29.0 million during the same period, primarily due to the increases in selling and marketing expenses as well as the finance cost.

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB790.7 million, representing a decrease of approximately 40.2% as compared to approximately RMB1,322.0 million as at 31 December 2014. The cash and cash equivalents of the Group further decreased by approximately 14.5% to approximately RMB676.0 million as at 30 June 2016. Notwithstanding the decrease in cash position, net assets of the Group increased from approximately RMB1,315.2 million as at 31 December 2014 to approximately RMB2,598.9 million as at 31 December 2015, and further increased to approximately RMB3,052.7 million as at 30 June 2016. The continuous increase in net assets was primarily attributable to the increase in intangible assets from the goodwill on the online service business of ZOL in the PRC following the completion of the acquisition of 100% of share capital of Orange Triangle on 3 July 2015, and the goodwill arising from the completion of the acquisition of Zhongfu Holdings Limited on 8 January 2016 which is attributable to the synergies and technical talent and economies of scale expected from the combination of business operations.

As advised by the Directors, the Group was in the progress of B2B e-commerce reformation through the upgrading of the Group's B2B platform to a more vertical in-depth platform via merchandise-orientation. The Group has also been actively expanding into the market segment of fast-moving consumer goods in the field of high added-value service. It is anticipated that the Group will continue to provide professional and innovative services and products to meet the needs of the market and users.

1.2 *Information on the Purchaser*

The Purchaser is a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 300226). The Purchaser is an e-commerce operator of B2B information and transaction for steels and other commodities. The Purchaser is principally engaged in (i) provision of e-commerce trading through www.banksteel.com; (ii) supplying information of steel and other commodities through www.mysteel.com; and (iii) other services. Set out below are the consolidated financial information of the Purchaser for the two years ended 31 December 2014 and 2015 as extracted from Appendix V to the Circular and the six months ended 30 June 2016 as extracted from the interim report of the Purchaser for the six months ended 30 June 2016:

	For the year ended 31 December		**For the six months ended 30 June**
	2014	**2015**	**2016**
	(audited)	(audited)	(unaudited)
	RMB'000	*RMB'000*	*RMB'000*
Revenue	7,557,110	21,357,136	16,720,185
Profit/(Loss) attributable to owners of the Purchaser	18,776	(250,385)	13,588

	As at 31 December 2014	**As at 31 December 2015**	**As at 30 June 2016**
	(audited)	*(audited)*	*(unaudited)*
	RMB'000	*RMB'000*	*RMB'000*
Net assets attributable to owners of the Purchaser	443,385	77,231	385,037

With reference to Appendix V to the Circular, the Purchaser recorded a revenue of approximately RMB21,357.1 million for the year ended 31 December 2015, representing an increase of approximately 182.6% as compared with that of approximately RMB7,557.1 million for the year ended 31 December 2014. Such increase was primarily due to increased number of e-commerce trading volume and customers through www.banksteel.com. As disclosed in the annual report of the Purchaser for the year ended 31 December 2015, the business model of www.banksteel.com is getting more mature and popular among the industry. Nonetheless, the Purchaser recorded loss of approximately RMB250.4 million for the year ended 31 December 2015 as compared to profit of approximately RMB18.8 million for the year ended 31 December 2014. The loss was mainly due to substantial increase of operational costs on the e-commerce platform for expanding the market share. As the Purchaser is currently operating in a fast-growing industry, the expenses and costs incurred in running electronic business platform have been increasing rapidly to maintain its market position and overall competitiveness. In light of the economic downturn and volatility in commodity prices, it is believed that the decline in the Purchaser's financial performance was driven by the global macro environment and might improve along with the economic recovery.

According to the annual report of the Purchaser for the year ended 31 December 2015, the Purchaser intend to further develop its e-commerce trading platform on trading of steel, while at the same time horizontally broaden the categories of commodities and merchandises traded on its e-commerce platform and establish a service structure which integrates payment, collection, logistics, data and financial service system.

1.3 Information on Beijing Zhixing Ruijing

Beijing Zhixing Ruijing is a limited liability company established in the PRC and owned as to 60% by Mr. Guo and 40% by Mr. Liu as at the Latest Practicable Date. Mr. Guo and Mr. Liu are shareholders of Beijing Zhixing Ruijing appointed by the Company to hold the entire equity interest in Beijing Zhixing Ruijing. Beijing Zhixing Ruijing is mainly engaged in the operation of the websites under the key domain names www.zol.com.cn (中關村在線) ("**ZOL**") and www.zol.com (中關村商城) in the PRC. In particular, ZOL offers content mainly relating to IT-related products such as handsets and accessories, wearable devices, computers (desktop, laptop and tablets), camera, computer hardware and software, gaming, audio and video products, home appliances, office equipment and automobile accessories. At present, ZOL has registered users of over 40 million and the daily visitors reached around 150 million which covers over 70% of the IT users in the PRC. Meanwhile, the customers of ZOL include most of the leading international and domestic manufacturers of IT-related products.

As disclosed in the 2015 Annual Report, the Group acquired 100% equity interest of Orange Triangle and its subsidiaries, and also acquired the control over Beijing Zhixing Ruijing by entering into a series of structured contracts via a wholly-owned subsidiary of Orange Triangle. The original acquisition costs were RMB1,299,997,000.

Set out below are the unaudited consolidated financial information of Beijing Zhixing Ruijing for the period from 11 September 2014 (date of incorporation) to 31 December 2014, the year ended 31 December 2015 and the six months ended 30 June 2016 as extracted from Appendix II to the Circular:

	For the period from 11 September 2014 to 31 December 2014	**For the year ended 31 December 2015**	**For the six months ended 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,895	295,955	141,668
Profit attributable to equity holders of Beijing Zhixing Ruijing	1,457	51,209	25,927

	As at 31 December 2014	**As at 31 December 2015**	**As at 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000*
Net assets	2,457	62,666	88,593

1.4 Information on Xizang Ruijing

On 24 March 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Partnership Agreement, pursuant to which a limited partnership, Xizang Ruijing was formed in which Beijing Huicong Construction is a general partner and Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang are limited partners, contributing 99% and 0.4%, 0.25%, 0.2% and 0.15% of the capital amounts to the partnership respectively and each being titled to 99% and 1% partnership equity of Xizang Ruijing, respectively. The total amount of the capital amounts to be contributed by Beijing Huicong Construction and the Zhixing Ex-Shareholders to Xizang Ruijing is RMB30,000,000. As at the Latest Practicable Date, the amount of capital value paid up of Xizang Ruijing is RMB10,000,000. Xizang Ruijing is principally engaged in investment holding.

On 4 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Second Supplemental Partnership Agreement to further define the role of Xizang Ruijing in the transactions contemplated under the Framework Agreement, i.e. to act as an investment vehicle of the Zhixing Ex-Shareholders to complete the transactions contemplated under the Framework Agreement. Xizang Ruijing was established and will operate solely for the purpose of being a shareholder of Beijing Zhixing Ruijing after the Reorganisation and holding the shares of the Purchaser after Completion.

1.5 Information on the Zhixing Ex-Shareholder

The Zhixing Ex-Shareholders or their Designated Person(s) are the legal and beneficial owners of NAVI-IT, the vendor to the Sale and Purchase Agreement. As at the Latest Practicable Date, each of Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang or their respective Designated Person(s) is interested in 6.16%, 3.85%, 3.08% and 2.31% of the issued share capital of the Company respectively.

Both Mr. Liu and Ms. Wang are senior management members of Beijing Zhixing Ruijing. Mr. Liu is the general manager of Beijing Zhixing Ruijing responsible for overall business management and strategic planning of Beijing Zhixing Ruijing. Ms. Wang is the director of general management department of Beijing Zhixing Ruijing responsible for the management of human resources, finance and administration in Beijing Zhixing Ruijing. Mr. Liu and Ms. Wang are expected to continue to perform their existing roles in Beijing Zhixing Ruijing upon completion of the Transactions. Mr. Shi and Ms. Yang are not involved in the business operation of Beijing Zhixing Ruijing. Mr. Shi is currently a professional investor and Ms. Yang is currently an employee of a power company. Save and except for the aforesaid, the Zhixing Ex-Shareholders are not otherwise related to the Group.

2. Terms of the Framework Agreement and the Reorganisation

2.1 The Framework Agreement

On 26 April 2016, the Vendors, the Company and the Purchaser entered into the Initial Framework Agreement pursuant to which, inter alia, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Interest, which represents the entire equity interest in Beijing Zhixing Ruijing, for the Total Consideration. The Total Consideration shall be satisfied partly by the Consideration Issue and partly by payment of the Cash Consideration. Upon Completion, Beijing Zhixing Ruijing will cease to be a subsidiary of the Company.

Following the Disposal, the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders under the Reward Mechanism pursuant to the Supplemental Partnership Agreement if the New Performance Targets for each of the New Performance Undertaking Years have been met.

On 30 May 2016, the parties to the Initial Framework Agreement entered into the First Supplemental Agreement to, among others, set a lower limit of RMB2,000 million to the Total Consideration and include the implementation of the Purchaser Fund Raising as condition precedent to the Framework Agreement.

2.2 The Reorganisation

In order to implement the Disposal, the Company shall undergo the Reorganisation with respect to its existing IT vertical website assets, businesses and manpower as set out in the Framework Agreement. Immediately upon completion of the Reorganisation, Beijing Zhixing Ruijing shall independently operate the Target Business and Beijing Zhixing Ruijing shall be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing.

To implement the Reorganisation, the Group has entered into the Equity Transfer Agreement, Asset Transfer Agreement and the Termination Agreement.

Equity Transfer Agreement

On 26 April 2016, Mr. Guo, Mr. Liu, Beijing Huicong Construction and Xizang Ruijing entered into the Equity Transfer Agreement, pursuant to which Mr. Guo and Mr. Liu shall transfer their entire equity interest in Beijing Zhixing Ruijing to Beijing Huicong Construction and Xizang Ruijing. After such transfer, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing. The Consideration for the transfer is RMB46.6 million, which was determined with reference to the net assets value of Beijing Zhixing Ruijing as at 31 March 2016, and shall be satisfied by the payment to the designated account of Orange Triangle in cash.

Asset Transfer Agreement

On 26 April 2016, Orange Triangle and Beijing Zhixing Ruijing entered into the Asset Transfer Agreement, pursuant to which Orange Triangle has conditionally agreed to transfer to Beijing Zhixing Ruijing and Beijing Zhixing Ruijing has conditionally agreed to receive from Orange Triangle, subject to the terms and conditions of the Asset Transfer Agreement, certain domain names, registered trademarks and other intellectual property rights owned by Orange Triangle (the

"**Assets**"). Following completion, the ownership of the Assets will be transferred to Beijing Zhixing Ruijing who shall solely and legally own the Assets. Beijing Zhixing Ruijing shall also have the sole rights to operate the Assets. Orange Triangle will cease to be the owner of the Assets and will not have any rights to the operation of the Assets.

Termination Agreement

On 26 April 2016, Mr. Guo, Mr. Liu, Orange Beijing, Beijing Zhixing Ruijing and Orange Triangle entered into the Termination Agreement, pursuant to which the parties to the Termination Agreement agree that from the effective date of the Termination Agreement, the Existing Structured Contracts shall be terminated and have no further legal effect. Any rights, obligations or responsibilities (whether existing or contingent) of the parties under the Existing Structured Contracts shall be terminated and released.

The parties confirmed that there are no unfulfilled obligations, responsibilities, disagreements or disputes under the Existing Structured Contracts. The parties also agree that all actual or potential compensation obligations or liabilities for breach of contracts (if any) are waived between themselves. The parties confirmed to take all necessary actions to terminate the Existing Structured Contracts and register the release of share pledge (if any), including but not limited to undergoing relevant procedures and executing relevant documents.

The Framework Agreement is conditional upon, among other things, completion of the Reorganisation. In the event that the Framework Agreement has not become unconditional due to failure to fulfill other Condition(s) Precedent and has lapsed notwithstanding completion of the Reorganisation, (i) the Company did not intend to rescind the Reorganisation; (ii) the Supplemental Deed shall lapse; and (iii) the subject matters of the Supplemental Partnership Agreements, being the Consideration Shares and the Cash Consideration, would not be issued or paid.

Please refer to the paragraph headed "Agreements entered into pursuant to the Framework Agreement" in the Letter from the Board for details of the Equity Transfer Agreement, the Asset Transfer Agreement and the Termination Agreement.

2.3 Consideration

The Total Consideration is initially estimated to be RMB2,080 million. The Total Consideration shall be determined after arm's length negotiations between the Vendors and the Purchaser with reference to (1) the valuation of the Target Assets based on the Asset Valuation Report; and (2) the operating conditions of Beijing Zhixing Ruijing and prospect of the industry. It is expected that parties to the Framework Agreement will enter into a separate supplemental agreement to determine the final Total Consideration upon the confirmation of the Asset Valuation Report by the Purchaser. In any event, the Total Consideration shall not be more than RMB2,080 million. Pursuant to the First Supplemental Agreement, the Total Consideration shall be no less than RMB2,000 million. Hence, the estimated maximum and minimum Total Consideration represented a premium of approximately 60.0% and 53.8% over the original acquisition costs of RMB1,299,997,000, respectively. However, pursuant to the Second Supplemental Agreement, in the event that all the performance rates of the New Performance Targets for the year ending 31 December 2016, 2017 and 2018 are less than 50%, the Total Consideration after making the compensation shall be RMB390 million, which represents a discount of approximately 70.0% to the original acquisition costs.

The Total Consideration shall be satisfied (a) as to 55% (originally 67% under the Initial Framework Agreement) of the Total Consideration by the allotment and issue of the Consideration Shares by the Purchaser to the Vendors; and (b) as to 45% (originally 33% under the Initial Framework Agreement) of the Total Consideration by the payment of Cash Consideration by the Purchaser to the Vendors.

Pursuant to the Framework Agreement, the parties agree that the Total Consideration shall be split between Beijing Huicong Construction and Xizang Ruijing in the proportion of 60% and 40%.

The Issue Price is currently fixed at RMB36.49 per Consideration Share, subject to adjustments, which:

(i) is 90% of the volume-weighted average price of the Purchaser (i.e. total trading turnover divided by total trading volume) quoted on the Shenzhen Stock Exchange for the 20 trading days immediately before the Price Determination Date; and

(ii) represents a discount of approximately 20.36% to the closing price of RMB45.82 per share of the Purchaser as quoted on the Shenzhen Stock Exchange on 24 February 2016, being the last trading date of the Purchaser immediately before its suspension from 25 February 2016.

The number of shares of the Purchaser to be issued to Beijing Huicong Construction and Xizang Ruijing shall be calculated in accordance with the following formula:

Number of Consideration Shares = Total Consideration x 55% ÷ Issue Price

The Issue Price was arrived at after arm’s length negotiations between the Vendors and the Purchaser and in accordance with the rules of the Shenzhen Stock Exchange. The number of Consideration Shares to be finally issued and the Issue Price will be subject to ex-right and ex-dividend adjustments in the event of, amongst others, any ex-right and ex-dividend event such as payment of dividend, bonus issue of shares, placing of shares or transfer of capital surplus into share capital of the Purchaser during the period from the Price Determination Date up to the issue date of the Consideration Shares. For details of the adjustment mechanism of the Consideration Shares, please refer to the paragraph headed "Consideration" in the Letter from the Board.

Pursuant to the Second Supplemental Agreement, based on the initial Total Consideration and assuming the Issue Price is RMB36.49 per Consideration Share, (i) Beijing Huicong Construction shall receive RMB661,440,000 in cash and 16,074,540 Consideration Shares and (ii) Xizang Ruijing shall receive RMB274,560,000 in cash and 15,276,514 Consideration Shares.

Based on the initial estimated amount of the Total Consideration, the aggregate number of Consideration Shares will be 31,351,054 shares of the Purchaser, representing approximately 14.45% of the issued share capital of the Purchaser as enlarged by the Consideration Issue and 26,116,744 shares of the Purchaser to be issued at the Issue Price upon completion of the Purchaser Fund Raising (assuming that there is no other change to the Purchaser after the Latest Practicable Date).

The receipt of the Consideration Shares by the Group amounts to an acquisition of certain issued share capital in the Purchaser by the Group.

Upon completion of the Disposal and Acquisition, the board of directors of the Purchaser shall consist of 9 directors, among which 3 shall be independent directors and 6 shall be shareholders-represented directors. Each of Beijing Huicong Construction and Xizang Ruijing shall be entitled to nominate 1 shareholder-represented director. However, there would be several uncertain factors, including the potential Purchaser Fund Raising which may dilute the Company's equity interest in the Purchaser, as well as the uncertainty in relation to the level of influence can demonstrate over the board of directors of the Purchaser.

Valuation of the Target Assets

According to the Letter from the Board, the Asset Valuation Report is required by the applicable laws and regulations in the PRC that are applicable to the Purchaser in connection with its acquisition of the Target Assets. As set out in Appendix VI to the Circular, the Asset Valuation Report is prepared by CanWin Appraisal Co., Ltd., a qualified valuer in the PRC, based on income approach and market approach with the results under the income approach adopted. Based on the Asset Valuation Report, the appraised value of the Target Assets is approximately RMB2,083.2 million as at 29 February 2016, representing a slight premium of approximately 0.15% or 4.2% over the estimated initial Total Consideration of RMB2,080 million and the minimum Total Consideration of RMB2,000 million, respectively.

In this regard, we have enquired into the Valuer in relation to the methodology adopted in the Asset Valuation Report and details of the valuation process. In addition, we have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the performance of the Valuation; and (iii) the steps taken by the Valuer when conducting the Valuation. From the mandate letter and other relevant information provided by the Valuer and based on our enquiry with the Valuer, we noted that the Valuer possesses the Certificate for Asset Valuation* (資產評估資格證書) issued by Zhejiang Province State-owned Assets Administration Bureau* (浙江省國有資產管理局) and Qualification Certificate for Valuation of Securities and Futures Related Business 證券期貨相關業務評估資格證書 issued by the Ministry of Finance of the PRC and the CSRC and hence the Valuer is a qualified asset appraisal firm in the PRC to perform valuation works for transactions of listed companies. We also noted that the Valuer possess sufficient qualifications and experience in transactions for a number of listed companies in Hong Kong and the PRC. In particular, we noted from the website of the Valuer and their reply to our enquiries that they had completed valuation for transactions of over 80 listed companies in the PRC and a number of listed companies in Hong Kong, and they have performed valuation for businesses similar to the Target Assets. We have reviewed the terms of the engagement of the Valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Therefore, on such basis, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate.

As advised by the Valuer, in light of the business model of Beijing Zhixing Ruijing which has been relatively stable and mature, its future income and the applicable discount rate to its future income risk can be reasonably anticipated assuming that it will continue its existing business content and scope. Prior to adopting income approach, they have also initially adopted the market approach as comparable listed companies which have similar assets size and structure, operating scope and profit level with the Target Assets can be identified in the market. On the other hand, as Beijing Zhixing Ruijing is an internet corporation with significant intangible assets, such as customer resources, goodwill, human resources and technical business capability, which are crucial to

* *For identification purpose only*

its profitability, asset-based valuation approach was not adopted since it cannot capture the value of these intangible assets. Nonetheless, market approach was not adopted for the final valuation result as the stock market in the PRC was relatively volatile and it may affect the value of the comparable companies as at the date of the Valuation. We also understand from the Valuer that the valuation method of the Target Assets is commonly adopted for valuation of businesses and enterprises and is consistent with normal market practice. In light of the above, we are of the view that the methodology adopted in the Asset Valuation Report is fair and reasonable.

In assessing the fairness and reasonableness of the principal basis and assumptions adopted in the Asset Valuation Report, we noted that the Valuer has made various general assumptions for the Valuation, including, amongst others, stable macro economy and operating environment, compliance with relevant laws and regulations and no force majeure. The Valuer further made specific assumptions to the Target Assets including the implementation of the Reorganisation, the applicable tax rate of Zhixing Ruijing as well as its ability to extend the business license. Based on our discussion with the Valuer, we concur with the Valuer that these assumptions are commonly adopted for valuation of businesses and enterprises and is consistent with normal market practice.

With reference to the underlying forecast to the Valuation, the forecast was based on the historical income from advertising and service provision for the year ended 31 December 2015 and the two months ended 29 February 2016, as well as the expected growth in turnover from 2016 to 2021. We have enquired into the Valuer in respect of, among others, the basis for the growth rate of each of the advertising income and service provision income, network costs, employee salary, research and development costs and management fee and we have been provided with the reasons therein. We have also discussed the basis with the Valuer and reviewed the calculations in arriving the discount rate used in the forecast. Details of the aforementioned assumptions and methodologies are set out in the Asset Valuation Report as contained in Appendix VI to the Circular.

After reviewing the historical financial data and discussion with the Valuer, we are not aware of any major factors which would cause us to doubt the fairness and reasonableness of the principal basis and assumptions for the valuation and financial projection adopted by the Valuer in the Asset Valuation Report.

Comparison with comparable companies

To evaluate the fairness and reasonableness of the Total Consideration, we have performed a trading multiples analysis using the price-to-earnings ratio ("**P/E**"), which is one of the most commonly used benchmarks. We did not use the price-to-book ratio since we consider that the net assets value of Beijing Zhixing Ruijing as at 31 December 2015 or 30 June 2016 could not truly reflect the fair value of Beijing Zhixing Ruijing given that the Assets were held by Orange Triangle. In view of that Beijing Zhixing Ruijing is held by the Company as part of the business of a company listed on the Stock Exchange, we have searched for companies listed on the Stock Exchange which are engaged in similar lines of business as Beijing Zhixing Ruijing, being the operation of e-commerce business, and derived a majority (i.e. over 50%) of their turnover in their respective latest financial year from such business for comparison. To the best of our knowledge and as far as we are aware of, we have identified three companies (the "**Comparables**") that met the said criteria and only two of them had been profitable during their respective latest financial years. Nonetheless, the Comparables represented an exhaustive list and hence we consider the Comparables are representative and appropriate for comparison. It should be noted that the operations and prospects of Beijing Zhixing Ruijing are not exactly the same as the Comparables although the Comparables are engaged in similar lines of business and we have not conducted any in-depth investigation into the businesses and operations of the Comparables. Set out below are the P/Es of the Comparables based on their closing prices as at the date of the Initial Framework Agreement and their latest published financial information:

Company name	**Stock code**	**Principal business**	**P/E (times)**
Cogobuy Group	400	Operation of the transaction-based e-commerce platform for integrated circuits and other electronic components in China.	38.8
Tradelink Electronic Commerce Limited	536	Provision of front-end Government Electronic Trading Services (GETS) for processing certain official trade-related documents.	15.9
DX.com Holdings Limited	8086	Engaged in e-commerce business and provision of online sales platform.	N/A *(Note 1)*
		Maximum	**38.8**
		Minimum	**15.9**
		Average	**27.4**
The Disposal		Operation of the websites under the key domain names www.zol.com.cn and www.zol.com in the PRC	**39.1** *(Note 2)*

Source: The Stock Exchange web-site (www.hkex.com.hk)

Notes:

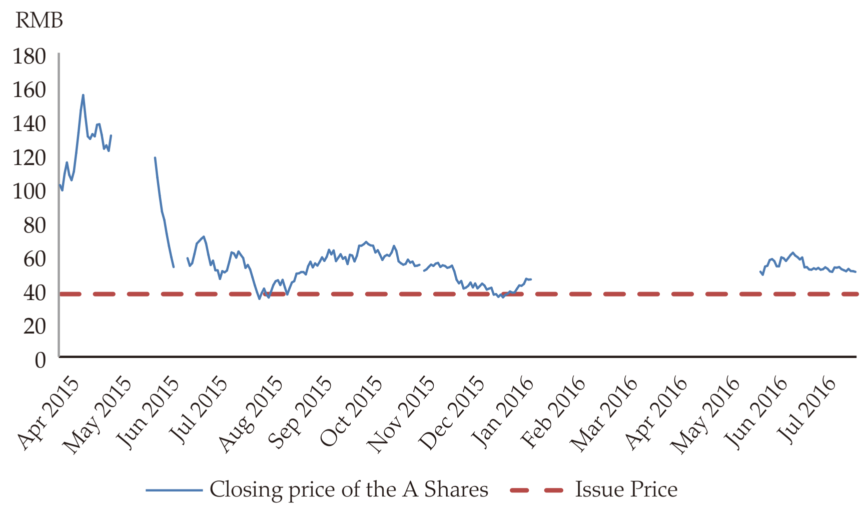
1. DX.com Holdings Limited was loss making for its latest financial year hence its P/E is not applicable.

2. The implied P/E of Beijing Zhixing Ruijing is calculated based on the minimum Total Consideration of RMB2,000 million and the net profit after tax of Beijing Zhixing Ruijing for the year ended 31 December 2015.

As shown from the table above, the P/E of the Comparables are approximately 15.9 times and 38.8 times and their average is approximately 27.4 times. The implied P/E of the Disposal of approximately 39.1 times based on the minimum Total Consideration and the net profit after tax of Beijing Zhixing Ruijing for the year ended 31 December 2015 is hence higher than the P/Es of the Comparables. In view of the reward mechanism to the Zhixing Ex-Shareholders under the Supplemental Partnership Agreement, the estimated Total Consideration to be received by the Company shall amount to RMB1,248 million calculated based on the initial Total Consideration of RMB2,080 million. In this regard, the implied P/E of the Disposal shall be approximately 24.4 times and hence in line with the Comparables. In the event that the New Performance Targets cannot be met for each of the New Performance Undertaking Years (assuming all performance rates are less than 50%), the implied P/E of the Disposal shall be approximately 7.6 times based on the minimum Total Consideration of RMB390.0 million, which is lower than the Comparables. Nonetheless, having considered that (i) the New Performance Targets represented a close approximate to the forecasted profit for the three years ending 31 December 2018 under the Valuation; and (ii) the receipt of the minimal Total Consideration of RMB390.0 million shall only materialise in the event that Beijing Zhixing Ruijing fail to meet 50% of the New Performance Targets for each of the New Performance Undertaking Years, we are therefore of the view that the receipt of such minimum Total Consideration of RMB390.0 million is unlikely to materialise and therefore the Total Consideration is fair and reasonable so far as the Disinterested Shareholders are concerned.

Historical performance of share price of the Purchaser

In assessing the fairness of the Issue Price, we have assessed the daily closing price of the A shares of the Purchaser (the "**A Shares**") during the period commencing from 26 April 2015 (being approximately one year before the date of the Initial Framework Agreement) up to and including the Latest Practicable Date (the "**Review Period**"), to illustrate the recent trading performance of the A Shares. The comparison of the historical closing price of the A Shares during the Review Period and the Issue Price are illustrated as follows:



Source: *Reuters*

Note: Trading in the A Shares was suspended (i) from 29 May 2015 to 23 June 2015 (both dates inclusive); (ii) from 7 July 2015 to 13 July 2015 (both dates inclusive); (iii) 11 December 2015; and (iv) from 25 February 2016 to 29 June 2016.

During the Review Period, the daily closing price of the A Shares ranged from RMB34.34 to RMB154.98. The Issue Price hence falls within the said price range and represented a discount of the closing price of the A Shares during the entire Review Period except for four trading days. With the Issue Price falling lower than the closing price of the A Shares, the Company shall be allotted more Consideration Shares than that if the Company acquire the A Shares from the market using the Cash Consideration.

The price of the A Shares reached the peak on 21 May 2015 and suspended on 29 May 2015 pending the release of an announcement regarding the proposed acquisition of a company relating to the business development of the Purchaser. Following the resumption of trading of the A Shares on 24 June 2015 and the announcement regarding the abortion of the acquisition, the price of the A Shares significantly dropped until the suspension of trading in the A Shares on

7 July 2015. The A Shares resumed trading on 14 July 2015 and the Purchaser announced the entering into of a cooperation agreement regarding the operation of a steel cutting center. Since then, the price of the A Shares fluctuated between the price range of RMB34.34 and RMB71.11.

In view of (i) the Issue Price falls within the price range and represented a discount to the closing price of the A Share during the entire Review Period except for only four trading days; (ii) the drop in price of the A Shares was likely due to the abortion of the acquisition of a company relating to the business development of the Purchaser; and (iii) the Acquisition is in line with the business strategy of the Purchaser, the Directors expect that the A Share price will improve following Completion. In this regard, we concur with the Directors that the Issue Price is fair and reasonable so far as the Shareholders are concerned.

2.4 Performance Undertaking

The Vendors have undertaken to the Purchaser that Beijing Zhixing Ruijing shall achieve the New Performance Target for each New Performance Undertaking Year during the New Performance Undertaking Period as follows:

New Performance Undertaking Year	Net profit as set out in the audited results of Beijing Zhixing Ruijing
Year ending 31 December 2016	RMB130,000,000
Year ending 31 December 2017	RMB169,000,000
Year ending 31 December 2018	RMB219,700,000

Please refer to the paragraph headed "Performance Undertaking" in the Letter from the Board for details of the calculation of the New Performance Targets as well as the adjustment mechanism to the Total Consideration if the New Performance Targets cannot be met.

Under the expected arrangement, if the New Performance Targets cannot be met, Xizang Ruijing shall make compensation before Beijing Huicong Construction to the Purchaser in accordance with the Framework Agreement. Under the circumstances that if the New Performance Target for each of the New Performance Undertaking Years are not met (assuming all performance rates are less than 50%), Xizang Ruijing will be required to compensate all of its split of Consideration Shares and Cash Consideration while Beijing Huicong Construction will be required to compensate all of its split of Consideration Shares and approximately 41.04% of its split of Cash

Consideration. The remaining Cash Consideration to be received by Beijing Huicong Construction shall be RMB390 million. Pursuant to this arrangement, compensation would first be made from Xizang Ruijing (which the Zhixing Ex-Shareholders are interested in). The Zhixing Ex-Shareholders will, through Xizang Ruijing, obtain 40% of the Total Consideration if the New Performance Targets are met for each of the New Performance Undertaking Year. Please refer to the Letter from the Board for the details on how the compensation will be made by Beijing Huicong Construction and Xizang Ruijing if the net profit in any of the New Performance Undertaking Year is less than the New Performance Target. Therefore, the Directors are of the view that this arrangement would give incentives to the Zhixing Ex-Shareholders to achieve the New Performance Targets and this arrangement would also be to the benefits and interest of the Company.

In this regard, we have discussed with the Directors regarding the basis of the New Performance Target, which represented 30% higher than the performance targets as set out in the Sale and Purchase Agreement (the "**Old Performance Targets**") pursuant to which the Zhixing Ex-Shareholders shall compensate to the Company if the Old Performance Targets cannot be met. As advised by the Directors, such mechanism was structured as an incentive for the Zhixing Ex-Shareholders to achieve the performance targets. We have further enquired into the Company regarding the background and working experience of Mr. Liu and Ms. Wang. As mentioned in the paragraph headed "Information on the Zhixing Ex-Shareholders" above, Mr. Liu is the general manager of Beijing Zhixing Ruijing responsible for overall business management and strategic planning of Beijing Zhixing Ruijing and Ms. Wang is the director of general management department of Beijing Zhixing Ruijing responsible for the management of human resources, finance and administration in Beijing Zhixing Ruijing. Based on our discussion with the Directors and the relevant information provided by the Company, we noted that each of Mr. Liu and Ms. Wang (i) had joined ZOL for approximately 16 years and 8 years, respectively; (ii) have extensive involvement in relation to the operations and business development of ZOL and Beijing Zhixing Ruijing; and (iii) each of Mr. Liu and Ms. Wang had entered into a service or employment agreement with Beijing Zhixing Ruijing pursuant to which Mr. Liu and Ms. Wang were subject to among others, non-competition and confidentiality clauses. In this regard, we concur with the Directors that Mr. Liu and Ms. Wang are the key management for the performance and operation of Beijing Zhixing Ruijing and it is crucial to structure an incentive mechanism. On the other hand, we also noted that the New Performance Targets represented a close approximate to the forecasted profit for the three years ending 31 December 2018 under the Valuation. As confirmed by the Directors, while the Total Consideration was determined with reference to Valuation, they had also taken into account the forecasted profit in arriving at the Total Consideration such that the Total Consideration represented a premium over the original acquisition costs. Having considered the above, we consider that the setting up of the New Performance Targets are justifiable.

2.5 Lock-up period

The Consideration Shares shall be subject to a lock-up period of 36 months after their allotment and issue during which no transfer of any of the Consideration Shares by the Vendors is permitted (the "**Lock-up Period**"). During the Lock-up Period, the Vendors may attach mortgages, pledges, guarantees, priorities or other third-party rights to not more than 80% of the number of released Consideration Shares to be determined in accordance formula as detailed in the paragraph headed "Lock-up Period" in the Letter from the Board. Having considered that (i) Beijing Zhixing Ruijing will be consolidated in the financial statements of the Purchaser upon Completion; (ii) the Acquisition is in line with the business strategy of the Purchaser and the financial performance of the Purchaser may improve upon Completion; (iii) the Issue Price is fair and reasonable so far as the Disinterested Shareholders are concerned; and (iv) the Lock-up Period is on the same period with the New Performance Undertaking Year and Mr. Liu and Ms. Wang are incentivized under the arrangement of the New Performance Targets, we consider that the Lock-up Period to be justifiable.

3. Supplemental Partnership Agreements

On 24 March 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Partnership Agreement, pursuant to which a limited partnership, Xizang Ruijing was formed in which Beijing Huicong Construction is a general partner and Mr. Liu, Ms. Wang, Mr. Shi and Ms. Yang are limited partners, contributing 99% and 0.4%, 0.25%, 0.2% and 0.15% of the capital amounts to the partnership respectively and each being titled to 99% and 1% partnership equity of Xizang Ruijing, respectively. The total amount of the capital amounts to be contributed by Beijing Huicong Construction and the Zhixing Ex-Shareholders to Xizang Ruijing is RMB30,000,000 and shall be contributed in proportion to their respective shareholding in Xizang Ruijing. As at the Latest Practicable Date, the amount of capital value paid up of Xizang Ruijing is RMB10,000,000.

In view of the intention of the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the Disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing after Completion, Beijing Huicong Construction has entered into the Supplemental Partnership Agreement with the Zhixing Ex-Shareholders on 26 April 2016 for the Reward Mechanism pursuant to which the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders pursuant to the Reward Mechanism if the New Performance Targets for each of the New Performance Undertaking Years have been met.

As part of the Reward Mechanism, the parties agree that, if the New Performance Target of the relevant Performance Undertaking Year is achieved, Beijing Huicong Construction shall transfer the following partnership equity with the corresponding paid-up capital value to the Zhixing Ex-Shareholders at a consideration in the amount equal to the relevant paid-up capital amount:

	% of partnership equity
First Performance Undertaking Year	29%
Second Performance Undertaking Year	30%
Third Performance Undertaking Year	40%

The above-mentioned consideration was determined with reference to the amount of capital amount paid-up by Beijing Huicong Construction. Each of the Zhixing Ex-Shareholders shall receive the partnership equity and the corresponding paid-up capital amount transferred by Beijing Huicong Construction in accordance with the proportion of the actual capital contribution of each limited partner.

For the avoidance of doubt, in the scenario where the New Performance Targets for each of the New Performance Undertaking Years are met, the Zhixing Ex-Shareholders will be entitled to 100% interest in Xizang Ruijing. In the scenario where none of the New Performance Targets for each of the New Performance Undertaking Years are met, the Zhixing Ex-Shareholders will remain to be interested in 1% of Xizang Ruijing.

Upon completion of the industrial and commerce registration for the change in 99% partnership equity in Xizang Ruijing by Beijing Huicong Construction, it will cease to be a general partner of Xizang Ruijing. Xizang Ruijing's limited partners shall choose a general partner among themselves.

The parties agree that the Cash Consideration to be received by Xizang Ruijing under the Framework Agreement shall be distributed to the limited partners as dividend (the "**Dividend**") within 30 days upon receipt. Each limited partner shall receive the Dividend in accordance with the proportion of the actual capital contribution of each limited partner. Such agreed terms were amended under the Third Supplemental Partnership Agreement. For details, please refer to sub-paragraph headed "III. Third Supplemental Partnership Agreement" under the paragraph headed "Supplemental Partnership Agreements" in the Letter from the Board.

The Supplemental Partnership Agreement will come into effect upon the fulfillment of, among others, the approval of the transactions contemplated under the Supplemental Partnership Agreement in the Shareholders' meeting.

On 4 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Second Supplemental Partnership Agreement to further define the role of Xizang Ruijing in the transactions contemplated under the Framework Agreement, i.e. to act as an investment vehicle of the Zhixing Ex-Shareholders to complete the transactions contemplated under the Framework

Agreement. Xizang Ruijing was established and will operate solely for the purpose of being a shareholder of Beijing Zhixing Ruijing after the Reorganisation and holding the shares of the Purchaser after Completion.

On 23 August 2016, Beijing Huicong Construction and the Zhixing Ex-Shareholders entered into the Third Supplemental Partnership Agreement pursuant to which the parties agree to amend the timing of distribution of the Cash Consideration to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders). In the event that the net profits of Beijing Zhixing Ruijing as set out in its audited results for any New Performance Undertaking Year is less than 80% of the relevant New Performance Target, the relevant portion of the Cash Consideration would not be distributed to the limited partners of Xizang Ruijing but would be applied to compensate to the Purchaser pursuant to the Framework Agreement (as amended) (the "**Cash Compensation**"). The limited partners of Xizang Ruijing shall be responsible for all the taxes arising from any distribution of the Cash Consideration.

As discussed in the paragraph headed "Performance Undertaking" above, Mr. Liu and Ms. Wang are the key management for the performance and operation of Beijing Zhixing Ruijing and it is crucial to structure an incentive mechanism for them to manage Beijing Zhixing Ruijing. As part of the mechanism to incentivise Mr. Liu and Ms. Wang, the Zhixing Ex-Shareholders will be entitled to 100% interest in Xizang Ruijing and 40% of the Total Consideration. Nonetheless, such transfer will only take place if the New Performance Targets for each of the New Performance Undertaking Years are met. Having considered (i) the transfer under the Supplemental Partnership Agreement would only take place when the New Performance Targets are met; (ii) the Total Consideration is within the range of the Comparables after taken into account of the transfer under the Supplemental Partnership Agreement as detailed in the paragraph headed "Comparison with comparable companies" above; (iii) the importance of Mr. Liu and Ms. Wang; and (iv) the Cash Consideration will only be distributed to the Zhixing Ex-Shareholders after the relevant New Performance Targets are met, we consider that the terms of the Supplemental Partnership Agreements are justifiable.

4. The Supplemental Deed and Proposed Off-market Share Buy-backs

In view of the Reward Mechanism, on 26 April 2016, the Company entered into the Supplemental Deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back and the Zhixing Ex-Shareholders conditionally agreed to sell, or procure to sell, the Buy-Backs Shares at nil consideration subject to the terms and conditions of the Supplemental Deed.

Subject to the terms and conditions of the Supplemental Deed, the Company conditionally agreed to buy back and each of the Zhixing Ex-Shareholders conditionally agreed to sell the Buy-Backs Shares free and clear from all encumbrances and together with all rights attaching to them, including all rights to any dividend or other distribution declared made or paid, the record date of which is on or after the date of Buy-Backs Completion.

The HC Consideration Shares represents approximately 15.41% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to the announcement of the Company dated 26 August 2016, the Old Performance Target for the period from 1 July 2015 to 30 June 2016 has been met. It is expected that the Buy-Backs Completion would take place by the end of 2016. By then the 1st Batch HC Consideration Shares (for the performance undertaking year ended 30 June 2016) should have already been released to the Zhixing Ex-Shareholders or their wholly-owned company in accordance with the terms of the Sale and Purchase Agreement. As such, the Buy-Backs would only involve the 2nd Batch HC Consideration Shares and the 3rd Batch HC Consideration Shares, and i.e. 88,958,115 Shares, which represent approximately 8.81% of the issued share capital of the Company as at the Latest Practicable Date.

The total consideration for the Buy-Backs Shares is nil, which was determined following arm's length commercial negotiations between the Company and the Zhixing Ex-Shareholders, taking into account of the Reward Mechanism. The Buy-Backs are in effect for the purpose of implementing the Reward Mechanism through which the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders if the New Performance Targets for each of the New Performance Undertaking Year have been met. Pursuant to the Framework Agreement, the Total Consideration shall be not more than RMB2,080,000,000 and not less than RMB2,000,000,000. As such, although the consideration for the Buy-Backs set out in the Supplemental Deed is nil, the consideration for the Buy-Backs shall be the 40% of the Total Consideration which shall be not more than RMB832,000,000 and not less than RMB800,000,000, if the New Performance Targets for each of the New Performance Undertaking Years are met. Among the actual consideration for the Buy-backs of RMB832,000,000, RMB274,560,000 will be settled in cash by the Purchaser and the remaining RMB557,440,000 will be settled by the issue of 15,276,514 Consideration Shares.

Buy-Backs Completion shall take place on the date of fulfilment of the Buy-Backs Conditions or such other time as the Company may direct. Following Buy-Backs Completion, the Buy-Backs Shares will be cancelled in accordance with the Companies Law.

Pursuant to the Sale and Purchase Agreement, the Zhixing Ex-Shareholders have undertaken that Orange Triangle, Orange HK, Orange Beijing and Beijing Zhixing Ruijing shall achieve certain performance targets for three years from 1 July 2015 and, if:

(i) during the said period, the performance targets cannot be met, the Company shall repurchase an agreed portion of the HC Consideration Shares at a total consideration of RMB1; and

(ii) Orange Triangle, Orange HK, Orange Beijing and Beijing Zhixing Ruijing shall achieve less than RMB70,000,000 after-tax profit for the year ended 30 June 2016, the Company has absolute discretion to unwind the Sale and Purchase Agreement ((i) and (ii) together, the "**Original Mechanism**").

Further details of the Original Mechanism are set out in the paragraphs headed "The Sale and Purchase Agreement – Performance Targets and Adjustment mechanism" and "The Sale and Purchase Agreement – Buy back mechanism" in the announcement of the Company dated 8 May 2015. These provisions in the Sale and Purchase Agreement in relation to the Original Mechanism will cease to have any effect upon Buy-Backs Completion.

Reasons for the entering into of the Supplemental Deed and the Buy-Backs

According to the Letter from the Board, the Original Mechanism is not only a price adjustment mechanism of the Sale and Purchase Agreement and was structured as an incentive for the Zhixing Ex-Shareholders to achieve the Old Performance Targets. If the Old Performance Targets have been met, the Company would be required to release an aggregate of 155,684,485 Shares (including the Buy-Backs Shares) to the Zhixing Ex-Shareholders under the Sale and Purchase Agreement.

If the New Performance Targets for each of the New Performance Undertaking Years have been met, the Group will indirectly transfer up to 40% of the Total Consideration to the Zhixing Ex-Shareholders pursuant to the Reward Mechanism.

Although the consideration for the Buy-Backs set out in the Supplemental Deed is nil, the consideration for the Buy-Backs shall be the 40% of the Total Consideration which shall be not more than RMB832,000,000, and not less than RMB800,000,000, if the New Performance Targets for each of the New Performance Undertaking Years are met, the Company is of the view that Reward Mechanism and the Buy-Backs are justifiable based on the followings:

(1) since the New Performance Targets are 30% higher than the Old Performance Targets and the Zhixing Ex-Shareholders are at the risk of losing all Buy-Backs Shares as well as not being able to get any shares in the Purchaser nor cash pursuant to the Reward Mechanism if only the Old Performance Targets originally undertaken under the Sale and Purchase Agreement can be met but not the New Performance Targets, the Group believes that it is necessary to provide advantages to the Zhixing Ex-Shareholders (including the distribution of the Cash Consideration of RMB274,560,000 in accordance with the terms of the Third Supplemental Partnership Agreement) to attract them to agree to participate in the Transactions;

(2) if the Zhixing Ex-Shareholders are not willing to participate in the Transactions, the Group would not be able to close the deal with the Purchaser as the direct participation of key management of Beijing Zhixing Ruijing is a key request of the Purchaser;

(3) avoid the duplication of (i) releasing of the HC Consideration Shares to the Zhixing Ex-Shareholders pursuant to the Sale and Purchase Agreement if the Old Performance Targets could be met and (ii) the Reward Mechanism;

(4) the Buy-Backs are part and parcel of the Disposal, which is expected to bring a net gain in the amount of RMB149,684,000 to the Group (as mentioned in the paragraph headed "Gain on the Disposal, the Acquisition, the Buy-Backs and the Proposed Disposal of Xizang Ruijing" in the Letter from the Board; and

(5) the reasons and benefits as a result of the Disposal and the Acquisition, in particular, allowing the Purchaser and the Company to have increasing opportunities to cooperate with each other in the business of upstream and downstream B2B and commodities trading in the future and creating a synergy effect that would be beneficial to the Group and the Shareholders as a whole.

Meanwhile, given, (i) the Company is of the view that replacement of the Original Mechanism with the Reward Mechanism can effectively reduce the Group's administrative burden and costs when compared to having the Original Mechanism and the Reward Mechanism in operation simultaneously; and (ii) the close relationship between the Zhixing Ex-Shareholders (being long term business partners whom intend to act coordinately), it has not been possible to negotiate a new arrangement that would only include the two Zhixing Ex-Shareholders that are key management of Beijing Zhixing Ruijing (being Mr. Liu and Ms. Wang) but exclude the two others, all four Zhixing Ex-Shareholders are included in the Reward Mechanism despite the fact that only Mr. Liu and Ms. Wang are key management of Beijing Zhixing Ruijing.

For our due diligence purpose, we have obtained and reviewed the Sale and Purchase Agreement and discussed with the Directors regarding the terms thereon. Based on the discussion with the Directors and our review of the of Beijing Zhixing Ruijing as well as the announcement of the Company dated 26 August 2016, we were advised that the 1st Batch HC Consideration Shares will be released to the Zhixing Ex-Shareholders or their wholly-owned company based on the fulfillment of the Old Performance Target for the period from 1 July 2015 to 30 June 2016 in accordance with the terms of the Sale and Purchase Agreement. Hence, we understand that the Company would be required to repurchase the 2nd Batch HC Consideration Shares and the 3rd Batch HC Consideration Shares when there is a shortfall to the Old Performance Target during the performance undertaking period under the Sale and Purchase Agreement (i.e. two twelve-month periods ending 30 June 2018) and we noted the time and cost that are required to be incurred for complying with relevant rules and regulations. In view of the above and having considered that (i) the entering into of the Supplemental Partnership Agreements for the implementation of the Reward Mechanism are justifiable; (ii) the Buy-Backs are part and parcel of the Disposal; (iii) the Disposal is expected to bring a net gain in the amount of RMB149,684,000 to the Group based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to the Circular; and (iv) the reasons for the Disposal, we are of the view that the Buy-Backs are fair and reasonable so far as the Disinterested Shareholders are concerned.

5. Reasons for the Disposal and the Acquisition

According to the Letter from the Board and the announcement of the Company dated 26 August 2016, the Old Performance Target for the first performance undertaking year ended 30 June 2016 has been met. Therefore, pursuant to the Sale and Purchase Agreement, the 1st Batch HC Consideration Shares in aggregate of 66,726,370 HC Consideration Shares will be released to the Zhixing Ex-Shareholders. We have reviewed the unaudited financial information of Beijing Zhixing Ruijing for the year ended 31 December 2015 and the six months ended 30 June 2015 and 2016 as set out in Appendix II to the Circular. Based on our discussion with the management of the Company, we were advised that the profit of approximately RMB68.7 million generated by Beijing Zhixing Ruijing for the period from 1 July 2015 to 30 June 2016 (i.e. the first performance undertaking year for the Old Performance Target) was primarily derived from advertising income for posting of advertisement on ZOL and marketing solution fees, which are generated in the ordinary and usual of business of Beijing Zhixing Ruijing. In calculating the Old Performance Target, the operating profit of Orange Beijing shall also be taken into account. In this regard, we have also reviewed the unaudited consolidated finance information of Orange Triangle and noted that the profit after income tax for the period from 1 July 2015 to 30 June 2016 exceeds the Old Performance Target for the first performance undertaking year.

It is expected that the Zhixing Ex-Shareholders would be receiving a total consideration of approximately RMB818,511,000 (being the aggregate of RMB450,000,000 in cash and the 1st Batch HC Consideration Shares in fair value of approximately RMB368,511,000 (calculated based on the 66,726,370 HC Consideration Shares at the closing price of HK$7.00 (equivalent to approximately RMB5.52) per Share as quoted on the Stock Exchange on 3 July 2015, being the issue date of the HC Consideration Shares)), for disposal of the entire interest of Beijing Zhixing Ruijing, being the acquisition cost to the Company for Beijing Zhixing Ruijing. Please refer to the paragraph headed "Reasons and Benefits of the Disposal and Acquisition" in the Letter from the Board for the comparison of the consideration entitlements and payment obligations under the Sale and Purchase Agreement and under the Framework Agreement of the Company and the Zhixing Ex-Shareholders.

As stipulated under the scenario comparison table in the paragraph headed "Reasons and Benefits of the Disposal and Acquisition" in the Letter from the Board, (i) under the scenario where the New Performance Targets are met, the Company would be entitled to greater benefits compared to the scenario where the Old Performance Targets are met under the existing structure; (ii) under the scenario where the New Performance Targets are not met, the Company would be able to retain the cash of RMB390,000,000; and (iii) the consideration of RMB1,248,000,000 for the disposal of 60% interest of Beijing Zhixing Ruijing is substantially higher than the acquisition cost of RMB818,511,000 for the entire interest of Beijing Zhixing Ruijing.

Based on the above, although the Company shall receive an amount of RMB1,248,000,000 which is less than the Total Consideration of RMB2,080,000,000 irrespective of whether the New Performance Targets are met or not, the consideration of RMB1,248,000,000 for the disposal of 60% interest of Beijing Zhixing Ruijing is still higher than the original acquisition cost of RMB818,511,000. Furthermore, as disclosed in the 2015 Annual Report, the goodwill aroused from the acquisition of Beijing Zhixing Ruijing (the "**Goodwill**") amounted to approximately RMB980.2 million as at 31 December 2015. The amount of Goodwill is monitored by the management of the Company based on value-in use calculations using pre-tax cash flow projections covering a five-year period. In the event that the carrying value of the Goodwill is lower than its recoverable amount (i.e. the higher of value in use and the fair value less costs of disposal), impairment is recognized immediately as an expense. Therefore, as confirmed by the Company, if none of the New Performance Targets are met and the Disposal did not take place, the Company expect that impairment shall be made to the Goodwill and hence incur impairment loss to the financial performance of the Group. In such scenario, the Disposal would enable the Company dispose the non-performing investment in Beijing Zhixing Ruijing as well as retaining a cash of RMB390,000,000. In this regard, the Disposal would enable the Company to realise the investment in Beijing Zhixing Ruijing regardless of the future performance of Beijing Zhixing Ruijing.

In addition, given that (i) the Purchaser believes that the management team of Beijing Zhixing Ruijing (the Zhixing Ex-Shareholders) is the key attribute to achieve the New Performance Targets; (ii) the Group would not be able to close the deal with the Purchaser unless having the key management team of Beijing Zhixing Ruijing engaged fulfilling a key request of the Purchaser; and (iii) the structure under the Framework Agreement would better align the interest of the Zhixing Ex-Shareholder with that of the Purchaser thereby increasing the chance of achieving the New Performance Targets, the Company has agreed to the terms of the Framework Agreement. Although it seems the Zhixing Ex-Shareholders would receive RMB832,000,000 through the transfer of the equity interest of Xizang Ruijing at nil consideration in the event that the New Performance Targets for each of the relevant years are met, the Zhixing Ex-Shareholder shall:

(i) surrender the Buy-Backs Shares with a fair value of approximately RMB491,290,000 calculated based on the 88,958,115 Buy-Backs Shares at the closing price of HK$7.00 (equivalent to approximately RMB5.52) per Share as quoted on the Stock Exchange on 3 July 2015, being the issue date of the HC Consideration Share; and

(ii) compensate an amount equal to its full portion of consideration of RMB832,000,000 if the performance undertaking for all of the New Performance Targets (which are 30% higher which are more difficult to achieve than the Old Performance Targets) in an aggregate after-tax profit of RMB518,700,000 for the three performance undertaking years are not met,

in exchange for the consideration of RMB832,000,000 for 40% interest of Beijing Zhixing Ruijing. Given the Zhixing Ex-Shareholder shall surrender the Buy-Back

Shares to the Company and the obligations of the Zhixing Ex-Shareholders under the New Performance Targets are more onerous than the Company, the Board considered that the level of consideration of RMB832,000,000 for 40% interest of Beijing Zhixing Ruijing to the Zhixing Ex-Shareholders through the transfer of equity interest of Xizang Ruijing is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

According to the Letter from the Board, the Company expects that the Disposal and the Acquisition would enhance the value of the Group as a whole as a gain is expected to be recorded by the Group and the Consideration Shares are expected to be issued to the Group at a discount. Based on the maximum Total Consideration of RMB2,080 million, it is expected that the net proceeds from Cash Consideration in the amount of approximately RMB936.0 million will be used in the following manners:

(i) RMB274,560,000 will be retained in Xizang Ruijing and would be distributed to the limited partners, being Zhixing Ex-Shareholders, as Dividend upon the relevant New Performance Targets are met pursuant to the Third Supplemental Partnership Agreement; and

(ii) the rest will be used for potential acquisition of vertical website businesses and general working capital of the Group.

Given (i) the Cash Consideration would be distributed to the limited partners of Xizang Ruijing (i.e. the Zhixing Ex-Shareholders) only when the relevant New Performance Targets are met and the relevant portion of the Cash Consideration would be applied to compensate to the Purchaser if the New Performance Targets are not met, the Company shall not be responsible for bearing any Cash Compensation; and (ii) the distribution of the Cash Consideration forms part of the overall arrangement under the Framework Agreement, we concur with the Board that the subsequent payment of the Cash Consideration and the Dividend distribution to be justifiable.

Furthermore, the Purchaser is an E-Commerce operator of B2B information and transaction for steels and other commodities and the Company is a domestic B2B E-Commerce operator mainly for small and medium enterprises. It is expected that the parties would have opportunity to cooperate with each other in the business of upstream and downstream B2B and commodities trading in the future, creating a synergy effect that would be beneficial to the Group and the Shareholder as a whole.

As discussed in the paragraph headed "Information on the Group" above, the Group was in the progress of B2B e-commerce reformation through the upgrading of the Group's B2B platform to a more vertical in-depth platform via merchandise-orientation and the Group has also been actively expanding into the market segment of fast-moving consumer goods in the field of high added-value service. Although the equity interests of the Purchaser will only be accounted as available for sale financial asset in the Company's accounts, each of Beijing Huicong Construction and Xizang Ruijing shall be entitled to nominate one director to the board of directors of the Purchaser. We understand from the Directors that they expect that the holding relationship and the board representative shall facilitate future cooperation and sharing of market expertise between the Company and the Purchaser, and hence expand the e-commerce market segment of the Group.

The fulfilment of the New Performance Targets would be beneficial to both the Purchaser and the Group, as such it is the intention of both the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the Disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing. The Purchaser and the Group are both of the view that (i) shareholdings entitlement in the Purchaser would be an appropriate incentive as it would align the interests of the Purchaser, the Group and the Zhixing Ex-Shareholders where the Zhixing Ex-Shareholders would be able to enjoy appreciation in value of the shares in the Purchaser and possible declaration of dividend as a result of good financial performance of Beijing Zhixing Ruijing, which would be consolidated in the Purchaser's accounts upon Completion; and (ii) Cash Compensation in the event of failure to fulfil the New Performance Targets would be an effective penalty on the Zhixing Ex-Shareholders. The Reward Mechanism has therefore been designed to link the fulfilment of the New Performance Targets with the shareholdings in the Purchaser that the Zhixing Ex-Shareholders can obtain and the Cash Consideration that the Zhixing Ex-Shareholders can keep.

In addition to the reasons mentioned in the paragraph headed "Reasons for entering into of the Supplemental Deed and the Buy-Backs" above, the Company is expected to record a net gain of approximately RMB149,684,000. As the completion of the Supplemental Deed and the Buy-Backs would occur only on or after completion of the transactions contemplated under the Framework Agreement and the Reward Mechanism will only be triggered over a span of three years when the New Performance Targets are met for the three years ending 31 December 2018, the Company consider that the merits and rationale of the Supplemental Deed and the Buy-Backs should be evaluated alongside with the transactions contemplated under the Framework Agreement.

Although (1) the Company shall (i) be entitled to only 60% of the Total Consideration per the Framework Agreement and (ii) compensate, in any event, not more than the Total Consideration received by them in aggregate from the Disposal and the Acquisition if the New Performance Targets are not met; (2) the Zhixing Ex-Shareholders will, through its 100% interest in Xizang Ruijing, obtain 40% of the Total Consideration if the New Performance Targets are met; and (3) the maximum consideration of the Buy-Backs Shares shall be RMB832,000,000, being 40% of the maximum Total Consideration; after taking into account that (i) upon completion of the transactions contemplated under the Framework Agreement, the Company will become a shareholder of the Purchaser and will be able to consolidate the resources and network of the existing B2B information and transaction for steels and other commodities of the Purchaser and the Beijing Zhixing Ruijing business with a view to create synergy effect as the Purchaser and the Company shall have increasing opportunities to cooperate with each other in the business of upstream and downstream B2B and commodities trading in the future; and (ii) the Disposal is expected to bring a net gain of approximately RMB149,684,000 to the Group as a result of the financial impact as stated above, the Directors are of the view that the Transactions are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

In view of (i) the reasons for the Disposal and the Acquisition as stipulated above; (ii) the terms of the Framework Agreement are justifiable; (iii) the qualification and importance of Mr. Liu and Ms. Wang to the performance and operation of Beijing Zhixing Ruijing; (iv) the Acquisition is in line with the business strategy of the Group; and (v) the reduction in the Group's administrative burden and cost, we consider that the Disposal and the Acquisition is fair and reasonable so far as the Disinterested Shareholders are concerned.

6. Financial effects of the Disposal and the Acquisition

Upon Completion, Beijing Zhixing Ruijing will cease to be a subsidiary of the Company and the equity interests of the Purchaser will be accounted as available for sale financial asset in the Company's accounts. The unaudited pro-forma financial information of the Remaining Group (the "**Pro-forma Information**") as if the Disposal and the Acquisition had taken place on (i) 30 June 2016 for the financial position of the Remaining Group; and (ii) 3 July 2015 for the results and cash flows of the Remaining Group for the year ended 31 December 2015 is included in Appendix IV to the Circular.

6.1 Earnings

According to the Pro-forma Information, assuming the Disposal had been completed on 3 July 2015, the Remaining Group would have generated profit of approximately RMB103.4 million for the year ended 31 December 2015 due to the unaudited net gain from Disposal of approximately RMB149.7 million.

6.2 Working capital

As extracted from Appendix IV to the Circular, the Group had cash and cash equivalents of approximately RMB676.0 million as at 30 June 2016. From the Pro-forma Information, the cash and cash equivalents of the Remaining Group as at 30 June 2016 would become approximately RMB1,306.0 million after taken into account the cash portion of the estimated Total Consideration, estimated direct expenses in relation to the Disposal and the exclusion of the assets and liabilities of Beijing Zhixang Ruijing.

6.3 Net asset value

As extracted from Appendix IV to the Circular, the audited consolidated net asset value of the Group was approximately RMB3,052.7 million as at 30 June 2016. According to the Pro-forma Information, the unaudited consolidated net asset value of the Remaining Group would be decreased to approximately RMB2,597.0 million.

RECOMMENDATIONS

Having considered the principal factors and reasons for the Transactions (including the Buy-Backs) as described above, we are of the opinion that the Transactions (including the Buy-Backs) are on normal commercial terms, fair and reasonable so far as the Disinterested Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Disinterested Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Transactions (including the Buy-Backs).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over 18 years of experience in the finance and investment banking industry.

1. FINANCIAL SUMMARY

The following summary financial information for each of the years ended 31 December 2013, 2014 and 2015 is extracted from the audited consolidated financial statements of the Company for the relevant year as set forth in the annual report for each of the years ended 31 December 2013, 2014 and 2015. No qualified opinion had been issued by the auditor of the Group, PricewaterhouseCoopers, in respect of the Group's audited consolidated financial statements for each of the years ended 31 December 2013, 2014 and 2015. The following summary financial information for the six months ended 30 June 2016 is extracted from the unaudited consolidated financial statements of the Company for the relevant period as set forth in the interim results announcement for six months ended 30 June 2016.

(i) Consolidated results

	Year ended 31 December			For the six months ended 30 June 2016
	2013	**2014**	**2015**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	837,721	966,637	916,138	465,769
Profit before income tax	186,126	221,088	33,326	5,401
Income tax credit/(expense)	(34,592)	(37,827)	(10,268)	3,338
Profit for the year/the period	151,534	183,261	23,058	8,739
Total comprehensive income for the year/the period	148,842	201,683	163,533	30,791
Profit/(loss) attributable to equity holders of the Company	153,326	187,633	52,552	29,048
Non-controlling interests	(1,792)	(4,372)	(29,494)	(20,309)
	151,534	183,261	23,058	8,739
Earnings per Share attributable to equity holders of the Company for the year/the period				
– Basic	0.2634	0.2833	0.0696	0.0315
– Diluted	0.2489	0.2729	0.0679	0.0312
Dividend for the year/the period	Nil	Nil	Nil	Nil

No item which was exceptional because of its size, nature or incidence was recorded in the consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016.

(ii) Consolidated assets and liabilities

	As at 31 December			As at 30
	2013	**2014**	**2015**	**June 2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,956,782	3,250,155	5,687,042	6,481,458
Total liabilities	(946,308)	(1,934,988)	(3,088,096)	(3,428,716)
Net assets	1,010,474	1,315,167	2,598,946	3,052,742
Equity attributable to owners of the Company	897,278	1,160,280	2,466,933	2,906,970
Non-controlling interests	113,196	154,887	132,013	145,772
Total equity	1,010,474	1,315,167	2,598,946	3,052,742

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements of the Group as extracted from pages 95 to 228 of the annual report of the Company for the year ended 31 December 2015. References to page number in this section are to the page numbers of such annual report of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	5	916,138	966,637
Cost of revenue	32	(95,513)	(72,433)
Gross profit		820,625	894,204
Other income	31	4,374	9,706
Selling and marketing expenses	32	(598,874)	(530,578)
Administrative expenses	32	(198,226)	(179,396)
Operating profit		27,899	193,936
Finance income	35	43,376	31,779
Finance cost	35	(47,802)	(4,951)
Share of post-tax losses of associates	13	(2,102)	(477)
Share of post-tax profits of joint ventures	13	11,955	801
Profit before income tax		33,326	221,088
Income tax expense	36	(10,268)	(37,827)
Profit for the year		23,058	183,261
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Fair value gain on available-for-sale financial assets	21	158,283	16,067
Currency translation differences	21	(17,808)	2,355
Total comprehensive income for the year, net of tax		163,533	201,683
Profit attributable to:			
Equity holders of the Company		52,552	187,633
Non-controlling interests		(29,494)	(4,372)
		23,058	183,261

	Note	2015 RMB'000	2014 RMB'000
Total comprehensive income attributable to:			
Equity holders of the Company		193,027	206,055
Non-controlling interests		(29,494)	(4,372)
		163,533	201,683
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	*37*	0.0696	0.2833
Diluted earnings per share	*37*	0.0679	0.2729

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2015

	Note	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Land use rights	6	176,145	180,882
Investment properties	7	510,551	194,974
Properties under development	8	–	359,415
Property, plant and equipment	9	291,073	296,052
Intangible assets	10	1,461,722	105,687
Long term deposits, prepayments and other receivables	11	74,989	92,649
Non-current portion of finance leases receivables	17	24,000	–
Deferred income tax assets	29	17,271	4,452
Investments accounted for using equity method	13	518,716	316,363
Available-for-sale financial assets	15	421,690	174,267
Financial asset at fair value through profit and loss	14	5,100	–
		3,501,257	1,724,741
Current assets			
Properties under development	8	670,683	–
Direct selling costs	16	105,316	113,746
Current portion of finance leases receivables	17	68,846	–
Deposits, prepayments and other receivables	11	435,372	57,467
Trade receivables	11	111,794	31,692
Inventories	18	3,073	520
Cash and cash equivalents	19	790,701	1,321,989
		2,185,785	1,525,414
Total assets		5,687,042	3,250,155
Equity			
Equity attributable to the Company's equity holders			
Share capital	20	85,090	66,465
Other reserves	21	1,976,484	741,008
Retained earnings		405,359	352,807
		2,466,933	1,160,280
Non-controlling interests		132,013	154,887
Total equity		2,598,946	1,315,167

	Note	2015 RMB'000	2014 RMB'000
Liabilities			
Non-current liabilities			
Non-current portion of finance lease obligations	23	249	979
Non-current portion of bank borrowings	27	20,000	32,766
Non-current portion of other borrowings	27	26,597	8,373
Deferred government grants	25	195,048	206,300
Deferred income tax liabilities	29	148,131	23,987
Receipt in advance	24	53,237	519,532
Issued convertible bonds – liability portion	28	600,225	553,956
		1,043,487	1,345,893
Current liabilities			
Current portion of finance lease obligations	23	734	1,175
Trade payables	26	3,618	2,988
Accrued expenses and other payables	26	148,935	72,782
Deferred revenue	26	267,154	371,747
Current portion of bank borrowings	27	479,760	90,000
Current portion of other borrowings	27	952	8,525
Deferred government grants	25	7,898	–
Receipt in advance	24	1,088,866	–
Other taxes payables	30	23,271	15,357
Income tax payables	30	23,421	26,521
		2,044,609	589,095
Total liabilities		3,088,096	1,934,988
Total equity and liabilities		5,687,042	3,250,155

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2015

	Note	Share capital	Other reserves (Note 21)	Retained Earnings	Sub-total	Non-controlling interests	Total
		Attributable to the Company's equity holders					
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1st January 2014		65,865	666,239	165,174	897,278	113,196	1,010,474
Comprehensive income							
Profit for the year		–	–	187,633	187,633	(4,372)	183,261
Other comprehensive income							
Fair value gain on available-for-sale financial assets, net of deferred tax	21	–	16,067	–	16,067	–	16,067
Currency translation differences	21	–	2,355	–	2,355	–	2,355
Total comprehensive income		–	18,422	187,633	206,055	(4,372)	201,683
Transactions with owners							
Shares purchased under share award scheme	21	–	(30,848)	–	(30,848)	–	(30,848)
Convertible bond – equity component		–	50,858	–	50,858	–	50,858
Share based compensation – value of employee services	21	–	29,912	–	29,912	–	29,912
Exercise of share options	20, 21	600	6,353	–	6,953	–	6,953
Non-controlling interests arising on business combination		–	–	–	–	45,965	45,965
Change in ownership interests in subsidiaries without change of control	22	–	72	–	72	98	170
Total transactions with owners		600	56,347	–	56,947	46,063	103,010
Balance at 31st December 2014		66,465	741,008	352,807	1,160,280	154,887	1,315,167

		Attributable to the Company's equity holders					
		Share capital	Other reserves (Note 21)	Retained Earnings	Sub-total	Non-controlling interests	Total
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1st January 2015		66,465	741,008	352,807	1,160,280	154,887	1,315,167
Comprehensive income							
Profit for the year		–	–	52,552	52,552	(29,494)	23,058
Other comprehensive income							
Fair value gain on available-for-sale financial assets, net of deferred tax	*21*	–	158,283	–	158,283	–	158,283
Currency translation differences	*21*	–	(17,808)	–	(17,808)	–	(17,808)
Total comprehensive income		–	140,475	52,552	193,027	(29,494)	163,533
Transactions with owners							
Issuance of new shares		18,417	1,063,819	–	1,082,236	–	1,082,236
Share based compensation – value of employee services	*21*	–	29,231	–	29,231	–	29,231
Exercise of share options	*20, 21*	208	1,951	–	2,159	–	2,159
Contribution from non-controlling interests		–	–	–	–	6,620	6,620
Total transactions with owners		18,625	1,095,001	–	1,113,626	6,620	1,120,246
Balance at 31st December 2015		85,090	1,976,484	405,359	2,466,933	132,013	2,598,946

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2015

	Note	2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	235,607	503,531
Interest received		43,515	31,779
Interest paid		(34,064)	(991)
The People's Republic of China ("PRC") income tax paid		(35,928)	(36,689)
Net cash generated from operating activities		209,130	497,630
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(439,752)	(85,379)
Additions of property, plant and equipment		(25,172)	(87,914)
Additions of intangible assets		(1)	(408)
Additions of investment properties		(311,268)	(151,147)
Proceeds from disposal of property, plant and equipment	39(b)	2,195	820
Loans to an associate		(20,800)	(20,800)
Loans to employees		–	(27,580)
Loans to a joint venture		(200,000)	–
Loans to third parties		(105,000)	–
Loan repayment received from third parties and employees		21,187	28,868
Investment in available-for-sale financial assets	15	(57,900)	(155,025)
Investment in associates	13	(62,500)	(26,000)
Investment in a joint venture	13	(130,000)	(270,039)
Net cash used in investing activities		(1,329,011)	(794,604)

	Note	2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Proceeds from issuance of new shares		222,434	–
Proceeds from bank borrowings		501,235	123,553
Proceeds from other borrowings		9,120	2,334
Proceeds from issuance of convertible bonds		–	600,748
Purchase of shares under share award scheme		–	(30,848)
Repayment of bank borrowings		(125,000)	(25,626)
Repayment of other borrowings		(40,000)	(85,943)
Capital contribution from non-controlling interests		6,620	170
Exercise of share options		2,159	6,953
Repayments for finance lease obligations		(1,171)	(2,064)
Additions of finance lease obligations		–	2,136
Net cash generated from financing activities		575,397	591,413
Net (decrease)/increase in cash and cash equivalents		(544,484)	294,439
Cash and cash equivalents at beginning of the year		1,321,989	1,025,089
Exchange (loss)/gain on cash and cash equivalents		13,196	2,461
Cash and cash equivalents at end of the year		790,701	1,321,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The core business of the Group is to organise a business-to-business ("B2B") community across China by providing business information through both online and offline channels.

The Group is principally engaged in the following activities in China:

– Providing industrial search result prioritising services through its B2B website "hc360.com" and offering comprehensive IT-related product information by "zol.com.cn";

– Publishing its own trade catalogues and yellow page directories;

– Hosting exhibitions and seminar;

– Providing anti-counterfeiting products and services to enterprises;

– Providing lease financing services;

– Engaging in micro-credit internet financing business through its joint venture;

– In the process of constructing O2O business exhibition centres

During the year ended 31st December 2015, the Group completed the acquisition of Orange Triangle Inc.. The acquiree operates a domestically leading IT vertical portals ("www.zol.com.cn") which offers information on product reviews and specifications regarding consumer electronics to the internet consumer users and integrated marketing solutions to the business users in the PRC.

On 25th September 2015, the Group established Huicong Finance Leasing Company Limited ("Huicong Finance Leasing") in Tianjin, the PRC. The Board considers the establishment of Huicong Finance Leasing shall be of a great assistance to the development of the internet finance sector of the Company, together with the Company's current business operations, Huicong Finance Leasing shall provide its customers with multiple solution services.

As at 31st December 2015, the O2O business exhibition centre ("the business exhibition centre") was under development and a substantial amount of construction cost had been incurred.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10th October 2014.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

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 all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

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 judgement 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 2015

HKAS19 (Amendment)	Defined benefit plans: employee contributions
Annual improvements project	Annual improvements 2010–2012 cycle
Annual improvements project	Annual improvements 2011–2013 cycle

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial period beginning on 1st January 2015 that would have a material impact on the Group.

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2015 and have not been early adopted

		Effective for accounting period beginning on or after
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1st January 2016
HKAS 1	Disclosure initiative	1st January 2016
HKAS 16, 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization	1st January 2016
HKAS 16, 41 (Amendment)	Agriculture: bearer Plants	1st January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1st January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1st January 2016
HKFRS 10, HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1st January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1st January 2016
Annual improvements projects	Annual improvement 2012–2014 cycle	
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018

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 structured entities) over which the Group has control. The Group has control over entities when the Group is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entity.

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

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. Non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. (Note 2(i))

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary 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 includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received 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.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

(iv) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangement are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounting for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint venture include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounting for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

(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 review the Group internal report in order to assess performance and allocate resources, 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"). 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 or valuation where items are re-measured. 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.

Foreign exchange gains or losses that related to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains or losses are presented in the consolidated statement of comprehensive income.

Change in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from the changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated statement of comprehensive income, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising 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 from 40 to 50 years.

(f) Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at carrying values, representing cost less depreciation and impairment provision. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 40 years.

(g) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, cost of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale. Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

(h) 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.

Motor vehicles classified as finance lease commences depreciation from the time when the assets become available for its 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%–33%
Fixtures, fittings and office equipment	20%–33%
Motor vehicles	10%–20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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.

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.

(i) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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 represented 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 the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer/distributor relationship

Contractual customer/distributor relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer/distributor relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from eight to seventeen years over the expected life of the customer/distributor relationship.

(iii) Patents

Separately acquired patents are shown at historical cost. Patents acquired in a business combination are recognised at fair value at the acquisition date. The patents have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method of eight years over the expected life of the patents.

(iv) Trade name/domain name

Trade name/domain name acquired in a business combination are recognised at fair value at the acquisition date. Trade name/domain name have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method of fifteen years over the expected life of the Trade name/domain name.

(v) 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 five years.

(vi) 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 ten years to reflect the pattern in which the related economic benefits are recognised.

(j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

(k) Financial assets

Classification

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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", "amount due from related company" and "cash and cash equivalents" in the consolidated statement of financial position.

Available-for-sale financial assets

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

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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as "gains and losses from available for sale assets".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(l) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. The legally enforce right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(m) 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.

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to assets carried at amortised cost.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Trade and other payables

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

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

(t) 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.

(u) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(v) Compound financial instruments

Compound financial instruments issued by the Group companies convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current 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.

(w) 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.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively enacted by the statement of financial position 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 only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

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 tax 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.

(x) 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 statement of financial position 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 statement of financial position date are discounted to present value.

(y) 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.

(z) Revenue recognition

Revenue is measured at 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 internet portals, trade catalogues, yellow page directories and printed periodicals is recognised on the date of publication.

Subscription fee income from online 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.

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

Revenue from anti-counterfeiting products are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

Revenue from anti-counterfeiting services is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

Finance lease income attributable to finance leases is recognised over the lease term on a systematic and rational basis so as to produce a constant rate of return on the net investment in the finance lease.

(aa) 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.

(I) Finance lease – as a lessee

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.

(II) Finance lease – as a lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

(ab) 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.

(ac) 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.

(ad) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation of fees recognised.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

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 Hong Kong and the PRC and majority of its transactions are denominated in the functional currencies of the respective entities. 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 income and operating cash flows are substantially independent from changes in market interest rates and the Group has no significant interest-bearing assets except for fixed deposit categorised in "cash and cash equivalents", loan to third parties, an associate, an joint venture and the employees categorised in "other receivables", details of which have been disclosed in Notes 11 and 19.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 27. Borrowings carry at fixed rates expose the Group to low fair value interest-rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements and regular reporting is provided to the management for the Group's debt and interest rates exposure.

(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 and other receivables and amount due from a related company. 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 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, and their financial performance.

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

	2015	**2014**
	RMB'000	*RMB'000*
Cash at banks and bank deposits		
Listed financial institutions	697,073	1,084,686
Unlisted financial institutions	93,527	235,941
Cash on hand	101	1,362
Total	790,701	1,321,989

(c) Liquidity risk

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

As at 31st December 2015, the cash and cash equivalents of the Group approximated RMB790,701,000 (2014: RMB1,321,989,000).

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31st December 2015					
Trade payables	3,618	–	–	–	3,618
Accrued expenses and other payables	116,098	–	–	–	116,098
Finance lease obligations	833	263	–	–	1,096
Borrowings	501,503	29,676	18,639	–	549,818
Convertible bonds	32,673	32,673	571,785	–	637,131
At 31st December 2014					
Trade payables	2,988	–	–	–	2,988
Accrued expenses and other payables	61,844	–	–	–	61,844
Finance lease obligations	1,432	833	263	–	2,528
Borrowings	106,393	33,422	9,830	–	149,645
Convertible bonds	30,767	30,767	569,191	–	630,725

The table above excludes the amount of guarantees given to banks for mortgage facilities granted to certain purchasers of the Group's properties as the directors consider the likelihood of default in payments by the purchasers is minimal. As at 31 December 2015, the amount of outstanding guarantees for mortgages were approximately RMB461,066,000 (2014: RMB323,209,000).

Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the full repayment of mortgaged loan by the purchasers of properties.

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 of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including issued convertible bonds) and finance lease obligations less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. Accordingly, the gearing ratios at 31st December 2015 and 2014 were as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Bank borrowings *(Note 27)*	499,760	122,766
Other borrowings *(Note 27)*	27,549	16,898
Finance lease obligation *(Note 23)*	983	2,154
Issued convertible bonds – liability portion *(Note 28)*	600,225	553,956
Less: cash and cash equivalents *(Note 19)*	(790,701)	(1,321,989)
Net debt/(cash)	337,816	(626,215)
Total equity	2,598,946	1,315,167
Total capital	2,936,762	688,952
Gearing ratio	12%	N/A

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 2015, the Group maintains cash and cash equivalents of approximately RMB790,701,000 (2014: RMB1,321,989,000), 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, finance lease receivables, trade payables, accruals and other payables, borrowings and finance lease obligations and amount due from a related company, approximate their fair values due to their short maturities.

The table below analyses the Group's financial instruments carried at fair value as at 31st December 2015 and 2014 by level of inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are at fair value at 31st December 2015 and 2014.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Available-for-sale financial assets	130,412	–	43,855	174,267
At 31 December 2015				
Available-for-sale financial assets	329,137	–	92,553	421,690
Financial assets at fair value through profit and loss	–	–	5,100	5,100
	329,137	–	97,653	426,790

There were no transfers between Level 1 and 3 and no other changes in valuation techniques during the year.

(a) ***Financial instruments in level 1***

The fair value of financial instruments traded in active markets is based on quote market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) ***Financial instruments in level 3***

The following table represents the changes in level 3 instruments for the year ended 31st December 2015.

	Financial assets at fair value through profit and loss	Available-for-sale financial assets
	RMB'000	*RMB'000*
Opening balance at 1st January	–	43,855
Addition	–	57,900
Acquisition of a subsidiary *(Note 14)*	6,600	–
Changes of fair value charged to consolidated statement of comprehensive income	(1,500)	–
Changes of fair value charged to other comprehensive income	–	(9,202)
Closing balance at 31st December	5,100	92,553

The Group's finance department includes a team that performs the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. This team report directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussion of valuation processes and results are held between the CFO, AC and the valuation team at least once before the reporting date of every quarter, in line with the Group's quarterly reporting dates.

The main Level 3 input used by the Group in estimating the fair value of available-for-sale financial assets are the latest unit selling price of the financial assets on an arm's length basis and the market data of comparable companies.

For the estimation of the fair value of financial assets at fair value through profit and loss, please see Note 14 for details.

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) Estimated impairment of goodwill

The Group tests annually whether goodwill is subjected to any impairment, in accordance with the accounting policy stated in Note 2(i). The recoverable amounts of cash generating unit has been determined based on the value-in-use calculations. These calculations require the use of estimates.

(b) Useful lives of intangible assets

Significant judgement is exercised in the assessment of the useful lives of the intangible assets. In making its judgement, management considers a wide range of factors such as the attrition rates and obsolescence rates.

(c) Provision for impairment of receivables

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

(d) Share-based payment

Significant judgement is exercised in the assessment of the fair value of the share-based payments. In making its judgment, management considers a wide range of factors such as the share price of the Group and the expected vesting number of share options.

(e) 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. 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.

(f) Fair value of financial assets at fair value through profit or loss

The fair value of financial assets at fair value through profit or loss was determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates and fair value of the Company's shares, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

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 Executive Directors assess the performance of the operating segments based on a measure of profit/(loss) before income tax. This measurement basis excludes the effect of finance income and cost, other income, share of profit/(loss) from associates and joint ventures.

As at 31st December 2015, the Group is organised into the following business segments:

(i) Online services – provision of a reliable platform to customers to do business and meet business partners online.

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

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

(iv) O2O business exhibition centre – sales of properties and provision of property rental and management services.

(v) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprise.

(iv) Financing services – engaged in micro-credit internet financing business and lease financing services in the PRC.

There were no sales or other transactions between the business segments for the year ended 31st December 2015.

	Online services	Trade catalogues and yellow page directories	Seminars and others services	O2O business exhibition centre	Anti-counter-feiting products and services	Financing services	Total
	Year ended 31st December 2015						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	733,309	18,251	109,364	–	55,168	46	916,138
Segment results	86,222	(8,784)	4,666	(49,974)	(8,651)	46	23,525
Other income	–	–	–	–	–	–	4,374
Share of post-tax losses of associates	(684)	–	–	(1,389)	(29)	–	(2,102)
Share of post-tax profits of joint ventures	–	–	–	–	–	11,955	11,955
Finance income	–	–	–	–	–	–	43,376
Finance cost	–	–	–	–	–	–	(47,802)
Profit before income tax							33,326
Other information:							
Depreciation and amortisation	41,007	694	5,800	407	6,324	–	54,232
Share based compensation expense	23,042	774	4,639	284	492	–	29,231

	Online Services	Trade catalogues and yellow page directories	Seminars and others services	O2O business exhibition centre	Anti-counter-feiting products and services	Financing services	Total
	Year ended 31st December 2014						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	812,935	35,630	101,879	–	16,193	–	966,637
Segment results	215,072	(33,466)	13,141	(11,442)	925	–	184,230
Other income	–	–	–	–	–	–	9,706
Share of post-tax losses of associates	–	–	–	(477)	–	–	(477)
Share of post-tax profits of joint ventures	–	–	–	–	–	801	801
Finance income	–	–	–	–	–	–	31,779
Finance cost	–	–	–	–	–	–	(4,951)
Profit before income tax							221,088
Other information:							
Depreciation and amortisation	25,188	1,657	2,989	388	1,590	–	31,812
Share based compensation expense	25,115	1,103	3,654	14	26	–	29,912
Provision for impairment of prepayments	21,600	–	–	–	–	–	21,600

The Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC for the year ended 31st December 2015 (2014: same).

As at 31st December 2015, the total non-current assets other than long term deposits, prepayments and other receivables, investments accounted for using equity method, available-for-sale financial assets, financial assets at fair value through profit and losses and deferred tax assets located in the PRC is approximately RMB2,463,491,000 (2014: RMB1,137,010,000), and the total of these non-current assets located in other countries is Nil (2014: Nil).

6 LAND USE RIGHTS

The Group's interests in land use rights in the PRC represent prepaid operating lease payments with a lease period of 40 to 50 years and their net book value is analysed as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Opening net book amount	180,882	185,619
Amortisation	(4,737)	(4,737)
Closing net book amount	176,145	180,882
Cost	193,665	193,665
Accumulated amortisation	(5,312)	(4,884)
Accumulated amortisation charge capitalised in investment properties	(12,208)	(7,899)
Closing net book amount	176,145	180,882

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

	2015	**2014**
	RMB'000	*RMB'000*
Outside Hong Kong, held on:		
Leases of between 40 to 50 years	176,145	180,882

7 INVESTMENT PROPERTIES

	2015	**2014**
	RMB'000	*RMB'000*
At 1st January	194,974	39,518
Additions	304,675	145,814
Interest capitalised	6,593	5,333
Amortisation charge capitalised in investment properties	4,309	4,309
At 31st December	510,551	194,974

The investment properties are carried at cost. They are under construction in progress as at 31st December 2015.

An independent valuation of the Group's Investment properties was performed by the valuer, Vigers Appraisal and Consulting Limited, to determine the fair value of the investment properties (including their related land use rights) amounted RMB1,025,000,000 as at 31st December 2015 (2014: RMB792,000,000). Fair value of the investment properties under development is derived using the residual method. This valuation method is essentially a means of valuing the completed properties by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

Estimated costs to completion, developer's profit and risk margins required are estimated by valuer based on market conditions at 31st December 2015 for the investment properties under development. The estimates are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

The fair value is valued by independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the location of the investment property valued.

The Group's finance department includes a team that review the valuation performed by the independent valuer for financial reporting purpose. This team reports directly to the chief financial officer (CFO) and the audit committee (AC).

At each financial year-end, finance department

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussion with the independent valuer.

8 PROPERTIES UNDER DEVELOPMENT

	2015	**2014**
	RMB'000	*RMB'000*
At 1st January	359,415	208,268
Additions	304,675	145,814
Interest capitalised	6,593	5,333
At 31st December	670,683	359,415
Properties under development comprise:		
Construction cost and other capitalised expenditures	482,643	177,968
Interest capitalised	15,699	9,106
Land use rights	172,341	172,341
Closing net book amount	670,683	359,415
Non-current	–	359,415
Current	670,683	–
	670,683	359,415

The properties under development include cost of acquiring rights to use certain lands, which are located in the People's Republic of China ("the PRC"), for property development over a fixed period. Land use rights are held on leases of 40 years.

The properties under development were completed as at 31 December 2015 and the expected final acceptance date will be within 2016.

Name of property	Location	Type	Approximate site area (sq.m.)	Approximately number of carpark	Approximate GFA (sq.m.)	Interest attributable to the Group	Stage of completion	Anticipated completion date
O2O Business Exhibition Centre	The east of state road 105, Beijiao Town, Shunde, Foshan, Guangdong Province	Commercial/ office	43,965[a)]	19	190,380	35.71%	Under construction	2016

Note

a) This site area includes all the site areas of O2O business exhibition centre.

9 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress *RMB'000*	Buildings *RMB'000*	Computer and telecom-munications equipment *RMB'000*	Fixtures, fittings and office equipment *RMB'000*	Leasehold improvements *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
At 1st January 2014							
Cost	1,256	197,724	81,414	22,631	7,480	31,920	342,425
Accumulated depreciation	–	(39,354)	(61,255)	(13,117)	(6,832)	(7,281)	(127,839)
Net book amount	1,256	158,370	20,159	9,514	648	24,639	214,586
Year ended 31st December 2014							
Opening net book amount	1,256	158,370	20,159	9,514	648	24,639	214,586
Acquisition *(Note 14)*	–	–	650	81	–	641	1,372
Additions	1,384	89,160	12,869	1,706	289	5,306	110,714
Disposals	–	–	(4)	(41)	(14)	(675)	(734)
Transfers	(2,640)	2,640	–	–	–	–	–
Depreciation *(a)*	–	(12,166)	(7,090)	(3,272)	(688)	(6,670)	(29,886)
Closing net book amount	–	238,004	26,584	7,988	235	23,241	296,052
At 31st December 2014							
Cost	–	289,525	94,846	24,328	7,650	36,900	453,249
Accumulated depreciation	–	(51,521)	(68,262)	(16,340)	(7,415)	(13,659)	(157,197)
Net book amount	–	238,004	26,584	7,988	235	23,241	296,052

	Construction in progress	Buildings	Computer and telecom-munications equipment	Fixtures, fittings and office equipment	Leasehold improvement	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31st December 2015							
Opening net book amount	–	238,004	26,584	7,988	235	23,241	296,052
Acquisition *(Note 14)*	–	–	2,657	107	2,434	–	5,198
Additions	11,328	–	10,056	1,040	19	2,729	25,172
Disposals	–	–	(55)	(258)	(13)	(2,054)	(2,380)
Transfers	(11,328)	11,328	–	–	–	–	–
Depreciation *(a)*	–	(12,418)	(6,341)	(3,176)	(635)	(7,045)	(29,615)
Government grant received	–	–	(3,354)	–	–	–	(3,354)
Closing net book amount	–	236,914	29,547	5,701	2,040	16,871	291,073
At 31st December 2015							
Cost	–	300,853	87,275	23,534	8,328	32,986	452,976
Accumulated depreciation	–	(63,939)	(57,728)	(17,833)	(6,288)	(16,115)	(161,903)
Net book amount	–	236,914	29,547	5,701	2,040	16,871	291,073

(a) Depreciation of RMB6,291,000 (2014: RMB6,253,000) is included in selling and marketing expenses; and RMB23,324,000 (2014: RMB23,633,000) in administrative expenses in the consolidated statement of comprehensive income.

The motor vehicles include the following amounts where the Group is a lessee under a finance lease.

	2015	2014
	RMB'000	*RMB'000*
Cost	2,924	3,785
Accumulated depreciation	(933)	(755)
Net book amount	1,991	3,030

10 INTANGIBLE ASSETS

	Goodwill	Customer relationship (Direct sale customer)	Customer relationship (Distribution)	Patent	Non-compete agreement	Software development	Data library	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2014								
Cost	–	–	–	–	–	25,409	21,986	47,395
Accumulated amortisation and impairment	–	–	–	–	–	(25,404)	(21,986)	(47,390)
Net book amount	–	–	–	–	–	5	–	5
Year ended 31st December 2014								
Opening net book amount	–	–	–	–	–	5	–	5
Acquisitions *(Note 14)*	50,314	24,300	20,600	11,100	270	188	–	106,772
Additions	–	–	–	–	–	408		408
Amortisation *(a)*	–	(759)	(303)	(347)	(22)	(67)	–	(1,498)
Closing net book amount	50,314	23,541	20,297	10,753	248	534	–	105,687
At 31st December 2014								
Cost	50,314	24,300	20,600	11,100	270	26,798	–	133,382
Accumulated amortisation and impairment	–	(759)	(303)	(347)	(22)	(26,264)	–	(27,695)
Net book value	50,314	23,541	20,297	10,753	248	534	–	105,687

	Goodwill	Customer relationship (Direct sale customer)	Customer relationship (Distribution)	Patent	Non-compete agreement	Trade name and dominant name	Software development	Data library	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2015									
Cost	50,314	24,300	20,600	11,100	270	–	26,798	–	133,382
Accumulated amortisation and impairment	–	(759)	(303)	(347)	(22)	–	(26,264)	–	(27,695)
Net book amount	50,314	23,541	20,297	10,753	248	–	534	–	105,687
Year ended 31st December 2015									
Opening net book amount	50,314	23,541	20,297	10,753	248	–	534	–	105,687
Acquisitions *(Note 14)*	980,247	299,000	–	–	–	91,958	1,418	7,600	1,380,223
Additions	–	–	–	–	–	–	1	–	1
Amortisation *(a)*	–	(16,629)	(1,212)	(1,387)	(90)	(3,083)	(521)	(1,267)	(24,189)
Closing net book amount	1,030,561	305,912	19,085	9,366	158	88,875	1,432	6,333	1,461,722
At 31st December 2015									
Cost	1,030,561	323,300	20,600	11,100	270	92,000	28,219	7,600	1,513,650
Accumulated amortisation and impairment	–	(17,388)	(1,515)	(1,734)	(112)	(3,125)	(26,787)	(1,267)	(51,928)
Net book value	1,030,561	305,912	19,085	9,366	158	88,875	1,432	6,333	1,461,722

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

Impairment test for goodwill

Management reviews the business performance based on type of business. Goodwill are allocated to two of the Group's cash generating units ("CGU") identified which is the business of providing anti-counterfeiting products and services to enterprise; and the online service business of ZOL in the PRC. Goodwill is monitored by the management at the operating segment level.

	2015	2014
	RMB'000	*RMB'000*
Anti-counterfeiting products and services	50,314	50,314
Online services	980,247	–
	1,030,561	50,314

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Key assumptions of the financial budgets covering the five-year period and other key assumptions used for value-in-use calculations are as follows:

	As at 31st December 2015	As at 31st December 2014
Anti-counterfeiting products and service		
Average growth rate *(note a)*	16%	9%
Discount rate *(note b)*	13%	15%
Terminal growth rate	3%	3%

	As at 31st December 2015
Online service	
Average growth rate *(note a)*	16%
Discount rate *(note b)*	19%
Terminal growth rate	3%

(a) Average growth rate used in the budget for the five-year period ending 31st December 2020.

(b) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

(c) Assuming the sale decreases by 5% and the discount rate increases by 1%, there is still no impairment charge for the goodwill as at 31st December 2015.

11 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	121,165	35,916
Less: provision for impairment of trade receivables	(9,371)	(4,224)
Trade receivables – net	111,794	31,692
Deposits, prepayments and other receivables *(Note b)*	481,366	100,292
Loans to employees *(Note b(ii))*	28,995	49,824
	622,155	181,808
Less: Non-current deposit, prepayments and other receivables	(74,989)	(92,649)
Current portion	547,166	89,159

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

	2015	2014
	RMB'000	*RMB'000*
Current to 90 days	92,106	27,815
91 to 180 days	14,733	2,464
181 to 365 days	9,911	2,827
Over 1 year	4,415	2,810
	121,165	35,916

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 RMB8,212,000 for the impairment of its trade receivables during the year ended 31st December 2015 (2014: RMB5,390,000).

As at 31st December 2015, trade receivables of approximately RMB9,371,000 (2014: RMB4,224,000) 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 2015, trade receivables of approximately RMB19,688,000 (2014: RMB3,877,000) 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:

	2015	2014
	RMB'000	*RMB'000*
91 to 180 days	14,733	2,464
181 to 365 days	4,955	1,413
	19,688	3,877

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

	2015	2014
	RMB'000	*RMB'000*
At 1 January	4,224	2,822
Impairment of receivables	8,212	5,390
Write off for impaired receivables	(3,065)	(3,988)
At 31 December	9,371	4,224

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

	2015	2014
	RMB'000	*RMB'000*
Non-current portion:		
– Deposits	4,406	2,905
– Prepayments for tax *(Note (i))*	–	42,544
– Loans to employees *(Note (ii))*	26,241	26,244
– Loans to an associate *(Note (iii))*	44,342	20,956
	74,989	92,649
Current portion:		
– Deposits	17,322	12,097
– Prepayments	19,050	21,385
– Prepayment for tax *(Note (i))*	89,129	–
– Loans to employees *(Note (ii))*	2,754	23,580
– Amount due from a former associated company *(Note (iv))*	559	405
– Loan to a joint venture *(Note (v))*	201,427	–
– Loans to third parties *(Note (vi))*	105,131	–
	435,372	57,467
	510,361	150,116

	2015	2014
	RMB'000	*RMB'000*
The fair values are as follows:		
Deposits	21,728	15,002
Prepayments	108,179	63,929
Other receivables	380,454	71,185
	510,361	150,116
Denominated in:		
HK dollars	2,754	23,580
Renminbi	506,677	126,536
US dollars	930	–
	510,361	150,116

Note (i): The balance at 31st December 2015 includes RMB89,129,000 (2014: RMB42,544,000) prepayment of tax associated with the presale of properties on O2O business exhibition centre under development.

Note (ii): The non-current portion includes a balance of RMB26,241,000 (2014: RMB26,244,000) which represents loans granted to several management members of Beijing Panpass Information Technology Co., Ltd ("Panpass"), a subsidiary acquired by the Group on 8th October 2014, for their sole purpose of purchase of shares of Panpass at market price and the shares purchased are pledged to secure the loans. The loans will mature on 28th September 2017, and is interest bearing at a rate of 5% per annum. These management members hold 20% issued share capital of Panpass after the acquisition of Panpass by the Group on 8th October 2014.

The current portion includes a balance of RMB2,754,000 (2014: RMB23,580,000) granted in connection with the Employee Share Scheme. On 21st December 2012, the Group granted loans to several employees of the Group for the sole purpose of purchase of shares of the Group at market price. Maturity date of the loans have been extended from 21st December 2015 to 21st December 2016, and is interest bearing at a rate of 5% per annum. The loans are denominated in HK dollars.

Note (iii): This balance represents loan and interest receivable from 慧德控股有限公司 ("Hui De"), an associate of the Group, amounting to RMB44,342,000 (2014: RMB20,956,000). On 14th December 2014, the group granted a loan amounting to RMB40,000,000 to Hui De by installment. Up to 31st December 2014, RMB28,000,000 had been transferred to Hui De; and the remaining portion amounting to RMB19,200,000 had been transferred to Hui De on 4th March 2015. The loan will mature on 21st November 2017, and is interest bearing at a rate of 7% per annum (2014: 7% per annum).

On 22th October 2015, the Group granted an addition loan amounting to RMB1,600,000 to Hui De. The loan will mature on 21st October 2018, and is interest bearing at a rate of 7% per annum.

Note (iv): This amount represents receivable balances for provision of data library services from the former associated 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 (v): This balance represents loan and interest receivable from 重慶神州數碼慧聰小額貸款有限公司, a joint venture of the Group, amounting to RMB201,427,000 (2014: Nil). On 27th May 2015, the Group granted a loan amounting to RMB80,000,000 to the joint venture. The loan will mature on 26th May 2016, and is interest bearing at a rate of 6% per annum. On 21st November 2015, the Group granted an additional loan amounting to RMB120,000,000 to the joint venture. The loan will mature on 20th November 2016, and is interest bearing at a rate of 8% per annum.

Note (vi): The balance includes entrusted loans advanced to two third parties and interest receivable amounting RMB70,087,000 (2014: Nil) and RMB35,044,000 (2014: Nil) respectively, through a financial institution in the PRC, as lending agent. The loans are interest bearing at 6% per annum, repayable on 21st December 2016.

12 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31st December 2015:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of registered share capital	Effective interest held	Proportion of ordinary shares held by non-controlling interests (%)
[1] Hong Kong Huicong International Group Limited ("HKHC")	British Virgin Islands, limited liability company	Investment holding in Hong Kong	21,000,000 ordinary shares of US$0.01 each	100%	–
[1] China Media Network International Inc	British Virgin Islands, limited liability company	Investment holding in Hong Kong	50,000 ordinary shares of US$1 each	100%	–
[1] HC Group (Hong Kong) Limited	Hong Kong, liability company	Investment holding in Hong Kong	500,000 ordinary shares of HK$1 each	100%	–
[3] HC Innovest Holdings Limited	British Virgin Islands, limited liability company	Investment holding in BVI	50,000 ordinary shares of US$1 each	100%	–
[4] Orange Triangle Inc.	State of Delaware, USA	Investment holding in the State of Delaware	200 shares of US$0.01	100%	–
[4] Orange Triangle (HK) Limited	Hong Kong, liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%	–

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of registered share capital	Effective interest held	Proportion of ordinary shares held by non-controlling interests (%)
北京慧聰國際資訊有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB110,000,000	100%	–
北京慧聰互聯信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB200,000,000	100%	–
北京慧翔網絡技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB10,000,000	100%	–
北京慧聰再創科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB250,000,000	100%	–
北京京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%	–
慧聰商情廣告（北京）有限公司	The PRC, limited liability company	Advertising in the PRC	RMB2,000,000	100%	–
北京慧聰建設信息諮詢有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB36,000,000	100%	–
上海新慧聰網廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%	–
南京慧聰網廣告信息有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%	–
杭州慧聰電子商務有限公司 (formerly named 杭州慧聰廣告有限公司)	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%	–

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of registered share capital	Effective interest held	Proportion of ordinary shares held by non-controlling interests (%)
廣州市慧聰商情廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,500,000	100%	–
廣州慧聰網絡科技有限公司	The PRC, limited liability company	Advertising in the PRC	RMB5,000,000	100%	–
廈門市京慧聰廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB500,000	100%	–
深圳市京慧聰網絡科技有限公司 (formerly named 深圳市京慧聰廣告有限公司)	The PRC, limited liability company	Advertising in the PRC	RMB2,000,000	100%	–
深圳市慧聰網廣告有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%	–
上海慧聰電子商務有限公司	The PRC, limited liability company	Advertising in the PRC	RMB5,000,000	100%	–
福建泉州慧聰網絡科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB500,000	100%	–
無錫慧聰網絡信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB2,010,000	100%	–
慧聰(天津)電子商務產業投資有限公司	The PRC, limited liability company	Investment holding in the PRC	RMB91,750,000	60%	40%
[2] 廣東慧聰家電城投資有限公司	The PRC, limited liability company	Provision of exhibition service and construction	RMB166,670,000	35.71%	64.29%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of registered share capital	Effective interest held	Proportion of ordinary shares held by non-controlling interests (%)
[2] 佛山市慧從匯電子商務有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB555,500	35.71%	64.29%
浙江慧亞瑟信息技術有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB35,000,000	100%	–
北京慧聰三六零商貿有限公司	The PRC, limited liability company	Advertising in the PRC	RMB1,000,000	100%	–
余姚慧聰電子商務有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,000,000	100%	–
北京兆信信息技術股份有限公司	The PRC, limited liability company	Anti-counterfeiting Technology Development in the PRC	RMB54,464,000	56%	44%
上海慧發信息技術有限公司	The PRC, limited liability company	Investment holding in the PRC	RMB45,000,000	100%	–
[3] 慧聰融資租賃有限公司	The PRC, limited liability company	Finance leasing in the PRC	US$30,000,000	100%	–
[4] 北京橙三角科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	US$150,000	100%	–
[4] 北京知行銳景科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB10,000,000	100%	–
廣東順德聰聰網絡科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,000,000	60%	40%

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of registered share capital	Effective interest held	Proportion of ordinary shares held by non-controlling interests (%)
廣東順德慧匯貿易有限公司	The PRC, limited liability company	Provision of business service in the PRC	RMB1,000,000	60%	40%
廣東順德慧盛貿易有限公司	The PRC, limited liability company	Provision of business service in the PRC	RMB1,000,000	60%	40%
[3] 廣州慧正電子商務有限公司	The PRC limited liability company	Provision of business information in the PRC	RMB20,000,000	60%	40%
[3] 北京慧聰雲信大數據科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB1,000,000	60%	40%
[3] 北京融商通聯科技有限公司	The PRC, limited liability company	Provision of business information in the PRC	RMB25,000,000	51%	49%

1 Shares held directly by the Company.

2 廣東慧聰家電城投資有限公司 and 佛山市慧從匯電子商務有限公司 are indirectly held through the Company's 60% owned subsidiary, 慧聰(天津)電子商務有限公司. 慧聰(天津)電子商務有限公司 directly holds 53.1% equity interest in these two companies and indirectly holds 6.41% of interest equity in these two companies through its 20% held associate, 慧德控股有限公司. Hence, the Group effectively hold 35.71% of 廣東慧聰家電城投資有限公司 and 佛山市慧從匯電子商務有限公司.

3 These companies are newly incorporated during the year.

4 These companies are newly acquired during the year.

(a) Material non-controlling interests

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for 廣東慧聰家電城投資有限公司 (“廣東慧聰家電城”) and 北京兆信信息技術股份有限公司 (“北京兆信”) that has non-controlling interests that are material to the Group.

Summarised statement of financial position

	廣東慧聰家電城		北京兆信	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Assets	872,371	281,993	80,661	62,395
Liabilities	(1,416,461)	(128,686)	(24,139)	(4,842)
Net current assets	(544,090)	153,307	56,522	57,553
Non-current				
Assets	814,230	786,216	52,390	56,466
Liabilities	(120,000)	(749,224)	(6,988)	(8,098)
Net non-current assets	694,230	36,992	45,402	48,368
Net assets	150,140	190,299	101,924	105,921

As at 31st December 2015, the non-controlling interests balances of 廣東慧聰家電城 and 北京兆信 accounted RMB46,568,000 (2014: RMB73,187,000) and RMB45,243,000 (2014: RMB47,002,000) respectively.

Summarised statement of comprehensive income

	廣東慧聰家電城		北京兆信	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	–	55,168	16,193
(Loss)/profit before income tax	(51,045)	(8,122)	(4,938)	2,654
Income tax credit/(expenses)	10,886	1,637	941	(297)
(Loss)/profit after tax	(40,159)	(6,485)	(3,997)	2,357
Other comprehensive loss	–	–	–	–
Total comprehensive (loss)/profit	(40,159)	(6,485)	(3,997)	2,357
Total comprehensive (loss)/profit allocated to Non-controlling interests	(26,619)	(4,419)	(1,759)	1,037
Dividends paid to Non-controlling interests	–	–	–	–

Summarised cash flow statement

	廣東慧聰家電城		北京兆信	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash generated from/ (used in) operations	204,641	332,456	(9,530)	2,167
Income tax paid	–	–	(560)	–
Net cash generated from/ (used in) operating activities	204,641	332,456	(10,090)	2,167
Net cash generated from/ (used in) investing activities	(410,266)	(151,416)	1,827	38,323
Net cash generated from/ (used in) financing activities	17,307	17,022	19,000	(11,675)
Net (decrease)/increase in cash and cash equivalents	(188,318)	198,062	10,737	28,815
Cash and cash equivalents at beginning of year	278,562	80,500	51,777	22,962
Cash and cash equivalents at end of year	90,244	278,562	62,514	51,777

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Associates	105,921	45,523
Joint ventures	412,795	270,840
At 31 December	518,716	316,363

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Associates	(2,102)	(477)
Joint ventures	11,955	801
For the year ended 31 December	9,853	324

Investments in associates

	2015	2014
	RMB'000	*RMB'000*
At 1st January	45,523	20,000
Addition	62,500	26,000
Share of losses	(2,102)	(477)
At 31st December	105,921	45,523

Set out below are associates of the Group as at 31st December 2015. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of establishment or registration is also their principal place of business.

Name of entity	Place of business/ country of establishment	% of effective interest	Nature of the relationship	Measurement method
慧德控股有限公司 (Hui De Holding Co., Ltd.*)	PRC	12	*Note 1*	Equity
浙江慧聰投資有限公司 (Zhejiang Huicong Investment Co., Ltd*)	PRC	29.6	*Note 2*	Equity
北京優螞科技有限公司 (Beijing Urmbo Technology Limited*)	PRC	20	*Note 3*	Equity
中模(北京)國際品牌管理有限公司 (China Formwork (Bejing) International Brand Management Limited*)	PRC	20	*Note 4*	Equity
西安皮皮易電子商務有限公司 (Xian Pipiyi e-commerce Limited*)	PRC	30	*Note 5*	Equity
合肥厘米信息科技有限公司 (Hefei Limi Information Technology Limited*)	PRC	15	*Note 6*	Equity
江蘇五城共聚網絡科技有限公司 (Jiangsu Wu Cheng Gong Ju Information Technology Limited*)	PRC	15	*Note 7*	Equity
余姚惠家電子商務有限公司 (Yu Yao Huijia E-Commerce Limited*)	PRC	21.6	*Note 8*	Equity
杭州拾貝知識產權服務有限公司 (Hangzhou Shibei Intellectual Property Services Company Limited*)	PRC	10	*Note 9*	Equity

Note 1: Hui De Holding Co., Ltd* ("慧德控股") provides investment management and projects investments in the PRC. The Group holds 60% interests of its subsidiary, 慧聰(天津)電子商務有限公司, which in turn holds 20% of interests in 慧德控股.

Note 2: Zhejiang Huicong Investment Co., Limited* ("浙江慧聰") engages in investment in real estate construction and management.

Note 3: In May 2015, the Group entered into an agreement to subscribe 20% of the total issued share capital of Beijing Urmro Technology Limited* ("北京優螞") at a total consideration of RMB3,000,000 in cash. 北京優螞 provides MRO industrial products purchase and assembly services in the PRC.

Note 4: In April 2015, the Group entered into an agreement with China Formwork (Beijing) International Brand Management Limited* ("北京中模") to subscribe 20% of its total equity capital, at a total consideration of RMB10,000,000 in cash. 北京中模 provides e-commerce business for the building equipment leasing industry in the PRC.

Note 5: In July 2015, the Group entered into an agreement to subscribe 30% of the total issued share capital of Xian PPE e-commerce Limited* ("皮皮易") at a total consideration of RMB10,000,000 in cash. 皮皮易 provides e-commerce business for labor protection appliance in the PRC.

Note 6: In October 2015, the Group entered into an agreement with Hefei Limi Information Technology Limited* ("合肥厘米") to subscribe 15% of its total equity capital at a consideration of RMB8,000,000 in cash. Since the Group has significant influence over the Board of the investee, it is classified as investment in associate and measured in equity method. 合肥厘米 provides B2B e-commerce services in urban and rural areas of the PRC.

Note 7: In August 2015, the Group entered into an agreement to subscribe 15% of the total issued share capital of Jiangsu Wu Cheng Gong Ju Information Technology Limited* ("五城共聚") at a consideration of RMB5,000,000 in cash. Since the Group has significant influence over the Board of the investee, it is classified as investment in associate and measured in equity method. 五城共聚 provides e-commerce business for chemical industry in the PRC.

Note 8: In July 2015, the Group entered into an agreement to set up an associate company, Yu Yao Huijia E-Commerce Limited ("Yu Yao Huijia"). The Group injected RMB2,000,000 in cash which represents approximately 21.6% of the total issued share capital of Yu Yao Huijia. That company provides e-commerce and property management business in the PRC.

Note 9: In October 2015, Panpass Information Technology Limited, a subsidiary of the Group, together with a number of third parties, established a privately owned limited company, named as "杭州拾貝知識產權服務有限公司" ("杭州拾貝") in Zhejiang province. The Group own 10% of its total issued share capital of 杭州拾貝, and the total cost of its investment in 杭州拾貝 is RMB500,000. Since the Group has significant influence over the Board of the investee, it is classified as investment in associate and measured in equity method. 杭州拾貝 provides agency services for e-commerce users in the PRC.

All the above associate companies are private company and there are no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the associate.

* *English names are translated for identification purpose only*

Summarised financial information for associates

Set out below are the summarised financial information for the associates which, in the opinion of director, are material to the Group and are accounted for using the equity method.

Summarised of statement of financial position

	慧德控股		浙江慧聘		北京中模		皮皮易	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current:								
Cash and cash equivalents	414	1,788	55,109	28,301	1,567	–	12,343	–
Other current assets (exclude cash)	17,645	69,491	367,626	101,009	31,535	–	192	–
Total current assets	18,059	71,279	422,735	129,310	33,102	–	12,535	–
Current liabilities	(186)	(158)	(32,995)	–	(19,948)	–	(34)	–
Net current assets	17,873	71,121	389,740	129,310	13,154	–	12,501	–
Non-current:								
Assets	389,412	104,000	6,327	33	10,730	–	511	–
Liability	(314,000)	(77,481)	(150,000)	–	–	–	–	–
Net assets	93,285	97,640	246,067	129,343	23,884	–	13,012	–

Summarised statement of comprehensive income

	慧德控股		浙江慧聘		北京中模		皮皮易	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	509	–	–	10,407	–	40	–
(Loss)/profit after tax	(4,357)	(2,360)	(3,276)	(657)	1,183	–	(1,988)	–
Other comprehensive loss	–	–	–	–	–	–	–	–
Total comprehensive (loss)/income	(4,357)	(2,360)	(3,276)	(657)	1,183	–	(1,988)	–
Percentage held	12%	12%	29.6%	29.6%	20%	–	30%	–
Share of loss for the year	(523)	(283)	(970)	(194)	237	–	(596)	–

Investment in joint ventures

	2015	2014
	RMB'000	*RMB'000*
At 1st January	270,840	–
Addition	130,000	270,039
Share of profits	11,955	801
At 31st December	412,795	270,840

Set out below are joint venture companies of the Group as at 31st December 2015. The joint venture companies as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration are also their principal place of business.

Nature of investment in joint ventures as at 31st December 2015:

Name of entity	Place of business/ country of incorporation	% of effective interest	Nature of the relationship	Measurement method
重慶神州數碼慧聰小額貸款有限公司 (Chongqing Digital China Huicong Micro-Credit Co., Ltd*.)	PRC	40	*Note 1*	Equity
北京神州數碼慧聰信息諮詢有限公司 (Beijing Digital China Huicong Micro-Credit Consulting Co, Ltd*.)	PRC	40	*Note 2*	Equity

Note 1: Chongqing Digital China Huicong Micro-Credit Co., Ltd. provides development and operation of the micro-credit internet financing business in the PRC.

Note 2: Beijing Digital China Huicong Micro-Credit Consulting Co., Ltd. provides consulting services for the micro-credit internet financing business in the PRC.

* *English names are translated for identification purpose only.*

The Group's share of profit in Chongqing Digital China Huicong Micro-Credit Co., Ltd and its aggregate assets and liabilities are shown below:

	31st December 2015 *RMB'000*	31st December 2014 *RMB'000*
Assets	1,423,048	678,367
Liabilities	391,250	1,290
Profit for the year	29,718	1,893
Share of profits	11,887	757
Percentage held	40%	40%

The Group's share of profit in Beijing Digital China Huicong Micro-Credit Consulting Co., Ltd and its aggregate assets and liabilities are shown below:

	31st December 2015 *RMB'000*	31st December 2014 *RMB'000*
Assets	632	377
Liabilities	253	167
Profit for the year	170	110
Share of profits	68	44
Percentage held	40%	40%

14 BUSINESS COMBINATIONS

a. Beijing Huicong Construction Information Consulting Co., Ltd.

On 15th September 2014, the Group has entered into the Exclusive Option Agreement, Equity Pledge Agreement and Powers of Attorney ("Agreements") with the shareholders of 北京慧聰建設信息諮詢有限公司 ("HC Construction"). The shareholders of HC Construction unconditionally and irrevocably authorises any individual designated by the Group to represent them in exercising all their rights as shareholders of HC Construction including without limitation, to transfer all their equity interests, to determine the consideration for such transfer, to complete all relevant procedures regarding such transfer, to attend general meetings and exercise voting rights, to execute all such relevant documents, agreements and resolutions. In addition, If HC Construction declares any dividend, bonus or adopts any proposal for distribution of profits, such dividends, bonus or economic benefits of all such proposal for distribution shall be delivered to the Group.

In accordance with the Agreements, the Group has acquired the control over HC Construction as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the HC Construction's variable returns. The Group is also entitled to substantially all of the operating profits and residual interest generated by HC Construction. Consequently, HC Construction has become a subsidiary of the Group with effect from 15th September 2014. The results and financial position of HC Construction have been included in the consolidated financial statements of the Group from 15th September 2014.

The following table summarises the consideration paid for HC construction, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
At 15th September 2014	
Cash	–
Total consideration transferred	–
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	473
Property, plant and equipment *(Note 9)*	354
Prepayment and other receivables	1,700
Accruals and other payables	(2,489)
Total identifiable net assets	38
Non-controlling interest	–
Bargain purchase recognised in consolidated statement of comprehensive income *(Note 32)*	(38)

b. Beijing Panpass Information Technology Co., Ltd

On 30th September 2014, the Group and certain purchasers have entered into an acquisition agreement with the vendors, pursuant to which the Group subscribed for shares of Beijing Panpass Information Technology Co., Ltd ("Panpass") with an aggregate value of RMB108,814,200. On 8th October 2014, the Group was allocated 16,487,000 shares of Panpass, representing approximately 56% of the issued share capital of Panpass, for a total consideration of RMB108,814,200.

The goodwill of RMB50,314,000 arising from the acquisition is attributable to acquired customer base and economics of scale expected from combining the operations of the Group and Panpass. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Panpass, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	RMB'000
Consideration:	
At 8th October 2014	
Cash	108,814
Total consideration transferred	108,814
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	22,962
Property, plant and equipment *(Note 9)*	1,018
Intangible assets – customer relationships *(Note 10)*	44,900
Intangible assets – patent *(Note 10)*	11,100
Intangible assets – non-compete agreement *(Note 10)*	270
Intangible asset – other *(Note 10)*	188
Inventories	1,194
Entrusted loan to former shareholder	38,000
Trade and other receivables	11,922
Trade and other payables	(7,288)
Borrowings	(11,675)
Deferred tax assets *(Note 29)*	180
Deferred tax liabilities *(Note 29)*	(8,306)
Total identifiable net assets	104,465
Non-controlling interest	(45,965)
Goodwill *(Note 10)*	50,314
	108,814

c. **Orange Triangle Inc.**

On 3rd July 2015, the Group completed the acquisition of 100% of share capital of Orange Triangle Inc. ("Orange Triangle") which was satisfied by total consideration of approximately RMB1,307,000,000. The consideration was settled as to 30% of RMB446,795,000 in cash and as to 70% by allotment of 155,684,485 contingent shares at HK$7 each ("Contingent Share") subject to adjustment mechanism stipulated in the Sale and Purchase Agreement.

On 3rd July 2015, 北京橙三角科技有限公司 ("Orange Beijing"), a wholly owned subsidiary of Orange Triangle Inc., entered into a series of structured contracts, including Exclusive Technical Services Agreement, Exclusive Licensing Agreement on Intellectual Property; Exclusive Right to Purchase Agreement; Voting Rights Proxy Agreement and Pledge Agreement (together, the as "Structured Contracts") with the shareholders of 北京知行鋭景科技有限公司 ("Beijing Zhixing Ruijing Technology Co., Ltd"). The shareholders of Beijing Zhixing Ruijing unconditionally and irrevocably authorise any individual designated by the Group to represent them in exercising all their rights as shareholders of Beijing Zhixing Ruijing including without limitation, to transfer all their equity interests, to determine the consideration for such transfer, to complete all relevant procedures regarding such transfer, to attend general meetings and exercise voting rights, to execute all such relevant documents, agreements and resolutions. In addition, if Beijing Zhixing Ruijing declares any dividend, bonus or adopts any proposal for distribution of profits, such dividends, bonus or economic benefits of all such proposal for distribution shall be delivered to the Group.

In accordance with the Agreements, the Group has acquired the control over Beijing Zhixing Ruijing as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the Beijing Zhixing Ruijing's variable returns. The Group is also entitled to substantially all of the operating profits and residual interest generated by Beijing Zhixing Ruijing. Consequently, Beijing Zhixing Ruijing has become a subsidiary of the Group with effect from 3rd July 2015. The results and financial position of Orange Triangle and Beijing Zhixing Ruijing have been included in the consolidated financial statements of the Group from 3rd July 2015.

The goodwill of RMB980,247,000 arising from the acquisition is attributable the synergies and technical talent and economies of scale expected from combining the operations of the Group and Orange Triangle Inc. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Orange Triangle, the fair value of assets acquired, liabilities assumed at the acquisition date.

	RMB'000
Consideration:	
At 3rd July 2015	
Cash	446,795
Contingent shares	859,802
Financial assets at fair value through profit and loss	(6,600)
Total consideration transferred	1,299,997

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,043
Property, plant and equipment	5,198
Intangible assets – customer relationships *(Note 10)*	299,000
Intangible assets – trade name and dominate name *(Note 10)*	91,958
Intangible assets – database *(Note 10)*	7,600
Intangible assets – other *(Note 10)*	1,418
Trade and other receivables	87,903
Trade and other payables	(40,620)
Borrowings	(40,000)
Deferred tax liabilities *(Note 29)*	(99,750)
Total identifiable net assets	319,750
Goodwill *(Note 10)*	980,247
	1,299,997

Acquisition-related costs of HK$3,890,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2015.

The fair value of the 155,684,485 ordinary shares issued as part of the consideration paid for the vendor (approximately RMB12,283,000) was based on the market price of the Company on 3 July 2015.

The contingent shares are to be released to the Mr. Liu Xiaodong, Mr. Shi Shilin, Mr. Wang Qian and Ms. Yang Ye (together, the "Seller Guarantor") or repurchased by the Company subjected to the performance as set out in the adjustment mechanism stipulated in the sale and purchase agreement. Pursuant to the sale and purchase agreement, each of the Seller Guarantors undertakes that the Orange Triangle shall achieve the "Performance Targets" as follow:

Performance Undertaking Year	**After-tax profit as set out in the audited results of the Orange Triangle**
First Performance Undertaking Year	RMB100,000,000
Second Performance Undertaking Year	RMB130,000,000
Third Performance Undertaking Year	RMB170,000,000

The "Performance Undertaking Period" shall be three years calculated from the first day of the month after completed the acquisition and each "Performance Undertaking Year" shall be each 12-month period during the Performance Undertaking Period.

If the after tax profit as set out in the audited results for the Performance Undertaking Year is equal to or more than the Performance Target as set out in the below adjustment mechanism, the Seller Guarantors will not be required to compensate the Company. The Company and each Seller Guarantor shall jointly instruct the escrow agent, as the case may be, to release the Consideration Shares as agreed and all dividends attached to such consideration shares to the relevant Seller Guarantor according to the relevant percentage.

If the after tax profit as set out in the audited results for the Performance Undertaking Year do not meet the Performance Target, the Company shall inform the Seller Guarantors in writing within 10 days after the dispatch of such audited results and the Company and each Seller Guarantor shall jointly instruct the escrow agent, as the case may be, to release such amount of Consideration Shares and all dividends attached thereto to the relevant Seller Guarantor as set out in the below adjustment mechanism column titled "Total number of Consideration Shares to be released to the Seller Guarantors" or to the Company as set out in the below adjustment mechanism column titled "Total number of Consideration Shares to be repurchased by the Company". The Company shall repurchase such Consideration Shares at a total consideration of RMB1.00 and such Consideration Shares shall be cancelled by the Company thereafter.

	Total number of Consideration Shares to be released to the Seller Guarantors	**Total number of Consideration Shares to be repurchased by the Company**
After-tax profit as set out in the audited results of the Orange Triangle for the First Performance Undertaking Year		
RMB100,000,000 or above	66,726,370	–
Between RMB90,000,000 (inclusive) and RMB100,000,000	60,371,478	6,354,892
Between RMB80,000,000 (inclusive) and RMB90,000,000	47,661,693	19,064,677
Between RMB70,000,000 (inclusive) and RMB80,000,000	28,597,016	38,129,354
Less than RMB70,000,000	–	66,726,370
After-tax profit as set out in the audited results of the Orange Triangle for the Second Performance Undertaking Year		
RMB130,000,000 or above	44,479,057	–
Between RMB117,000,000 (inclusive) and RMB130,000,000	40,242,957	4,236,100
Between RMB104,000,000 (inclusive) and RMB117,000,000	31,770,755	12,708,302
Between RMB91,000,000 (inclusive) and RMB104,000,000	19,062,453	25,416,604
Less than RMB91,000,000	–	44,479,057
After-tax profit as set out in the audited results of the Orange Triangle for the Third Performance Undertaking Year		
RMB170,000,000 or above	44,479,058	–
Between RMB153,000,000 (inclusive) and RMB170,000,000	40,242,958	4,236,100
Between RMB136,000,000 (inclusive) and RMB153,000,000	31,770,756	12,708,302
Between RMB119,000,000 (inclusive) and RMB136,000,000	19,062,454	25,416,604
Less than RMB119,000,000	–	44,479,058

Buy back mechanism

In consideration of each of the Seller Guarantors undertake that the Orange Triangle shall achieve the Performance Targets for each Performance Undertaking Year during the Performance Undertaking Period, the Company has absolute discretion to unwind the Sale and Purchase Agreement by serving a written notice within a three-month period following the issuance of the audited accounts of the Orange Triangle for the First Performance Undertaking Year to the other parties to dispose of the Sale Shares to the Seller if the Orange Triangle achieves less than RMB70,000,000 in its after-tax profit as set out in the audited results for the First Performance Undertaking Year.

Upon the serving of the written notice, the obligation of the Company to pay the consideration shall immediately lapse and the parties agree to, and undertake to sign and procure to sign all necessary documents and take all necessary actions to reverse the transactions (to the extent that it has occurred or completed on or prior to the date of termination), including but not limited to refunding all cash consideration by the seller to the Company, the Company and each Seller Guarantor shall jointly instruct the escrow agent, as the case may be, to release all the Consideration Shares and all dividends attached to such Consideration Shares to the Company. The Company shall repurchase such Consideration Shares at a total consideration of RMB1.00 and such Consideration Shares shall be cancelled by the Company thereafter.

During the Performance Undertaking Period, when there is a shortfall in the audited after tax profit as set out in the audited results, the Company shall repurchase the relevant Consideration Shares pursuant to the then repurchase agreement.

As at 3rd July 2015, a financial asset at fair value through profit or loss of approximately RMB6,600,000 in relation to this arrangement was recognised in the consolidated statement of financial position based on the contingent consideration arrangement.

As at 31st December 2015, the fair value of the contingent consideration was approximately RMB5,100,000, the change in the fair value amounted RMB1,500,000 was charged to the consolidated statement of comprehensive income.

The fair value of the contingent consideration arrangement was estimated by applying income approach which considers the probability that Seller Guarantor could complete the performance target and the market prices of the consideration share at the valuation date.

The key unobservable assumptions in calculating this profit are:

Assumption	
Discount rate (pre-tax)	19%
Probability to achieve the performance target	90%

The revenue, net of amortisation expense of intangible assets, included in the consolidated statement of comprehensive income since 3rd July 2015 contributed by Orange Triangle was RMB190,058,000. Orange Triangle also contributed profit of RMB42,896,000 over the same period.

Had Orange Triangle been consolidated from 1st January 2015, the consolidated statement of comprehensive income would show pro-forma revenue of approximately RMB1,013,620,000 and profit of approximately RMB31,149,000.

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Cogobuy Group (Note 1) RMB'000	Zamplus (Cayman) Holdings Limited (Note 2) RMB'000	Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company* (Note 3) RMB'000	Total RMB'000
As at 1st January 2014	–	–	–	–
Additions	124,282	30,743	–	155,025
Fair value gain recognised in other comprehensive income	6,130	13,112	–	19,242
As at 31st December 2014 and 1st January 2015	130,412	43,855	–	174,267
Additions	–	–	57,900	57,900
Fair value gain/(loss) recognised in other comprehensive income	198,725	(11,302)	2,100	189,523
As at 31st December 2015	329,137	32,553	60,000	421,690

* *English names are translated for identification propose only.*

Note 1: In July 2014, the Group subscribed for 38,758,000 ordinary shares of Cogobuy Group for an aggregate amount of US$20,000,000 (equivalent to approximately RMB124,281,000). Cogobuy Group is a corporation listed on the Main Board of the Stock Exchange of Hong Kong Limited, the investment from the Group represents 2.8% of all issued share capital of Cogobuy Group at the acquisition date.

Note 2: The Group subscribed for 89,286 shares of Zamplus (Cayman) Holdings Limited ("Zamplus") for an aggregate amount of US$5,000,000 (equivalent to approximately RMB30,743,000). Zamplus is a private company incorporated in the Cayman Islands. Its subsidiaries provide consulting services on online advertisement to the customers. The investment from the Group represents 4.76% of all shares of Zamplus at the acquisition date.

Note 3: In July 2015, the Group subscribed for 19,300,000 shares of 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*) ("Jingu") for an aggregate amount of RMB57,900,000. Jingu is a joint stock company incorporated in the PRC. The investment from the Group represents 2.49% of the issued shares of Jingu at the acquisition date.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31st December 2015 (2014: Nil).

16 DIRECT SELLING COSTS

Upon the receipt of subscription revenue from third party customers, the Group is obliged to pay sales commissions and agency fees to the salespersons and agents. The subscription revenue are initially deferred and recognised in the consolidated statement of comprehensive income in the period during which the services are rendered. Accordingly, the commissions and agency fees, which are directly attributable to earning from such subscription revenue during the service period, are deferred and recognised, in agency cost, employees benefit expense, sales commission and direct expenses of online services, respectively, of the consolidated statement of comprehensive income throughout the same period.

17 FINANCE LEASE RECEIVABLE

Certain equipment have been leased out through finance leases entered into by the Group. These leases have remaining terms within one to three year. Finance lease receivables comprised of the following:

	2015	**2014**
	RMB'000	*RMB'000*
Non-current receivables		
Finance leases – gross receivables	26,880	–
Unearned finance income	(2,880)	–
	24,000	–
Current receivables		
Finance leases – gross receivables	73,478	–
Unearned finance income	(4,632)	–
	68,846	–
Total finance leases receivables	92,846	–
Gross receivables from finance leases:		
– No later than 1 year	73,478	–
– Later than 1 year and no later than 5 years	26,880	–
	100,358	–
Unearned future finance income on finance leases	(7,512)	–
Net investment in finance leases	92,846	–
The net investment in finance leases may be analysed as follows:		
– No later than 1 year	68,846	–
– Later than 1 year and no later than 5 years	24,000	–
Total	92,846	–

18 INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	3,073	520

The cost of inventories recognised as expense and included in 'cost of revenue' amounted to RMB25,104,000 (31st December 2014: RMB7,904,000).

19 CASH AND CASH EQUIVALENTS

	2015	2014
	RMB'000	*RMB'000*
Cash at bank and on hand	690,051	384,311
Fixed deposits	100,650	937,678
	790,701	1,321,989
Denominated in:		
Hong Kong Dollars	28,273	16,945
Renminbi	757,366	1,304,031
US dollars	5,062	1,013
	790,701	1,321,989

The fixed deposits were highly liquid with original maturities of three months or less. As at 31st December 2015, cash and cash equivalents of approximately RMB748,754,000 (2014: RMB693,745,000) of the Group were denominated in Renminbi and deposited with banks in the PRC. The conversion of the Renminbi denominated balance into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL

	Number of ordinary shares	Par value
		RMB'000
At 1st January 2014	659,579,618	65,865
Exercise of share options	7,587,000	600
At 31st December 2014	667,166,618	66,465
Issuance of new shares	74,540,000	6,134
Issuance of shares for acquisition *(Note 14(c))*	155,684,485	12,283
Exercise of share options	2,555,000	208
At 31st December 2015	899,946,103	85,090

The total authorised number of ordinary shares is 2,000,000,000 shares (2014: 1,000,000,000 shares) with a par value of HK$0.1 per share (2014: HK$0.1 per share). All issued shares are fully paid.

The Company issued 155,684,485 shares on 3rd July 2015 to the Mr. Liu Xiaodong, Mr. Shi Shilin, Mr. Wang Qian and Ms. Yang Ye (together, the "Seller Guarantor") as part of the purchase consideration for acquisition of 100% of share capital of Orange Triangle Inc. ("Orange Triangle"). The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to RMB859,802,000 (HK$7 per share) on the issuance date.

The Company also issued 74,540,000 shares on 20th November 2015 via share placement. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to RMB222,432,000 (HK$3.82 per shares) on the issuance date.

Share options

During the year ended 31st December 2006, a total of 10,000,000 share options were granted to one executive Director and certain employees pursuant to the Share Option Scheme, of which 2,460,000, 2,908,000, 346,000, 644,000, 274,000 and 134,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009, 2010, 2011 and 2012 respectively. During the year ended 31st December 2012, 2013, 2014 and 2015, 366,000, 1,024,000, 316,000 and 70,000 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 10,267,000, 1,035,000, 2,403,000, and 668,000 share options were lapsed during the year ended 31st December 2008, 2009, 2010, and 2011 respectively. During the year ended 31st December 2012, 2013, 2014 and 2015, 1,376,000, 1,621,000, 995,000 and 677,000 share options were exercised. The grantees can exercise these options at an exercise price of HK$1.24 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 11th July 2007. Commencing from the first and second anniversaries of the Offer Date, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2008, a total of 14,600,000 share options were granted to one executive director and certain employees pursuant to Share Option Scheme, of which 500,000, 1,180,000 and 120,000 share options were lapsed during the year ended 31st December 2009, 2010 and 2011 respectively. During the year ended 31st December 2010, 2011, 2012, 2013, 2014 and 2015, 700,000, 2,300,000, 2,600,000, 3,000,000, 1,200,000 and 100,000 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, 2012, 2013, 2014 and 2015, 1,000,000, 5,550,000, 9,482,000, 3,650,000 and 1,630,000 share options were exercised. The granters can exercise these options at an exercise price of HK$0.82 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 7th April 2010. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2011, a total of 3,000,000 share options were granted to certain employees pursuant to share option scheme, of which 100,000, 100,000 and 50,000 share options were lapsed during the year ended 31st December 2011, 2012 and 2013. During the year ended 31st December 2012, 2013, 2014 and 2015, 800,000, 1,670,000, 30,000 and 50,000 share options were exercised. The granters can exercise these options at an exercise price of HK$1.108 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 28th March 2011. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

On 3rd April 2013, a total of 1,500,000 share options were granted to an employee pursuant to share option scheme. The grantee can exercise these options at an exercise price of HK$4.402 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 3rd April 2013. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise options up to 10% and gradually up to 100% at the fifth anniversary of the date of grant. During the years ended 31st December 2014 and 2015, no share options were exercised.

On 18th November 2013, a total of 10,000,000 share options were granted to certain employees pursuant to share option scheme. During the year ended 31st December 2015, 28,000 share options were exercised. The grantee can exercise these options at an exercise price of HK$9.84 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 18th November 2013. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise options up to 10% and gradually up to 100% at the fifth anniversary of the date of grant. During the year ended 31st December 2015, 28,000 share options were exercised.

The assumptions for valuation of fair value of share options are as follows:

	23rd June 2006	11th July 2007	29th September 2008	7th April 2010	28th March 2011	3rd April 2013	18th November 2013
Exercise price (in HK dollar)	1.49	1.24	0.604	0.82	1.108	4.402	9.84
Fair value of the options (in RMB)	3,919,000	9,390,000	2,756,000	12,527,000	1,377,000	3,754,000	50,125,000
Risk free interest rate (in %)	4.911	4.757	3.133	2.865	2.820	1.111	1.915
Expected life (in years)	3.2-5.5	2.4-6.2	3.8-4.8	3.4-5.9	3.8-4.9	9.1-9.6	4.7-7.9
Volatility (in %)	34.8	49	72.2	79.8	77.4	75	71.5
Expected dividend per share (cents)	–	–	–	–	–	–	–

At the working date before options were granted, 22nd June 2006, 10th July 2007, 26th September 2008, 6th April 2010, 25th March 2011, 2nd April 2013 and 15th November 2013, the market value per share was HK$1.45, HK$1.24, HK$0.55, HK$0.82, HK$1.1, HK$4.3 and HK$9.23 respectively.

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

(i) Share Option Scheme

	Expiry date	2015 Exercise price in HK$ per share	2015 Share options	2014 Exercise price in HK$ per share	2014 Share Options
At 1st January		2.40	–	2.40	1,396,000
		1.49	1,528,000	1.49	1,844,000
		1.24	4,375,000	1.24	5,370,000
		0.604	3,000,000	0.604	4,200,000
		0.82	12,218,000	0.82	15,868,000
		1.108	250,000	1.108	280,000
		4.402	1,500,000	4.402	1,500,000
		9.84	10,000,000	9.84	10,000,000
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	–
		4.402	–	4.402	–
		9.84	–	9.84	–
Lapsed and exercised		2.40	–	2.40	(1,396,000)
		1.49	(70,000)	1.49	(316,000)
		1.24	(677,000)	1.24	(995,000)
		0.604	(100,000)	0.604	(1,200,000)
		0.82	(1,630,000)	0.82	(3,650,000)
		1.108	(50,000)	1.108	(30,000)
		4.402	–	4.402	–
		9.84	(28,000)	9.84	–
At 31st December	18th February 2014	2.40	–	2.40	–
	23rd June 2016	1.49	1,458,000	1.49	1,528,000
	11th July 2017	1.24	3,698,000	1.24	4,375,000
	29th September 2018	0.604	2,900,000	0.604	3,000,000
	7th April 2020	0.82	10,588,000	0.82	12,218,000
	27th March 2021	1.108	200,000	1.108	250,000
	3rd April 2023	4.402	1,500,000	4.402	1,500,000
	18th November 2023	9.84	9,972,000	9.84	10,000,000

Share Award Scheme

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

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

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

As at 31st December 2015, 45,566,000 shares (31st December 2014: 45,566,000 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 2015.

	Number of shares
At 1st January 2014	34,749,335
Shares purchased from the market	2,992,000
Shares vested during the year	(6,305,936)
At 31st December 2014	31,435,399
At 1st January 2015	31,435,399
Shares vested during the year	(9,558,024)
At 31st December 2015	21,877,375

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)	
	2015	**2014**
At 1st January	32,750	36,056
Granted during the year	–	3,000
Shares vested	(9,558)	(6,306)
Allocated but not vested	23,192	32,750

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.

21 OTHER RESERVES

	Share premium RMB'000	Convertible bond reserve RMB'000	Other reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Available-for-sale reserve RMB'000	Shares held for share reward scheme RMB'000	Total RMB'000
At 1st January 2014	633,269	–	(17,493)	109,817	60,797	496	(12,833)	–	(107,814)	666,239
Share based compensation – value of employee services	–	–	–	–	29,912	–	–	–	–	29,912
Convertible Bond – equity component	–	50,858	–	–	–	–	–	–	–	50,858
Exercise of share options	6,353	–	–	–	–	–	–	–	–	6,353
Currency translation difference	–	–	–	–	–	–	2,355	–	–	2,355
Shares purchased under share award scheme	–	–	–	–	–	–	–	–	(30,848)	(30,848)
Vesting of awarded shares	1,198	–	–	–	(8,908)	–	–	–	7,710	–
Fair value gain on available-for-sale financial assets, net of deferred tax *(Notes 15 & 29)*	–	–	–	–	–	–	–	16,067	–	16,067
Changes in ownership interest in subsidiaries without change of control *(Note 22)*	–	–	72	–	–	–	–	–	–	72
At 31st December 2014	640,820	50,858	(17,421)	109,817	81,801	496	(10,478)	16,067	(130,952)	741,008
At 1st January 2015	640,820	50,858	(17,421)	109,817	81,801	496	(10,478)	16,067	(130,952)	741,008
Share based compensation – value of employee services	–	–	–	–	29,231	–	–	–	–	29,231
Exercise of share options	1,951	–	–	–	–	–	–	–	–	1,951
Issuance of new shares	1,063,819	–	–	–	–	–	–	–	–	1,063,819
Currency translation difference	–	–	–	–	–	–	(17,808)	–	–	(17,808)
Vesting of awarded shares	2,780	–	–	–	(17,124)	–	–	–	14,344	–
Fair value gain on available-for-sale financial assets, net of deferred tax *(Notes 15 & 29)*	–	–	–	–	–	–	–	158,283	–	158,283
At 31st December 2015	1,709,370	50,858	(17,421)	109,817	93,908	496	(28,286)	174,350	(116,608)	1,976,484

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

During the year ended 31st December 2015, retained earnings amounted approximately RMB17,473,000 (2014: RMB22,716,000) had been transferred to the statutory reserves. As at 31st December 2015, retained earnings comprise statutory reserve fund amounting to RMB63,916,000 (2014: RMB46,443,000).

22 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

On 24th February 2014, a new shareholder injected capital amounting to RMB170,000 into 佛山市慧從匯電子商務有限公司, a non-wholly-owned controlling subsidiary of the Group. The new shareholder subscribes 10% of the equity interest. After this transaction, the equity interest in 佛山市慧從匯電子商務有限公司 was diluted from 59% to 53.1%.

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

	2014
	RMB'000
Carrying amount of non-controlling interests disposed	98
Consideration received from the non-controlling interests	(170)
Consideration received in excess of carrying value recognised within equity	(72)

23 FINANCE LEASE OBLIGATION

	2015	**2014**
	RMB'000	*RMB'000*
Finance lease obligations		
Non-current	249	979
Current	734	1,175
Total finance lease obligation	983	2,154
Gross finance lease obligations – minimum lease payments		
No later than 1 year	833	1,432
Later than 1 year and no later than 5 years	263	1,096
Future finance charges on finance leases	(113)	(374)
Present value of finance lease obligations	983	2,154
The present value of finance lease obligations is as follows:		
No later than 1 year	734	1,175
Later than 1 year and no later than 5 years	249	979
	983	2,154

The fair values of the finance lease obligations equal their carrying amounts. The carrying amounts of the finance lease obligation are denominated in RMB. The effective interest rates for the finance lease obligations ranging from 1.28% to 1.49% per month.

24 RECEIPT IN ADVANCE

	2015	2014
	RMB'000	*RMB'000*
Non-current	53,237	519,532
Current	1,088,866	–
	1,142,103	519,532

The amount represents deposits received from independent third parties on the presale of properties in the O2O business exhibition centre under development.

25 DEFERRED GOVERNMENT GRANTS

	2015	2014
	RMB'000	*RMB'000*
Non-Current	195,048	206,300
Current	7,898	–
	202,946	206,300

As at 31st December 2015, the deferred government grants represent government grants received.

The grants are to subsidise the Group for the rental discount that the Group will provide to the prospective tenants of the O2O business exhibition centre in Shunde of Guangzhou, and to subsidise the Group to purchase fixed assets for the Group's expansion.

The conditions attached to these grants would be satisfied after 31st December 2015.

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

	2015	2014
	RMB'000	*RMB'000*
Trade payables *(Note a)*	3,618	2,988
Deferred revenue	267,154	371,747
Accrued salaries and staff benefits	32,838	10,938
Accrued agency commission	18,421	–
Accrued expenses	28,070	17,287
Deposit from customers	45,430	23,169
Other payables	24,176	21,388
	419,707	447,517

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

	2015	2014
	RMB'000	*RMB'000*
Current to 90 days	2,710	2,479
91 to 180 days	593	247
181 to 365 days	159	152
Over 1 year	156	110
	3,618	2,988

27 BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Non-current portion:		
Bank borrowings	20,000	32,766
Other borrowings	26,597	8,373
	46,597	41,139
Current portion:		
Bank borrowings	479,760	90,000
Other borrowings	952	8,525
	480,712	98,525
	527,309	139,664

Movements in borrowings is analysed as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1st January	139,664	113,671
Additions of borrowings	568,287	137,562
Repayments of borrowings	(180,642)	(111,569)
At 31st December	527,309	139,664

Bank borrowings mature until 2017 and bear average interest rate of 5.54% per annum (2014: 7.66% per annum), part of which amounting to RMB100,000,000 are secured by certain properties and land use right amounting to RMB213,070,000 (2014: RMB718,831,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. The borrowings are unsecured, mature until 2018 and bear average interest rate of 6.4% per annum (2014: 6.5% per annum). The carrying amounts of borrowings approximate their fair values and are denominated in RMB.

The Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings	
	2015	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	479,760	90,000	952	8,525
Between 1 and 2 years	20,000	32,766	8,320	–
Between 2 and 5 years	–	–	18,277	8,373
	499,760	122,766	27,549	16,898

As at 31st December 2015, the Group has no undrawn banking facilities (2014: RMB137,235,000).

28 CONVERTIBLE BONDS

The Company issued convertible bonds with a coupon rate of 5% per annum at a total principal value of HK$780,000,000, approximate RMB615,342,000 on 27th November 2014. The convertible bonds will mature on 27th November 2019 at its principal amount or can be converted into the Group's shares at the bondholder's option at rate of HK$11.63 per share.

The convertible bonds recognised in the consolidated statement of financial position are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Liability component as at 1st January	553,956	–
Add: Initial recognition at 27th November 2014	–	549,890
Add: Effective interest expense *(Note 35)*	42,805	3,960
Add: Exchange reserve	34,821	106
Less: Interest paid	(31,357)	–
Liability component as at 31st December	600,225	553,956

Note:

The fair value of the listed bond component of the convertible bonds as at 31st December 2014 and 2015 is calculated using cash flows discounted at a rate based on the discount rate of 7.5%.

The convertible bonds – liability component are classified under non-current liabilities. The carrying amounts of convertible bonds – liability component are denominated in HK$.

29 DEFERRED INCOME TAX

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 tax relates to the same tax jurisdiction. The offset amounts are as follows:

	2015	2014
	RMB'000	*RMB'000*
Deferred income tax assets		
(to be recovered after more than 12 months)	17,271	4,452
Deferred income tax liabilities		
(to be settled after more than 12 months)	(148,131)	(23,987)
	(130,860)	(19,535)

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

	2015	2014
	RMB'000	*RMB'000*
At 1st January	(19,535)	(10,801)
Acquisition of a subsidiary *(Note 14)*	(99,750)	(8,126)
Charged to the other comprehensive income	(28,065)	(3,175)
Credited to the consolidated statement of comprehensive income	16,490	2,567
At 31st December	(130,860)	(19,535)

As at 31st December 2015, deferred income tax liabilities of RMB66,377,000 (2014: RMB45,651,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC. The unremitted earnings are to be used for reinvestment. The income tax liability is not recognised where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets

	Tax losses	
	2015	2014
	RMB'000	*RMB'000*
At 1st January	4,980	3,736
Acquisition of a subsidiary *(Note 14)*	–	180
Credited to the consolidated statement of comprehensive income	12,291	1,064
At 31st December	17,271	4,980

Deferred tax liabilities

	Fair value gains		Deferred expenses		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January	11,273	–	13,242	14,537	24,515	14,537
Acquisition of a subsidiary *(Note 14)*	99,750	8,306	–	–	99,750	8,306
Charged to the other comprehensive income	28,065	3,175	–	–	28,065	3,175
Credited/(charged) to the consolidated statement of comprehensive income	(5,392)	(208)	1,193	(1,295)	(4,199)	(1,503)
At 31st December	133,696	11,273	14,435	13,242	148,131	24,515

Deferred income tax assets are recognised for tax loss carried forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group have no unrecognised tax losses amounted as at 31st December 2015 (2014: Same).

30 INCOME TAX PAYABLE AND OTHER TAXES PAYABLE

	2015	**2014**
	RMB'000	*RMB'000*
Income tax payable:		
Corporate income tax	23,421	26,521
Other taxes payable:		
Value added tax	9,351	3,422
Cultural and development tax	5,382	1,555
Other taxes	8,538	10,380
	23,271	15,357

31 OTHER INCOME

	2015	**2014**
	RMB'000	*RMB'000*
Government grants	4,374	9,706

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

32 EXPENSES BY NATURE

	2015	2014
	RMB'000	*RMB'000*
Direct expenses of trade catalogues and yellow page directories	10,785	18,970
Direct expenses of online services	7,220	3,094
Direct expenses of seminars and other services	52,404	42,465
Direct expense of anti-counterfeiting products and services	25,104	7,904
Agency cost	106,607	166,262
Marketing expenses	142,933	71,472
Network and telephone expenses	18,057	15,731
Auditor's remuneration	3,052	2,886
– Audit services	2,490	2,123
– Non audit services	562	763
Employee benefits expenses *(Note 33)*	300,399	224,020
Staff commission	71,147	86,326
Amortisation of land use rights *(Note 6)*	428	428
Amortisation of intangible assets *(Note 10)*	24,189	1,498
Depreciation of property, plant and equipment *(Note 9)*	29,615	29,886
Fair value loss on financial assets at fair value through profit or loss	1,500	–
Provision for impairment and write off of trade receivables *(Note 11)*	8,212	5,390
Bargain purchase from business combination	–	(38)
Loss/(gain) on disposal of property, plant and equipment *(Note 39)*	185	(86)
Operating lease payments in respect of land and buildings	29,243	19,887
Impairment of prepayment of land use rights	–	21,600
Professional fee	10,511	8,743
Travelling expenses	15,424	11,030
Exchange loss	10,448	1,469
Other expenses	25,150	43,470
Total cost of revenue, selling and marketing expenses and administrative expenses	892,613	782,407

33 EMPLOYEE BENEFITS EXPENSES

	2015	2014
	RMB'000	*RMB'000*
Wages and salaries	230,542	173,512
Retirement benefits costs *(a)*	40,626	20,596
Share based compensation – share option scheme	13,236	17,441
Share based compensation – share award scheme	15,995	12,471
	300,399	224,020

The employee benefits expenses amounting to RMB1,766,000 (2014: RMB2,523,000), RMB114,868,000 (2014: RMB94,024,000) and RMB183,765,000 (2014: RMB127,473,000) are recognised in cost of revenue, administrative expenses and selling and marketing expenses, respectively in the consolidated statement of comprehensive income.

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

As at 31st December 2015, there were no forfeited contributions available to offset future retirement benefit obligations of the Group.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include two (2014: three) directors whose emolument is reflected in the analysis presented above. The emoluments paid and payable to the three (2014: two) individuals during the year are as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	3,572	1,793
Retirement plan contributions	90	45
	3,662	1,838

The emoluments for these three individuals (2014: two) fell within the following bands:

	Number of individuals	
	2015	**2014**
Nil to HKD1,000,000	1	–
HKD1,000,001 to HKD1,500,000	1	2
HKD1,500,001 to HKD2,000,000	–	–
HKD2,000,001 to HKD2,500,000	1	–

(c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals mentioned above as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: Nil).

34 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' and chief executive's emoluments

The remuneration of every director and chief executive for the year ended 31st December 2014 and 2015 is set out below:

For the year ended 31st December 2015	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							
Name	Fees	Salary	Housing allowance and discretionary bonuses	Estimated money value of other benefit	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Guo Fansheng	–	600	–	–	71	–	–	671
Mr. Guo Jiang	–	600	–	5,011	71	–	–	5,682
Mr. Lee Wee Ong	–	720	–	1,236	–	–	–	1,956
Mr. Zhang Ke	100	–	–	–	–	–	–	100
Mr. Xiang Bing	100	–	–	–	–	–	–	100
Mr. Zhang Tim Tianwei	100	–	–	–	–	–	–	100

Certain of the comparative information of directors' emoluments for the year ended 31st December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

For the year ended 31 December 2014 (Restated):

Name	Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking							
	Fees	Salary	Housing allowance and discretionary bonuses	Estimated money value of other benefit	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Guo Fansheng	–	600	–	–	64	–	–	664
Mr. Guo Jiang	–	600	–	5,011	64	–	–	5,675
Mr. Lee Wee Ong	–	720	–	2,850	–	–	–	3,570
Mr. Yang Ning *(Note a)*	–	820	–	1,631	64	–	–	2,515
Mr. Zhang Ke	100	–	–	–	–	–	–	100
Mr. Xiang Bing	100	–	–	–	–	–	–	100
Mr. Zhang Tim Tianwei	100	–	–	–	–	–	–	100

Note:

(a) Resigned on 30th March 2015.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2014: Nil).

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2014: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31st December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31st December 2015, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors (2014: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

35 FINANCE (COST)/INCOME, NET

	2015	2014
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	(16,400)	(5,626)
– Other borrowings	(1,530)	(5,690)
– Issued convertible bonds *(Note 28)*	(42,805)	(3,960)
– Finance lease liabilities	(253)	(341)
Finance cost	(60,988)	(15,617)
Less: amounts capitalised on qualifying assets	13,186	10,666
Total finance cost	(47,802)	(4,951)
Finance income		
Interest income:		
– Short-term bank deposits	25,748	30,095
– Other loan receivables from an associate	2,586	–
– Other loan receivables from a joint venture	3,880	156
– Others	11,162	1,528
Finance income	43,376	31,779
Net finance (cost)/income	(4,426)	26,828

Finance costs of the loans used to finance the O2O business exhibition centre development projects have been capitalised in properties under development and investment properties, at a capitalisation rate of 7.46% during the year (2014: 7.59%).

36 INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current income tax expense		
– Hong Kong profits tax *(Note a)*	–	–
– The PRC Corporate income tax ("CIT") *(Note b)*	26,758	40,394
Deferred income tax credit *(Note 29)*	(16,490)	(2,567)
	10,268	37,827

(a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2014: 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 certain subsidiaries of the Group in the PRC that were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for a 3-year period from 2015 to 2018 according to the applicable CIT Law.

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:

	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	33,326	221,088
Tax calculated at 25% (2014: 25%)	8,332	55,272
Effect of different taxation rates in other cities/ under preferential tax treatment	(18,125)	(22,369)
Expenses not deductible for tax purposes	20,061	4,924
Income tax expense	10,268	37,827

37 EARNINGS PER SHARE

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	52,552	187,633

	2015	2014
	No. of shares ('000)	*No. of shares ('000)*
Weighted average number of shares in issue	755,356	662,209
Incremental shares from assumed exercise of share options granted	18,583	25,376
Diluted weighted average number of shares	773,939	687,585
Basic earnings per share (in RMB)	0.0696	0.2833
Diluted earnings per share (in RMB)	0.0679	0.2729

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. Since diluted earnings per share is increased when taking into account the convertible bond, the convertible bond is anti-dilutive and is ignored in the calculation of diluted earnings per share.

38 DIVIDENDS

No dividend was paid or declared by the Company during the year (2014: 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 years ended 31st December 2015 and 31st December 2014, respectively.

39 CASH GENERATED FROM OPERATIONS

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

	2015	**2014**
	RMB'000	*RMB'000*
Profit before income tax	33,326	221,088
Adjustments for:		
Depreciation of property, plant and equipment *(Note 9)*	29,615	29,886
Amortisation of intangible assets *(Note 10)*	24,189	1,498
Provision for impairment of trade receivables *(Note 11)*	8,212	5,390
Provision for impairment of prepayment of land use right	–	21,600
Amortisation of land use rights	428	428
Share based compensation – value of employee services *(Note 33)*	29,231	29,912
Loss/(gain) on disposal of property, plant and equipment *(Note b)*	185	(86)
Finance income *(Note 35)*	(43,376)	(31,779)
Finance expense *(Note 35)*	47,802	4,951
Share of profit from investments accounted for using equity method *(Notes 13)*	(9,853)	(324)
Operating profit before working capital changes	119,759	282,564
Changes in working capital:		
Additions of properties under development	(311,268)	(151,147)
Changes in trade receivables	(15,016)	(13,739)
Changes in deposits, prepayments and other receivables	(37,349)	(24,211)
Changes in amount due from a related company	–	1,622
Changes in financial assets at fair value through profit or loss	1,500	–
Changes in finance lease receivables	(92,846)	–
Changes in inventories	(2,553)	674
Changes in direct selling costs	8,430	22,607
Changes in trade payables	(821)	(3,386)
Changes in accrued expenses and other payables	43,800	2,456
Changes in deferred revenue	(104,593)	(130,987)
Changes in receipt in advance	622,571	519,532
Changes in other tax payable	3,993	(2,454)
Net cash generated from operations	235,607	503,531

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

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

	2015	2014
	RMB'000	*RMB'000*
Net book amount:		
Property, plant and equipment *(Note 9)*	2,380	734
(Loss)/gain on disposal of property, plant and equipment *(Note 32)*	(185)	86
Proceeds from disposal of property, plant and equipment	2,195	820

40 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	1,500	594
Investment properties and properties under development	47,292	88,291
	48,792	88,885

(b) Financial commitments

Financial commitments at the end of the year are analysed as follows:

	2015	2014
	RMB'000	*RMB'000*
Acquisition of a subsidiary *(Note i)*	58,711	–
Acquisition of available-for-sale financial asset *(Note ii)*	325,985	–
Investment in subsidiaries, joint ventures and associates	156,028	154,000
	540,724	154,000

(i) Acquisition of a subsidiary – Zhongfu Holdings Limited

On 3rd July 2015, the Group has entered into a letter of intent, in which the Group has intended to enter into a share purchase agreement with 杭州賽點科技有限公司 (Hang Zhou Sai Dian Technology Company Limited*), 浙江浩遠創業投資有限公司 (Zhejiang Hao Yuan Chuang Ye Investment Company Limited*), Mr. Chen Xue Jun, Mr. He Shun Sheng and Mr. Cao Guo Xiong, to acquire approximately 80.38% of the equity interest of 浙江中服網絡科技有限公司 (Zhe Jiang Zhong Fu Interest Technology Company Limited*), a company incorporated in the PRC.

On 18th December 2015, Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr Moustache Holdings Limited (collectively, the "Sellers"), the Company, and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠), and Mr. Liao Bin (廖斌) (collectively, the "Seller Guarantors") entered into the sale and purchase agreement, pursuant to which the Sellers has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of ZhongFu Holdings Limited, which in turn held 80.38% of the equity interest of Zhe Jiang Zhong Fu Interest Technology Company Limited, for an aggregate consideration of HK$170,807,500. Pursuant to the sale and purchase agreement, part of the consideration shall be settled in cash amounting HK$70,095,000 and the remaining shall be paid by issuance and allotment of the convertible bonds which are subject to downward adjustments stipulated in the sale and purchase agreement to each of the Sellers.

The completion of the transactions contemplated under the sale & purchase agreement took place on 8th January 2016 in accordance with the terms of the sale & purchase agreement.

The acquiree is principally engaged in the provision of vertical websites in the garment industry in the PRC. It holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), www.5143.cn (服裝加盟網), www.nynet.com.cn (中國內衣網) and www.kidsnet.cn (童裝加盟網), which are internet portals mainly providing information on fashion brands, finished garment products (such as men's wear, women's wear, children's wear, underwear, shoes, leather goods, down jackets and others), fabrics, ancillary materials (such as buttons, zippers), textile equipment (such as sewing machines, cutting machines, stitching machines, printing machines, automated systems) to business users (such as manufacturers, wholesalers, traders, department stores, shopping malls) in the garment industry.

* *English name are translated for identification purpose only*

(ii) ***Acquisition of available-for-sale financial asset – Hohhot Jingu***

On 7th December 2015, HC Internet Information Technology Company Limited ("HC Internet"), a wholly-owned subsidiary of the Group ("the Subscriber"), entered into the subscription agreement (the "Subscription Agreement") with 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*) ("Hohhot Jingu"), pursuant to which HC Internet has conditionally agreed to subscribe for 108,661,533 of Hohhot Jingu (subject to adjustment under the terms of the Subscription Agreement) (the "Subscription Share(s)") of Hohhot Jingu (subject to adjustment under the terms of the Subscription Agreement) (the "Subscription Share") at the subscription price of RMB3 per Subscription Share. The consideration for the said subscription is RMB325,984,599 (subject to adjustment under the terms of the Subscription Agreement), which shall be settled by HC Internet in cash.

Assuming there is no adjustment of the subscription plan, the Subscription Shares represent approximately 13.94% of the existing issued share capital of Hohhot Jingu and approximately 8.49% of Hohhot Jingu's entire issued share capital as enlarged by the capital increase. Assuming there is no Adjustment, upon completion of the Subscription, the Subscriber will, together with the 19,300,000 shares of Hohhot Jingu acquired by it through the Acquisition, own 127,961,533 shares of Hohhot Jingu, representing approximately 10.00% of Hohhot Jingu's entire issued share capital as enlarged by the Capital Increase.

Upon completion of the further acquisition, the investment will be recorded as available-for-sale asset measured at fair value under non-current assets.

As at the date of this report, the subscription has not yet been completed.

* *English name are translated for identification purpose only*

(c) Commitments under operating leases

At 31st December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2015	**2014**
	RMB'000	*RMB'000*
Within one year	25,624	13,132
In the second to fifth year inclusive	35,849	14,991
Over the fifth year	5,326	–
	66,799	28,123

41 CONTINGENT LIABILITIES

As at 31st December 2015, there were no material contingent liabilities to the Group (2014: Nil).

42 FINANCIAL GUARANTEES

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 31 December 2015, the amount of outstanding guarantees for mortgages were approximately RMB461,066,000 (2014: RMB323,209,000).

The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

43 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current asset			
Investments in subsidiaries		1,308,553	1,956
		1,308,553	1,956
Current assets			
Loan to a subsidiary		885,660	1,151,769
Cash and cash equivalents		–	5
		885,660	1,151,774
Total assets		2,194,213	1,153,730
EQUITY			
Capital and reserves			
Share capital		85,090	66,465
Other reserves	*(a)*	1,688,035	639,232
Accumulated losses	*(a)*	(179,610)	(106,516)
Total equity		1,593,515	599,181
LIABILITIES			
Non-current liability			
Issued convertible bond – liability component		600,225	553,956
		600,225	553,956
Current liability			
Accrued expenses and other payables		473	593
Total liabilities		600,698	554,549
Total equity and liabilities		2,194,213	1,153,730

The financial statements were approved by the Board of Directors on 30 March 2016 and were signed on its behalf.

GUO Jiang
Director

LEE Wee Ong
Director

(a) Reserve movement of the Company

	Accumulated losses *RMB'000*	Other reserves *RMB'000*
At 1 January 2014	(75,133)	582,910
Loss for the year	(31,383)	–
Share based compensation – value of employee services	–	29,912
Convertible bond – equity component	–	50,858
Exercise of share options	–	6,353
Currency translation differences	–	47
Shares purchased for share award scheme	–	(30,848)
At 31 December 2014	(106,516)	639,232
Loss for the year	(73,094)	–
Issuance of new shares	–	1,063,819
Share based compensation – value of employee services	–	29,231
Exercise of share options	–	1,951
Currency translation differences	–	(46,198)
At 31 December 2015	(179,610)	1,688,035

44 RELATED-PARTY TRANSACTIONS

Apart from the transactions already disclosed in other notes in these financial statements, the Group has the following significant transactions that were carried out with related parties:

(a) Sales of services

	2015 *RMB'000*	**2014** *RMB'000*
Sales of services		
– 北京慧聰建設信息諮詢有限公司 (technology services) *(i)*	–	158
– 北京慧聰建設信息諮詢有限公司 (be granted the right to use the domain names and trademark) *(ii)*	–	180
	–	338

(i) 北京慧聰建設信息諮詢有限公司 ("HC Construction"), a company owned as to 50% by Mr. Guo Fansheng, the Chairman of the Board and an Executive Director of the Company and as to 50% by Mr. Guo Jiang, an Executive Director and the chief executive officer of the Company, entered into a three-year Technology Services Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the Technology Services Agreement to 31st December 2007 and on 30th December 2007, 2009, 2011, and 15th September 2014, the parties entered into another supplemental agreement which extended the term of the Technology Services Agreement to 31st December 2009, 2011, 2014 and 15th September 2017 respectively.

Pursuant to the Technology Service Agreement (as supplement), the Group received technical service income from HC Construction based on the working hours devoted to the service and support.

(ii) HC Construction entered into a three-year Domain Names and Trademark Licence Agreement with the Group in 2002, and on 31st December 2004, the parties entered into a supplemental agreement which extended the term of the Domain Names and trademark Licence Agreement to 31st December 2007 and on 30th December 2007, 2009, 2011, and 15th September 2014, the parties entered into another supplemental agreement which extended the term of the Domain Names and Trademark Licence to 31st December 2009, 2011, 2014 and 15th September 2017 respectively.

Pursuant to the Domain Names and Trademark Licence Agreement (as supplemented), HC Construction was granted the right to use the domain names and trademark owned or attained by the Group during the agreement period for a fixed fee.

Since 15th September 2014, the financial condition and results of operation of HC Construction are consolidated into the Group, the transactions with HC Construction are no longer related party transactions of the Group.

(b) Purchases of services

	2015	**2014**
	RMB'000	*RMB'000*
Purchases of services:		
– 北京慧聰建設信息諮詢有限公司		
(online information distribution services) *(i)*	–	180
– 北京慧聰建設信息諮詢有限公司		
(online advertisement publication services) *(ii)*	–	75
	–	255

(i) HC Construction entered into a three-year Online Information Distribution Agreement with the Group in 2002, and on 31st December 2004, 2007, 2009, 2011, and 15th September 2014, the parties entered into a supplemental agreement which extended the term of the Online Information Distribution Agreement to 31st December 2007, 2009, 2011, 2014 and 15th September 2017 respectively.

Pursuant to the Online Information Distribution Agreement (as supplement), HC Construction received distribution income from the Group at a fixed rate per annum. It disseminated the Group's business information and research reports on its web-site and on those as stipulated by the Group.

(ii) HC Construction entered into a three-year Online Advertisement Publication Agreement with the Group in 2002, and on 31st December 2004, 2007, 2009, 2011, and 15th September 2014, the parties entered into supplemental agreements which extended the term of Online Advertisement Publication Agreement to 31st December 2007, 2009, 2011, 2014 and 15th September 2017 respectively.

Pursuant to the Online Advertisement Publication Agreement (as supplement), HC Construction received publication income from the Group at a fixed fee. It published the Group's advertisements on its website and on those as stipulated by the Group.

Since 15th September 2014, the financial condition and results of operation of HC Construction are consolidated in to that of the Group, the transactions with HC Construction are no longer related party transactions of the Group.

(c) **Key management compensation**

	2015	2014
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	5,960	5,262
Share-based payments	7,277	9,667
	13,237	14,929

45 EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

(a) **Issuance of zero coupon convertible bond**

On 9th December 2015, the Company entered into the subscription agreement with agreement with Mr. Guo Jiang (the chief executive officer of the Company and an executive Director), Mr. Lee Wee Ong (an executive Director and chief financial officer of the Company), Mr. Liu Jun (a director of a non-wholly owned subsidiary of the Company) and Mr. Liu Xiaodong (a shareholder of the Company ("Shareholder") and a director of several subsidiaries of the Company) (collectively, the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds with an aggregate principal amount of HK$500,000,000 to be issued by the Company under the specific mandate of the Company.

The specific mandate was duly passed by the independent shareholders at the extraordinary general meeting held on 1st February 2016.

As at the date of this report, the transaction has not yet been completed.

(b) **Acquisition of available for sales financial asset – Shanghai Ganyin**

On 15th January 2016, 北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd*) ("Zaichuang Technology"), an indirect wholly-owned subsidiary of the Company (the "Subscriber"), entered into the Subscription Agreement with 上海鋼銀電子商務股份有限公司 (Shanghai Gangyin E-Commerce Co., Ltd*) ("Shanghai Gangyin"), pursuant to which the Zaichuang Technology has agreed to subscribe for 22,000,000 shares of RMB1 each in the share capital of Shanghai Gangyin at the subscription price of RMB4.5 per subscription share at a consideration of RMB99,000,000 to be settled in cash. The investment from the Group represents 2.85% of the issued shares of Jingu at the acquisition date.

Upon completion of the acquisition, the financial result will be recorded as available-for-sale asset measured as fair value under non-current assets.

Shanghai Gangyin is principally engaged in the provision of e-commerce services for the trade of iron and steel commodities. Through operating a third party platform, 鋼銀平臺 (Gangyin Platform*) (www.banksteel.com), Shanghai Gangyin provides upstream and downstream enterprises in the iron and steel industry with a package solution to e-commerce.

(c) Possible transaction with Shanghai Ganglian E-Commerce Holdings Co., Ltd

The Company is in preliminary discussion with 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd*) ("Shanghai Ganglian") in relation to a possible transaction which may involve disposal of the entire equity interest in 北京知行銳景科技有限公司 (Beijing Zhixing Ruijing Technology Company Limited*), a wholly-owned subsidiary of the Company, to achieve the purpose of disposing certain assets of the Group which own and operate the domain names www.zol.com.cn (中關村在線) and www.zol.com (中關村商城) by the Group to Shanghai Ganglian, in exchange for cash and/or certain equity interest in Shanghai Ganglian (the "Possible Transaction"). Shanghai Ganglian is a company established under the laws of the People's Republic of China, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300226).

As at the date of this report, no binding material term concerning the Possible Transaction has been agreed and the Company has not entered into any definitive agreement in relation to the Possible Transaction.

* *English name are translated for identification purpose only*

3. FINANCIAL INFORMATION OF THE COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2016

The following financial information is extracted from the full text of the unaudited interim results announcement of the Company for the six months ended 30 June 2016. The Company has no exceptional or extraordinary items during the period.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30th June	
		2016	**2015**
	Note	*RMB'000*	*RMB'000*
Revenue	*3*	465,769	391,052
Cost of revenue	*4*	(46,649)	(34,211)
Gross profit		419,120	356,841
Other income		5,539	2,080
Other gains		32,563	–
Selling and marketing expenses	*4*	(311,968)	(229,511)
Administrative expenses	*4*	(138,193)	(99,124)
Operating profit		7,061	30,286
Finance (cost)/income, net	*5*	(8,344)	5,040
Share of post-tax losses of associates		(4,560)	(2,493)
Share of post-tax profits of joint ventures		11,244	9,127
Profit before income tax		5,401	41,960
Income tax credit/(expense)	*6*	3,338	(7,977)
Profit for the period		8,739	33,983
Other comprehensive income and item that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets		50,694	164,358
Fair value release on disposal of available-for-sale financial assets		(19,307)	–
Currency translation difference		(9,335)	821
Total comprehensive income for the period		30,791	199,162

	Note	Unaudited Six months ended 30th June 2016 RMB'000	2015 RMB'000
Profit attributable to:			
– Equity holders of the Company		29,048	41,131
– Non-controlling interests		(20,309)	(7,148)
		8,739	33,983
Total comprehensive income attributable to:			
– Equity holders of the Company		51,100	206,310
– Non-controlling interests		(20,309)	(7,148)
		30,791	199,162
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share:	7	0.0315	0.0616
Diluted earnings per share:	7	0.0312	0.0599

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	9	173,777	176,145
Investment properties	9	592,756	510,551
Property, plant and equipment	9	299,454	291,073
Intangible assets	9	1,545,415	1,461,722
Long-term deposits, prepayments and other receivables	11	120,261	74,989
Non-current portion of finance leases receivables		24,000	24,000
Deferred income tax assets		25,680	17,271
Investments accounted for using equity method		543,400	518,716
Available-for-sale financial assets		510,865	421,690
Financial assets at fair value through profit or loss		3,800	5,100
Total non-current assets		3,839,408	3,501,257
Current assets			
Properties under development		750,734	670,683
Direct selling costs		125,639	105,316
Current portion of finance leases receivables		74,998	68,846
Deposits, prepayments and other receivables	11	877,100	435,372
Trade receivables	11	128,871	111,794
Inventories		5,641	3,073
Financial assets at fair value through profit or loss		3,041	–
Cash and cash equivalents		676,026	790,701
Total current assets		2,642,050	2,185,785
Total assets		6,481,458	5,687,042
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		94,414	85,090
Other reserves		2,378,149	1,976,484
Retained earnings		434,407	405,359
		2,906,970	2,466,933
Non-controlling interests		145,772	132,013
Total equity		3,052,742	2,598,946

	Note	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Non-current portion of finance lease obligations		37	249
Non-current portion of bank borrowings	12	169,300	20,000
Non-current portion of other borrowings	12	26,879	26,597
Deferred government grants		188,515	195,048
Deferred income tax liabilities		159,098	148,131
Receipt in advance	14	53,237	53,237
Issued convertible bonds – liability portion		618,705	600,225
Total non-current liabilities		1,215,771	1,043,487
Current liabilities			
Current portion of finance lease obligations		500	734
Trade payables	13	7,163	3,618
Accrued expenses and other payables		104,889	148,935
Deferred revenue		281,170	267,154
Current portion of bank borrowings	12	489,854	479,760
Current portion of other borrowings	12	1,478	952
Deferred government grants		12,581	7,898
Receipt in advance	14	1,237,308	1,088,866
Other taxes payables		16,830	23,271
Income tax payables		23,572	23,421
Financial liability at fair value through profit or losses		37,600	–
Total current liabilities		2,212,945	2,044,609
Total liabilities		3,428,716	3,088,096
Total equity and liabilities		6,481,458	5,687,042

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Unaudited Attributable to equity holders of the Company				
	Share capital	Other reserves	Retained earnings	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1st January 2016	85,090	1,976,484	405,359	132,013	2,598,946
Profit for the period	–	–	29,048	(20,309)	8,739
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of deferred tax	–	50,694	–	–	50,694
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	–	(19,307)	–	–	(19,307)
Currency translation difference	–	(9,335)	–	–	(9,335)
Total comprehensive income for the period ended 30th June 2016	–	22,052	29,048	(20,309)	30,791
Transactions with owners:					
Share based compensation-value of employee services	–	14,623	–	–	14,623
Exercise of share options	1,279	10,429	–	–	11,708
Issuance of shares upon conversion of convertible bonds	8,045	304,561	–	–	312,606
Non-controlling interest arising on business combination	–	–	–	14,085	14,085
Contribution from non-controlling shareholders of subsidiaries	–	–	–	16,650	16,650
Change in ownership interest in subsidiary without change of control	–	50,000	–	3,333	53,333
Balance as at 30th June 2016	94,414	2,378,149	434,407	145,772	3,052,742

	Unaudited Attributable to equity holders of the Company				
	Share capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance as at 1st January 2015	66,465	741,008	352,807	154,887	1,315,167
Profit for the period	–	–	41,131	(7,148)	33,983
Other comprehensive income:					
Fair value gains on available-for-sale financial assets, net of deferred tax	–	164,358	–	–	164,358
Currency translation difference	–	821	–	–	821
Total comprehensive income for the period ended 30th June 2015	–	165,179	41,131	(7,148)	199,162
Transactions with owners:					
Share based compensation-value of employee services	–	14,775	–	–	14,775
Exercise of share options	52	612	–	–	664
Contribution from non-controlling shareholders of subsidiaries	–	–	–	620	620
Balance as at 30th June 2015	66,517	921,574	393,938	148,359	1,530,388

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

During the six months ended 30th June 2016, retained earnings amounted approximately RMB3,498,000 (30th June 2015: RMB6,287,000) had been transferred to the statutory reserves. As at 30th June 2016, retained earnings comprise statutory reserve fund amounting to RMB67,414,000 (30th June 2015: RMB52,730,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The core business of the Group is to organise a business-to-business ("B2B") community across China by providing business information through both on-line and offline channels.

The Group is principally engaged in the following activities in China:

– Providing industrial search result prioritising services through its B2B website "hc360.com" and offering comprehensive IT-related product information by "zol.com.cn"; and providing trading and agency services through its O2O trading platform "ibuychem.com";

– Publishing its own trade catalogues and yellow page directories;

– Hosting exhibitions and seminar;

– Providing anti-counterfeiting products and services to enterprises;

– Engaging in micro-credit internet financing business through its joint venture;

– Providing lease financing services;

– In the process of constructing O2O business exhibition centres.

During the period ended 30th June 2016, the Group completed the acquisition of the entire issued share capital of Zhongfu Holdings Limited, which in turn held 80.38% equity interest of 浙江中服網絡科技有限公司 ("Zhejiang Zhongfu Internet Technology Company Limited") ("浙江中服"). 浙江中服 is principally engaged in the provision of vertical websites in the garment industry in the PRC. It holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), www.5143.cn (服裝加盟網), www.nynet.com.cn (中國內衣網) and www.kidsnet.cn (童裝加盟網), which are internet portals mainly providing information on fashion brands, finished garment products (such as men's wear, women's wear, children's wear, underwear, shoes, leather goods, down jackets and others), fabrics, ancillary materials (such as buttons, zippers), textile equipment (such as sewing machines, cutting machines, stitching machines, printing machines, automated systems) to business users (such as manufacturers, wholesalers, traders, department stores, shopping malls) in the garment industry.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 4th Floor, One Capital Place, P.O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited since 10th October 2014.

The condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on 16th August 2016.

This condensed consolidated interim financial information has not been audited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

3 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 Executive Directors assess the performance of the operating segments based on a measure of profit/(loss) before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

As at 30th June 2016, the Group is organised into the following business segments:

(i) Online services – provision of a reliable platform to customers to do business and meet business partners on-line and providing online to offline trading and agency services through its O2O platform on chemical and plastic materials in the PRC.

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

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

(iv) O2O business exhibition centre – sales of properties and provision of property rental and management services.

(v) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprise.

(vi) Financing services – engaged in micro-credit internet financing business and lease in the PRC.

There were no sales or other transactions between the business segments for the period ended 30th June 2016 and 2015.

	Unaudited Six months ended 30th June 2016						
	Trade catalogues and yellow page directories	On-line services	Seminars and other services	O2O business exhibition centre	Anti-counterfeiting products and services	Financing services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6,124	387,893	46,243	–	22,667	2,842	465,769
Segment results*	(3,088)	1,744	1,597	(25,583)	(8,452)	2,741	(31,041)
Share of post-tax losses of associates	–	(2,179)	–	(2,434)	53	–	(4,560)
Share of post-tax profits of joint ventures	–	–	–	–	–	11,244	11,244
Other income							5,539
Other gains							32,563
Finance cost, net							(8,344)
Profit before income tax							5,401
Depreciation and amortisation	200	36,250	3,665	133	284	–	40,532
Share based compensation expenses	252	13,016	1,053	110	192	–	14,623

* including B2B 2.0 related expense of approximately RMB73 million.

	Unaudited Six months ended 30th June 2015						
	Trade catalogues and yellow page directories	On-line services	Seminars and other services	O2O business exhibition centre	Anti-counterfeiting products and services	Financing services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	8,447	315,936	37,061	–	29,608	–	391,052
Segment results	(2,129)	36,318	1,438	(9,827)	2,406	–	28,206
Share of post-tax losses of associates	–	27	–	(2,520)	–	–	(2,493)
Share of post-tax profits of joint ventures	–	–	–	–	–	9,127	9,127
Other income							2,080
Finance income, net							5,040
Profit before income tax							41,960
Depreciation and amortisation	277	14,232	1,343	274	3,292	–	19,418
Share based compensation expenses	338	12,653	1,484	104	196	–	14,775

The Group is domiciled in the PRC. All revenues for the six months ended 30th June 2016 are from external customers in the PRC (six months ended 30th June 2015: same).

4 **Expenses by nature**

Expenses including cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	Unaudited Six months ended 30th June	
	2016	**2015**
	RMB'000	*RMB'000*
Direct expenses of trade catalogues and yellow page directories	1,743	4,702
Direct expenses of on-line services	23,341	1,445
Direct expenses of seminars and other services	9,952	14,668
Direct expenses of anti-counterfeiting products and services	11,613	13,396
Agency costs	43,793	51,789
Marketing expenses	91,767	45,647
Network and telephone expenses	8,911	7,624
Auditor's remuneration		
– Audit services	1,659	1,224
– Non audit services	252	201
Other professional fees	11,501	7,587
Employee benefits expenses, including directors' emoluments	197,147	138,324
Amortisation of land use rights	213	214
Amortisation of intangible assets	25,077	3,010
Share based compensation expenses	14,623	14,775
Depreciation of property, plant and equipment	15,242	16,194
(Reversal of)/Provision for impairment and direct write-off of trade and other receivables	(1,206)	1,957
(Gain)/Loss on disposal of property, plant and equipment	(53)	104
Operating lease payments in respect of land and buildings	17,080	11,755
Travelling expenses	4,321	5,048
Other expenses	19,834	23,182
Total cost of revenue, selling and marketing expenses and administrative expenses	496,810	362,846

5 Finance (cost)/income, net

	Unaudited Six months ended 30th June	
	2016	**2015**
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	(14,967)	(6,214)
– Other borrowings	(1,142)	(672)
– Issued convertible bonds	(22,770)	(20,771)
– Finance lease obligations	(70)	(139)
Finance expenses	(38,949)	(27,796)
Less: amounts capitalised on qualifying assets	4,734	6,156
Total finance expenses	(34,215)	(21,640)
Finance income	25,871	26,680
Finance (cost)/income, net	(8,344)	5,040

6 Income tax credit/(expense)

	Unaudited Six months ended 30th June	
	2016	**2015**
	RMB'000	*RMB'000*
Current income tax expense		
– Hong Kong profits tax (i)	–	–
– The PRC corporate income tax ("CIT") (ii)	(10,893)	(9,150)
Deferred income tax credit	14,231	1,173
	3,338	(7,977)

(i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2015: Nil).

(ii) 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 certain subsidiaries the PRC granted with preferential tax treatment as High/New Technology Enterprise of which the applicable tax rates is 15% for a period from 2015 to 2018 according to the applicable CIT law.

7 Earnings per share

	Unaudited Six months ended 30th June	
	2016	**2015**
	RMB'000	*RMB'000*
Profit attributable to equity holders	29,048	41,131

	Unaudited Six months ended 30th June	
	2016	**2015**
	No. of Shares	*No. of Shares*
	'000	*'000*
Weighted average number of shares in issue	922,693	667,478
Incremental shares from assumed exercise of share options granted	8,716	19,407
Diluted weighted average number of shares	931,409	686,885

	Unaudited Six months ended 30th June	
	2016	**2015**
	No. of Shares	**No. of Shares**
	'000	*'000*
Basic earnings per share (in RMB)	0.0315	0.0616
Diluted earnings per share (in RMB)	0.0312	0.0599

8 Dividends

No dividends was paid or declared by the Company during the period (2015: Nil).

9 Property, plant and equipment, land use rights, investment properties, intangible assets and goodwill

	Property, plant and equipment *RMB'000*	Land use rights *RMB'000*	Investment Properties *RMB'000*	Intangible assets *RMB'000*	Goodwill *RMB'000*
Opening net book amount as at 1st January 2016	291,073	176,145	510,551	431,161	1,030,561
Additions	25,545	–	77,683	444	–
Acquisition of subsidiaries	1,281	–	–	69,900	38,426
Interest capitalised	–	–	2,367	–	–
Disposals	(1,353)	–	–	–	–
Depreciation and amortisation	(15,242)	(213)	–	(25,077)	–
Government grant received	(1,850)	–	–	–	–
Amortisation charge capitalised in investment properties	–	(2,155)	2,155	–	–
Closing net book amount as at 30th June 2016	299,454	173,777	592,756	476,428	1,068,987
Opening net book amount as at 1st January 2015	296,052	180,882	194,974	55,373	50,314
Additions	10,233	–	137,384	–	–
Interest capitalised	–	–	3,078	–	–
Disposals	(3,214)	–	–	–	–
Depreciation and amortisation	(16,194)	(214)	–	(3,010)	–
Amortisation charge capitalised in investment properties	–	(2,155)	2,155	–	–
Closing net book amount as at 30th June 2015	286,877	178,513	337,591	52,363	50,314

10 Business combinations

Zhongfu Holdings Limited

On 18th December 2015, the Company entered into sale and purchase agreement with Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr. Moustache Holdings Limited (collectively, the "Sellers"), and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠), and Mr. Liao Bin (廖斌) (collectively, the "Seller Guarantors"), pursuant to which the Sellers has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of Zhongfu Holdings Limited, for an aggregate consideration of approximately HK$170,807,500 (equivalent to RMB144,573,000). Part of the consideration amounting approximately HK$70,095,000 (equivalent to RMB59,329,000) was settled in cash and the remaining portion was settled by issuance and allotment of convertible bonds which are subject to downward adjustments stipulated in the sale and purchase agreement. The convertible bond was recognised as a financial liability at fair value through profit or loss ("FLTPL"). The fair value of the FLTPL was estimated to be approximately RMB36,800,000 at the acquisition date.

On 5th January 2016, 杭州賽典信息科技有限公司 ("杭州賽典"), a wholly owned subsidiary of Zhongfu Holdings Limited, entered into a series of structured contracts, including Exclusive Right to Purchase Agreement; Authorisation Agreement; Management and Operations Agreement and Pledge Agreement (together, the as "Structured Contracts") with the shareholders of 杭州賽點科技有限公司 ("Hangzhou Saidian Technology") ("杭州賽點"), Mr. Guo Jiang (郭江), Mr. Chen Xuejun (陳學軍) (together the "PRC Equity Owners").

The shareholders of 杭州賽點 unconditionally and irrevocably authorise any individual designated by the Group to represent them in exercising all their rights as shareholders of 杭州賽點 including without limitation, to transfer all their equity interests, to determine the consideration for such transfer, to complete all relevant procedures regarding such transfer, to attend general meetings and exercise voting rights, to execute all such relevant documents, agreements and resolutions. In addition, if 杭州賽點 declares any dividend, bonus or adopts any proposal for distribution of profits, such dividends, bonus or economic benefits of all such proposal for distribution shall be delivered to the Group.

In accordance with the "Structured Contracts", the Group has acquired the control over 杭州賽點 as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the Hangzhou Saidian Technology's variable returns. The Group is also entitled to substantially all of the operating profits and residual interest generated by 杭州賽點.

杭州賽點 in turn held 80.38% of the equity interest of 浙江中服網絡科技有限公司 ("Zhejiang Zhongfu Internet Technology Company Limited") ("浙江中服"). On 8th January 2016, the Group fulfilled all the conditions precedent set out in the sale and purchase agreement. The acquisition of 100% of equity interest of Zhongfu Holdings Limited has been completed accordingly. Consequently, 浙江中服 has become a subsidiary of the Group with effect from 8th January 2016.

The results and financial position of Zhongfu Holdings Limited have been included in the consolidated financial statements of the Group from 8th January 2016.

The goodwill of approximately RMB38,426,000 arising from the acquisition is attributable the synergies and technical talent and economies of scale expected from combining the operations of the Group and 浙江中服. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Zhongfu Holdings Limited, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration: At 8th January 2016	*RMB'000*
Cash	59,329
Financial liability at fair value through profit or loss	36,800
Total consideration transferred	96,129
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10,300
Financial assets at fair value through profit or loss	704
Property, plant and equipment	1,281
Trade and other receivables	6,137
Intangible assets – Trade name and domain name	68,300
Intangible assets – Non-compete agreement	800
Intangible assets – Order backlog	800
Deferred revenue	(5,394)
Trade and other payables	(457)
Deferred tax assets	12
Deferred tax liabilities	(10,525)
Other tax liabilities	(170)
Total identifiable net assets	71,788
Non-controlling interest	(14,085)
Goodwill	38,426
	96,129

Acquisition-related costs of RMB778,000 have been charged to administrative expenses in the interim condensed consolidated income statement for the period ended 30th June 2016.

Performance Targets and adjustment mechanism

As set out in the sale and purchase agreement, the total consideration was approximately HK$170,807,500 (equivalent to RMB144,573,000). Part of the consideration amounting to approximately HK$70,095,000 (equivalent to RMB59,329,000) was settled in cash, while the remaining portion was settled by issuance and allotment of convertible bonds which is subject to downward adjustments on the basis of the Performance Targets to each of the Sellers. In the event that the Performance Targets are achieved in each of the Performance Undertaking Years, the following principal amounts of the Convertible Bonds will be allotted and issued to each of the Sellers:

Sellers	**Relevant Percentage**	**Principal amount of the Convertible Bonds to be allotted and issued to the relevant Sellers**	**Number of Conversion Shares (subject to downward adjustments) to be allotted and issued to the relevant Sellers**
Daxiong	5.53%	HK$5,569,401	556,940
Hanson	6.22%	HK$6,264,319	626,432
Richard	63.55%	HK$64,002,793	6,400,279
Grand Novel	19.35%	HK$19,487,869	1,948,787
Moustache	5.35%	HK$5,388,118	538,812

Pursuant to the Sale and Purchase Agreement, the Seller Guarantors jointly, severally and irrevocably covenant and undertake to the Company that the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu shall achieve the Performance Targets for the relevant Performance Undertaking Years:

Financial year	**Performance Targets**
Year ending 31st December 2016 ("First Performance Undertaking Year")	RMB10,000,000
Year ending 31st December 2017 ("Second Performance Undertaking Year")	RMB13,000,000
Year ending 31st December 2018 ("Third Performance Undertaking Year")	RMB16,900,000

By the end of each Performance Undertaking Year, the Company shall procure the Zhongfu Holdings Limited to prepare the audited consolidated financial statements of 浙江中服 (the "Audited Financial Statements") in accordance with HKFRS, and provide the Sellers with the Audited Financial Statements within 90 days from the end of the relevant Performance Undertaking Year.

If the audited consolidated distributable profit (after tax) of 浙江中服 ("Performance Target") cannot be achieved for a Performance Undertaking Year, (i) each of the Sellers must convert all or part(s) of the principal amount of its convertible bonds that will expire in the next financial year (the "Expiring CB") into conversion shares (in the following manner depending on the amount of the audited consolidated distributable profit (after-tax) of 浙江中服); and (ii) the Company shall have the right to redeem from each of the Sellers the remaining principal amounts of the Expiring CB at HK$1 plus any Expiring CB that has not been converted by the Sellers and cancel the same within 30 Business Days after the publication of the relevant Audited Financial Statement:

Audited consolidated distributable profit (after-tax) of 浙江中服	**Principal amount of Convertible Bonds to be converted into Conversion Shares (HK$)**	**Principal amount of the Convertible Bonds that the Company could redeem and cancel (HK$)**
First Performance Undertaking Year		
RMB10,000,000 or above	40,427,500	–
RMB9,000,000 (inclusive) to RMB9,999,999	36,394,280	4,033,220
RMB8,000,000 (inclusive) to RMB8,999,999	28,327,850	12,099,650
RMB7,000,000 (inclusive) to RMB7,999,999	16,228,200	24,199,300
RMB6,999,999 (inclusive) or below	–	40,427,500
Second Performance Undertaking Year		
RMB13,000,000 or above	30,142,500	–
RMB11,700,000 (inclusive) to RMB12,999,999	27,135,360	3,007,140
RMB10,400,000 (inclusive) to RMB11,699,999	21,121,070	9,021,430
RMB9,100,000 (inclusive) to RMB10,399,999	12,099,660	18,042,840
RMB9,099,999 (inclusive) or below	–	30,142,500
Third Performance Undertaking Year		
RMB16,900,000 or above	30,142,500	–
RMB15,210,000 (inclusive) to RMB16,899,999	27,135,360	3,007,140
RMB13,520,000 (inclusive) to RMB15,209,999	21,121,070	9,021,430
RMB11,830,000 (inclusive) to RMB13,519,999	12,099,600	18,642,840
RMB11,829,999 (inclusive) or below	–	30,142,500

As at 8th January 2016, a financial liability at fair value through profit or loss of approximately RMB36,800,000 in relation to this arrangement was recognised in the consolidated statement of financial position based on the contingent consideration arrangement.

As at 30th June 2016, the fair value of the contingent consideration was approximately RMB37,600,000, the change in the fair value amounted RMB800,000 was charged "other gains" in to the consolidated statement of comprehensive income.

The fair value of the contingent consideration arrangement was estimated by applying income approach which considers the probability that Seller Guarantor could complete the Performance Target and the market prices of the consideration share at the valuation date.

The key unobservable assumptions in calculating this profit are:

Assumption	
Risk-free rate	0.66%
Discount rate (pre-tax)	17.6%
Probability to achieve the performance target	80%

The revenue included in the consolidated statement of comprehensive income since 8th January 2016 contributed by 浙江中服 was RMB9,030,000. 浙江中服 also contributed profit (excluding amortisation expense of intangible assets and change in fair value of the contingent consideration) of RMB3,650,000 over the same period.

11 Trade receivables, deposits, prepayments and other receivables

	Unaudited 30th June 2016 *RMB'000*	**Audited 31st December 2015** *RMB'000*
Trade receivables *(Note a)*	137,036	121,165
Less: provision for impairment of trade receivables	(8,165)	(9,371)
Trade receivables – net	128,871	111,794
Deposits, prepayments and other receivables	967,610	481,366
Loans to employees	29,751	28,995
	1,126,232	622,155
Less: Non-current deposit, prepayments and other receivables	(120,261)	(74,989)
Current portion	1,005,971	547,166

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

	Unaudited 30th June 2016 *RMB'000*	**Audited 31st December 2015** *RMB'000*
Current to 90 days	104,156	92,106
91 to 180 days	16,948	14,733
181 to 365 days	7,590	9,911
Over 1 year	8,342	4,415
	137,036	121,165

The carrying amounts of trade receivables approximate their fair values.

12 Borrowings

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Non-current portion:		
Bank borrowings	169,300	20,000
Other borrowings	26,879	26,597
	196,179	46,597
Current portion:		
Bank borrowings	489,854	479,760
Other borrowings	1,478	952
	491,332	480,712
Total borrowings	687,511	527,309

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Opening amount as at 1st January	527,309	139,664
Additions of borrowings and interest	259,515	149,739
Repayments of borrowings and interest	(99,313)	(66,287)
Closing amount as at 30th June	687,511	223,116

Bank borrowings mature until 2018 and bear average interest rate of 5.9% per annum (31st December 2015: 5.5% per annum), part of which amounting to RMB160,000,000 are secured by certain properties and land use right with carrying value amounting to RMB300,638,000 (31st December 2015: RMB213,070,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. The borrowings are unsecured, mature until 2018 and bear average interest rate of 6.4% per annum (31st December 2015: 6.4% per annum).

The carrying amounts of borrowings approximate their fair values and are denominated in RMB.

The Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings	
	Unaudited 30th June 2016	**Audited 31st December 2015**	**Unaudited 30th June 2016**	**Audited 31st December 2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	489,854	479,760	1,478	952
Between 1 and 2 years	169,300	20,000	16,000	8,320
Between 2 and 5 years	–	–	10,879	18,277
	659,154	499,760	28,357	27,549

13 Trade payables

The aging analysis of the trade payables are as follows:

	Unaudited 30th June 2016	**Audited 31st December 2015**
	RMB'000	*RMB'000*
Current to 90 days	3,825	2,710
91 to 180 days	2,847	593
181 to 365 days	216	159
Over 1 year	275	156
	7,163	3,618

14 Receipt in advance

	Unaudited 30th June 2016	**Audited 31st December 2015**
	RMB'000	*RMB'000*
Non current	53,237	53,237
Current	1,237,308	1,088,866
	1,290,545	1,142,103

The amount represents deposits received from independent third parties on the presale of properties on O2O business exhibition centre under development.

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2016 being the latest practicable date for the purpose of this statement of indebtedness prior to the publication of this circular, the Group had the following outstanding indebtedness:

(a) bank borrowings of approximately RMB659,154,000 of which, the current portion of RMB489,854,000 will mature in next twelve months, and the remaining portion of RMB169,300,000 will mature between one to two years. Out of the total bank borrowings, bank borrowings of RMB160,000,000 are secured by certain properties and land use rights; and bank borrowings of RMB424,300,000 are guaranteed by a subsidiary, an associate company and a non-controlling owner of a subsidiary of the Group;

(b) unsecured and unguaranteed convertible bonds with carrying amount of approximately RMB618,705,000 with a total principal amount of HKD780,000,000 (equivalent to approximately RMB615,342,000);

(c) obligation under secured finance leases of approximately RMB537,000 (the finance leases are unguaranteed, of which, RMB500,000 have remaining term of less than one year, and the remaining portion of RMB37,000 have a remaining term of one to two years. The carrying amount of assets under the finance leases is RMB1,457,000);

(d) other borrowing due to a non-controlling owner of a subsidiary of the Group of approximately RMB28,357,000 of which, the current portion of RMB1,478,000 will mature in the next twelve months, and the remaining portion of RMB16,000,000 will mature between one to two years and RMB10,879,000 will mature between two to five years. The borrowings was unsecured and unguaranteed; and

(e) financial guarantees of approximately RMB356,074,000 provided to banks for mortgage loans made by the banks to the purchasers of property units sold by the Group.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at close of business on 30 June 2016.

Save as disclosed, the Directors confirmed that there has been no material changes in the indebtedness, contingent liabilities and commitments of the Group from 30 June 2016 up to the Latest Practicable Date.

5. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, in the absence of unforeseen circumstances and after taking into account the internal resources, the expected completion of the transactions and banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of this circular.

6. MATERIAL CHANGE

The Directors confirmed that, save and except as disclosed below, there was no material change in the financial and trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Group have been made up and up to the Latest Practicable Date:

(i) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group increased its selling and marketing expenses from approximately RMB229.5 million for the half year ended 30 June 2015 to approximately RMB312.0 million in the same period of 2016 which was mainly due to the increase of salaries and marketing expenses;

(ii) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group's profit attributable to equity holders had decreased to approximately RMB29.0 million for the six months ended 30 June 2016, decreased 29.4% from the same period last year;

(iii) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group had total borrowings amounting to approximately RMB688 million as at 30 June 2016 (including financial lease obligations), compared to RMB528 million as at 31 December 2015; and

(iv) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016, the Group had deposits, prepayments and other receivables amounting to approximately RMB968 million as at 30 June 2016, compared to RMB481 million as at 31 December 2015.

7. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the interim results announcement of the Company for the six months ended 30 June 2016, revenue was approximately RMB465.8 million, increased by approximately RMB74.7 million, or increased 19.1%, when compared to approximately RMB391.1 million recorded for the corresponding period in 2015. Profit attributable to equity holders of the Company was approximately RMB29.0 million during the first half year of 2016, while it was approximately RMB41.1 million in the same period of 2015, representing a decrease of 29.4%. The Board believes that the aforesaid decrease is mainly due to the adverse impact of ongoing economic transformation in the PRC and the continuous input of resources on B2B 2.0 related products and services. The overall expense related to B2B 2.0 that incurred during the first half of 2016, was RMB73 million, which was generally a results of team building, IT related R&D and structuring of B2B close-loop environment.

During the first half of 2016, small-size companies experienced operational challenges as their indicative PMI was in the contraction range of 44.4 to 47.9, and likewise, medium-size companies faced operational challenges in some extend as transitionally but adversely impacted by the ongoing national-wide economic transformation, where observed from their PMI, hovering around 48.1 to 50.4.

Besides overcoming operational challenges, cash-flow financing was another challenge faced by small and medium-size enterprises (SMEs). With evident from the cash position of RMB1.2 trillion held by China's large-size enterprises (excluding financial institutions) as of 30 June 2016, where cash and cash equivalent increased by 18% on a quarterly basis and outpaced Japan, US and Europe, a relatively weaker investment confidence was visible during the first half of 2016 as considerable financing resources were re-directed to large-size enterprises. Aiming to meet SMEs' operational and financing need, the Group had continued to build B2B eco-system, via providing comprehensive business solutions including information and advertisement, buyer XunPanBao (詢盤寶), trade-match, finance service, anti-counterfeiting products, third-party logistics etc. During the first half of 2016, our overall revenue increased by approximately 19% as compared to the same period last year.

Since the commencement of strategic layout in 2013, the Group explored in deep the profitability model of injecting trade-match plus internet finance of B2B2.0 into the foundation of B2B1.0. During the fiscal year of 2015 and the first half of 2016, the Group continued to build related segments within the B2B eco-system, increased input of resources for B2B 2.0 related products and services and engaged in meeting every demand of its clients. Leveraging on the operation experience spreading over 50 industries, we had expended B2B services both horizontal and vertical ways, some industries had made distinguished results, such as chemical, clothing, IT and 3C related, small household electrical appliances.

On 7 December 2015, HC Internet Information Technology Company Limited (an indirect whollyowned subsidiary of the Company) entered into a subscription agreement with Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("**Hohhot Jingu**", a commercial bank based in Inner Mongolia), to subscribe for 108,661,533 shares (subject to adjustment) in Hohhot Jingu at the price of RMB3 per share (RMB325,984,599 in aggregate) in cash, subject to adjustment of number of shares. Together with the 19,300,000 shares in Hohhot Jingu already acquired by it, HC Internet Information Technology Company Limited will hold approximately 10.00% equity interests in Hohhot Jingu upon completion. Details of the subscription agreement and the financial information of Hohhot Jingu are set out in the circular of the Company dated 25 August 2016 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0824/LTN20160824279.pdf and http://hcgroup.hk360.com/pdf/EW02280_0616082402.pdf).

On 8 January 2016, the Company completed the acquisition of the entire issued share capital of Zhongfu Holdings Limited ("**ZhongFu**"). A series of structured contracts were entered into by a subsidiary of Zhongfu Holdings Limited with Hangzhou Saidian Technology Company Limited and its PRC equity owners on 5 January 2016. The consideration of HK$170,807,500 was satisfied as to HK$70,095,000 by cash, and as to HK$100,712,500 by convertible bonds issued by the Company. Based on the initial conversion price of HK$10 per share of the Company, an aggregate of 10,071,250 Shares may be issued and allotted, subject to adjustment. ZhongFu holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), etc., which are internet portals mainly providing industry information widely including textile equipment, fabrics, ancillary materials and finished garment.

On 15 January 2016, Beijing Huicong Zaichuang Technology Co., Ltd (an indirect whollyowned subsidiary of the Company), entered into a subscription agreement with Shanghai Gangyin E-Commerce Co., Ltd., for the subscription of 22,000,000 shares in Shanghai Gangyin at the subscription price of RMB4.5 per share (RMB99,000,000 in aggregated) in cash.

On 15 March 2016, Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke (collectively, the "**Jing Huicong Subscribers**") entered into the capital increase agreement with Shenzhen Jing Huicong Network Technology Company Limited (深圳市京慧聰網絡科技有限公司) ("**Shenzhen Jing Huicong**"), Beijing Huicong Interconnection Information Technology Company Limited (北京慧聰 互聯信息技術有限公司) ("**Beijing Huicong Interconnection**") and Guangzhou Huicong Network Technology Company Limited (廣州慧聰網絡科技有限公司) ("**Guangzhou Huicong**"), each of them being an indirect wholly-owned subsidiary of the Company, pursuant to which the parties agreed that the registered capital of Guangzhou Huicong be increased from RMB5,000,000 to RMB8,333,333 ("**Capital Increase**"),comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. The Jing Huicong Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333 by installment. Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Jing Huicong Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively. There is no change of the Group's power of control over Guangzhou Huicong. As at 30 June 2016, the total capital contribution by the Jing Huicong Subscribers amounted approximately RMB26,666,000 comprising approximately RMB3,333,000 to be contributed to the increase in registered capital of Guangzhou Huicong, and approximately RMB23,333,000 to be contributed to the capital reserve of Guangzhou Huicong.

The Group's Shunde JiaDian City ("順德慧聰家電城"), the national's fist B2B online and offline business exhibition center, which located in Shunde, Guangdong Province, commenced operation on 18 March 2016. Regarding the second business exhibition center (small household electrical appliances, plastic of product-in-use and plastic mode) that located in Yuyao, Zhejiang Provence, the construction had begun in March 2015 and the construction period was expected for 2 to 3 years. Up to 30 June 2016, Shunde JiaDian City had driven the local sales of small household electrical appliances in Shunde and Zhongshan areas of Guangdong Province and leveraging on the "store in the front, factory at the back" setting, Shunde JiaDian City had assisted manufacturers de-stocking while improving the procurement efficiencies of distributors. During the period of 18 March to 30 June 2016, Shunde JiaDian City's completed gross merchandise volume ("**GMV**") amounted to approximately RMB2.33 billion.

On 26 April 2016, Beijing Huicong Construction and Xizang Ruijing as the Vendors, the Company and the Purchaser entered into the Initial Framework Agreement pursuant to which, inter alia, the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Target Interest, which represents the entire equity interest in Beijing Zhixing Ruijing, for the total consideration initially estimated to be RMB2,080,000,000 (equivalent to approximately HK$2,476,190,000 and shall not be more than RMB2,080,000,000. On 30 May 2016, the parties to the Initial Framework Agreement has entered into the First Supplemental Agreement to set a lower limit of the total consideration for the Disposal to be RMB2,000,000,000. On 6 June 2016, the parties to the Management and Operations Agreement which was originally entered into in light of the Reorganization under the Framework Agreement has entered into a termination agreement to terminate the Management and Operations Agreement with effect from 6 June 2016. On 29 June 2016, the parties to the Initial Framework Agreement entered into the Second Supplemental Agreement pursuant to which the parties agree to adjust the proportion of the Consideration Issue and Cash Consideration from 67% and 33% respectively to 55% and 45% respectively.

On 5 July 2016, Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) entered into a agreement for sale and purchase of shares with Sparkling Investment (BVI) Limited to acquire 9,400,000 shares (approximately 0.80% of the issued shares of Digital China) of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company) at the purchase price of HK$56,400,000.

The Group had commenced the trade-match services since July 2015, and during the first half of 2016, the GMV was approximately RMB15.2 billion. In July 2016, the Group was nominated the second place in the 100 B2B companies based on GMV, revenues, industry influences and etc., by China e-commerce association.

To create "trade plus finance" model in the B2B eco-system, the Group, cooperated with its major shareholder, Digital China Company Holding Limited, established a joint-ventured company of Chongqing Digital China Huicong Mirco-Credit Co., Ltd. ("**Micro-loan Company**"), and continued to utilize its resources, to assist its clients for multiple financing solutions including trade finance, personal credit loan and guaranteed loan.

Beside the micro-loan products, the Group had engaged in other B2B financing solutions and products. Leveraging on its Finance Lease Company Limited established in Tianjin, and cooperation with other financial institutions, we would continue to explore potential business opportunities to meet the financing need of our clients.

As of 30 June 2016, the balance of internet finance granted by the Micro-Loan Company and Finance Lease Company Limited, to costumers amounted to approximately 1.9 billion.

For the six months ended 30 June 2016, the Group's Stock Keeping Unit (SKU) had been further strengthened and increased by approximately 76 million to approximately 561 million, up from approximately 485 million as end of 2015.

During the key moment of B2B industry transformation, we believe, the Group's relentless efforts in building B2B eco-system will bring us to our destiny that definitely would be more blossoms with the patience and supports from our fellow investors.

UNAUDITED FINANCIAL INFORMATION OF THE BEIJING ZHIXING RUIJING

Set out below are the unaudited statements of financial position of Beijing Zhixing Ruijing as at 31 December 2014 and 2015 and 30 June 2016 and the unaudited statements of comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flow of Beijing Zhixing Ruijing for the period from 11 September 2014 (date of incorporation) to 31 December 2014, for the year ended 31 December 2015 and for the six months ended 30 June 2015 and 2016 and certain explanatory notes (the "**Unaudited Financial Information**"). The Unaudited Financial Information has been presented on the basis set out in Note 2 and prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 December 2015 and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this Circular in connection with the Disposal. The Company's reporting accountant, PricewaterhouseCoopers, was engaged to review the financial information of Beijing Zhixing Ruijing set out in pages 216 to 221 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountant to obtain assurance that the reporting accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountant does not express an audit opinion. The reporting accountant has issued an unmodified review report.

1 Unaudited Statements of Comprehensive Income

	Unaudited			
	Period from 11 September 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Six months ended 30 June 2015	30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,895	295,955	97,483	141,668
Cost of revenue	(23)	(455)	(322)	(44)
Gross profit	1,872	295,500	97,161	141,624
Other income	–	1,339	–	1,388
Selling and marketing expenses	–	(176,597)	(66,639)	(76,343)
General and administrative expenses	(251)	(58,493)	(18,903)	(32,964)
Operating profit	1,621	61,749	11,619	33,705
Finance income, net	–	76	26	138
Profit before taxation	1,621	61,825	11,645	33,843
Income tax expenses	(164)	(10,616)	(3,180)	(7,916)
Profit and total comprehensive income attributable to equity holders of the Company	1,457	51,209	8,465	25,927

2 Unaudited Statements of Financial Position

	Unaudited As at 31 December 2014	2015	30 June 2016
	RMB'000	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	–	7,375	6,602
Intangible assets	–	923	870
Long-term deposits and other receivables	–	1,997	1,997
Deferred tax assets	–	1,278	1,852
	–	11,573	11,321
Current assets			
Trade receivables	1,829	94,176	111,522
Prepayments, deposits and other receivables	3,008	1,326	12,405
Cash and cash equivalents	2,150	54,464	31,486
	6,987	149,966	155,413
Total assets	6,987	161,539	166,734
Current liabilities			
Accruals, other payables and deferred income	4,240	58,884	16,692
Amount due to related companies	–	25,556	43,387
Current income tax liabilities	164	6,160	11,714
Other tax liabilities	126	8,273	6,348
Total liabilities	4,530	98,873	78,141
Net assets	2,457	62,666	88,593
REPRESENTING:			
Share capital	1,000	10,000	10,000
Reserves	1,457	52,666	78,593
	2,457	62,666	88,593

3 Unaudited Statements of Changes in Equity

	Unaudited		
	Share capital	**Reserves**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 11 September 2014 (date of incorporation)	1,000	–	1,000
Total comprehensive income for the period	–	1,457	1,457
Balance at 31 December 2014	1,000	1,457	2,457
Balance at 1 January 2015	1,000	1,457	2,457
Capital injection from shareholder	9,000	–	9,000
Total comprehensive income for the year	–	51,209	51,209
Balance at 31 December 2015	10,000	52,666	62,666
Balance at 1 January 2015	1,000	1,457	2,457
Total comprehensive income for the period	–	8,465	8,465
Balance at 30 June 2015	1,000	9,922	10,922
Balance at 1 January 2016	10,000	52,666	62,666
Total comprehensive income for the period	–	25,927	25,927
Balance at 30 June 2016	10,000	78,593	88,593

4 Unaudited Statements of Cash Flow

	Unaudited			
	Period from 11 September 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	For the six months ended 30 June 2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES				
Profit before taxation	1,621	61,825	11,645	33,843
Adjustments for:				
Finance income, net	–	(76)	(26)	(138)
Loss on disposal	–	1,812	1,812	–
Provision for impairment of trade receivables	–	500	–	247
Depreciation and amortisation	–	2,072	748	1,332
Operating profit before changes in working capital	1,621	66,133	14,179	35,284
Changes in working capital:				
Prepayments, deposits and other receivables	(3,008)	(315)	(1,667)	(11,079)
Trade receivables	(1,829)	(92,847)	(71,469)	(17,593)
Amounts due to intermediate company	–	25,556	–	17,831
Accruals, other payables and deferred income	4,240	54,644	27,861	(42,192)
Other tax liabilities	126	8,147	3,510	(1,925)
Trade payables	–	–	1,351	–
Cash generated from/(used in) operations	1,150	61,318	(26,235)	(19,674)
Interest received	–	78	27	139
Interest paid	–	(2)	(1)	(1)
The People's Republic of China ("PRC") income tax paid	–	(5,898)	(164)	(2,936)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,150	55,496	(26,373)	(22,472)

	Period from 11 September 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Unaudited For the six months ended 30 June 2015	For the six months ended 30 June 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	–	(11,001)	(7,713)	(506)
Purchase of intangible asset	–	(1,181)	(1,021)	–
NET CASH USED IN INVESTING ACTIVITIES	–	(12,182)	(8,734)	(506)
FINANCING ACTIVITIES				
Issuance of shares	1,000	9,000	–	–
Proceeds from borrowings	–	40,000	40,000	–
Repayment of borrowings	–	(40,000)	–	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,000	9,000	40,000	–
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,150	52,314	4,893	(22,978)
CASH AND CASH EQUIVALENTS				
Balance at the beginning of the period/year	–	2,150	2,150	54,464
Balance at the end of the period/year	2,150	54,464	7,043	31,486

5 Notes to the Unaudited Financial Information

1 GENERAL INFORMATION

Beijing Zhixing Ruijing is a limited liability company established in the PRC on 11 September 2014 with registered capital of RMB10,000,000 and paid up capital of RMB10,000,000. As at the date of this circular, the registered capital of Beijing Zhixing Ruijing is owned as to 60% by Mr. Guo (the chief executive officer of the Company and an executive Director) and 40% by Mr. Liu, a shareholder of the Company and a director of several subsidiaries of the Company. Mr. Guo and Mr. Liu are shareholders of Beijing Zhixing Ruijing appointed by the Company to hold the entire equity interest in Beijing Zhixing Ruijing.

2 BASIS OF PREPARATION

The Unaudited Financial Information of Beijing Zhixing Ruijing has been prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 December 2015 and paragraph 68(2)(a)(i) of Chapter 14 of the Listing Rules. The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this Circular.

The Unaudited Financial Information has been prepared under the historical convention.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The Unaudited Financial Information is presented in RMB.

Following the Disposal, the Remaining Group will continue to carry out its existing businesses. For the avoidance of doubt, the Remaining Group shall comprise the Company and its subsidiaries excluding Beijing Zhixing Ruijing. The management discussion and analysis of the Remaining Group for the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 are set out as follows:

BUSINESS AND FINANCIAL REVIEW

(i) For the year ended 31 December 2013 ("2013")

The Remaining Group is principally engaged three segments, namely (i) on-line services, (ii) trade catalogues and yellow page directories and (iii) seminar and other services. During the year ended 31 December 2013, the Remaining Group reported a revenue of approximately RMB837,721,000, representing an increase of approximately 52.7% in revenue as compared to that in the year ended 31 December 2012 ("**2012**").

The Remaining Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC.

Revenue of approximately RMB693,903,000 was achieved from the on-line services segment in 2013, and represented an increase of approximately 68.6% from approximately RMB411,462,000 in 2012. Revenue from the trade catalogues and yellow page directories segment decreased from approximately RMB54,866,000 in 2012 to approximately RMB42,924,000 in 2013 which represented a decrease of approximately 21.8%. Revenue derived from seminars and other services segment was approximately RMB100,894,000 in 2013, which represented an increase of approximately 22.7% from approximately RMB82,240,000 in 2012.

The gross profit margin of the Group increased by 4.4% to approximately 91.9% in 2012 (2012: 87.5%). It was mainly due to the increase of profit from the on-line services which have a higher gross profit.

During the year ended 31 December 2013, the Remaining Group increased its operating expenses from approximately RMB416,056,000 in 2012 to approximately RMB603,080,000 which was mainly due to the increase of sales staffs' salaries and commissions, marketing expenses and agency costs. The Remaining Group achieved a profit after income tax of approximately RMB151,534,000 in 2013 (2012: RMB65,422,000).

During the year ended 31 December 2013, the profit attributable to equity holders of the Company amounted to RMB153,326,000 (2012: RMB66,724,000).

As at 31 December 2013, deferred revenue was approximately RMB502,734,000, representing an increase of approximately 49.0% from the balance in 2012 of approximately RMB337,417,000, due to the increase in contract numbers from paid customers.

During the year of 2013, cash generated from operating activities was approximately RMB364,698,000, while it was approximately RMB151,689,000 in 2012.

(ii) For the year ended 31 December 2014 ("2014")

The Group transferred its listing from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange in October 2014.

The Remaining Group is principally engaged four segments, namely (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminar and other services and (iv) anti-counterfeiting products and services. During the year ended 31 December 2014, the Remaining Group reported a revenue of approximately RMB966,637,000, representing an increase of approximately 15.4% in revenue as compared to that in the year of 2013.

The Remaining Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC.

Revenue of approximately RMB812,935,000 was achieved from the online services segment in 2014, and represented an increase of approximately 17.2% from approximately RMB693,903,000 in 2013. Revenue from the trade catalogues and yellow page directories segment decreased from approximately RMB42,924,000 in 2013 to approximately RMB35,630,000 in 2014 which represented a decrease of approximately 17.0%. Revenue derived from seminars and other services segment was approximately RMB101,879,000 in 2014, which represented an increase of approximately 1% from approximately RMB100,894,000 in 2013. Revenue from anti-counterfeiting products and services, which started from 8 October 2014, was approximately RMB16,193,000.

The gross profit margin of the Remaining Group increased by 0.6% from approximately 91.9% in 2013 to approximately 92.5% in 2014. It was mainly due to the increase of profit from the online services which have a higher gross profit.

During the year ended 31 December 2014, the Remaining Group increased its operating expenses from approximately RMB603,080,000 in 2013 to approximately RMB709,974,000 which was mainly due to the increase of marketing expenses and agency costs.

The Remaining Group achieved a profit after income tax of approximately RMB183,261,000 in 2014 and represented a year-on-year increase by 20%. The increase was mainly due to the steady growth of the online service and the improved control of expenditure. During the year ended 31 December 2014, the profit attributable to equity holders of the Company amounted to RMB187,633,000.

During the year of 2014, cash generated from operating activities was approximately RMB497,630,000 and represented an increase of 36.4% from that of approximately RMB364,698,000 in 2013.

(iii) For the year ended 31 December 2015

The Remaining Group is principally engaged five segments, namely (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminar and other services, (iv) O2O business exhibition center, (iv) anti-counterfeiting products and services and (v) financing service.

During the year ended 31 December 2015, the Remaining Group reported a revenue of approximately RMB717,666,000, representing an decrease of approximately 25.8% in revenue as compared to that in the year of 2014.

The Remaining Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC.

A total revenue of approximately RMB534,837,000 was achieved from the online services segment in 2015, and represented a decrease of approximately 34.2% from approximately RMB812,935,000 in 2014. Revenue from the Remaining Group's trade catalogues and yellow page directories segment decreased from approximately RMB35,630,000 in 2014 to approximately RMB18,251,000 in 2015 which represented a decrease of approximately 48.8%. Revenue derived from seminars and other services segment was approximately RMB109,364,000 in 2015, which represented an increase of approximately 7.3% from approximately RMB101,879,000 in 2014. Revenue from anti-counterfeiting products and services segment increased from approximately RMB16,193,000 in 2014 to approximately RMB55,168,000 in 2015 which represented an increase of approximately 240.7%. Revenue from financing services segment was approximately RMB46,000 in 2015.

The gross profit margin of the Remaining Group decreased by 5.8% to approximately 86.7% in 2015 (2014: 92.5%). It was mainly due to the decrease of profit deviating from the online services.

The Remaining Group reduced its operating expenses from approximately RMB709,974,000 in 2014 to approximately RMB675,425,000 in 2015 which was mainly due to the decrease of sales commission and agency costs.

The Group recorded a loss after tax for the year approximately RMB46,281,000 in 2015 (2014: net profit of approximately RMB183,261,000).

During the year of 2015, cash generated from operating activities was approximately RMB127,261,000, while it was approximately RMB497,630,000 in 2014.

(iv) For the six months ended 30 June 2016

The Remaining Group is principally engaged in five segments, namely (i) on-line services, (ii) trade catalogues and yellow page directories, (iii) seminar and other services, (iv) O2O business exhibition center, (iv) anti-counterfeiting products and services and (v) financing service.

During the six months ended 30 June 2016, the Remaining Group reported a revenue of approximately RMB326,324,000, representing a decrease of approximately 16.6% in revenue as compared to that during the six months ended 30 June 2015.

The Remaining Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC.

A total revenue of approximately RMB248,448,000 was achieved from the online services segment during the six months ended 30 June 2016, and represented a decrease of approximately 21.4% from approximately RMB315,936,000 during the six months ended 30 June 2015. Revenue from the Remaining Group's trade catalogues and yellow page directories segment decreased from approximately RMB8,447,000 during the six months ended 30 June 2015 to approximately RMB6,124,000 during the six months ended 30 June 2016 which represented a decrease of approximately 27.5%. Revenue derived from seminars and other services segment was approximately RMB46,243,000 during the six months ended 30 June 2016, which represented an increase of approximately 24.8% from approximately RMB37,061,000 during the six months ended 30 June 2015. Revenue from anti-counterfeiting products and services segment decreased from approximately RMB29,608,000 during the six months ended 30 June 2015 to approximately RMB22,667,000 during the six months ended 30 June 2016 which represented a decrease of approximately 23.4%. Revenue from financing services segment was approximately RMB2,842,000 during the six months ended 30 June 2016.

The gross profit margin of the Remaining Group decreased by 5.6% to approximately 85.7% during the six months ended 30 June 2016 (30 June 2015: 91.3%). It was mainly due to the decrease of gross profit from the online services.

The Remaining Group increased its operating expenses from approximately RMB328,635,000 during the six months ended 30 June 2015 to approximately RMB346,760,000 during the six months ended 30 June 2016 which was mainly due to the increase of marketing expense.

The Group recorded a loss after tax approximately RMB23,699,000 during the six months ended 30 June 2016 (six months ended 30 June 2015: net profit of approximately RMB33,983,000).

During the six months ended 30 June 2016, cash used in operating activities was approximately RMB31,734,000, while cash generated from operating activities was approximately RMB65,616,000 during the same period of 2015.

SEGMENT INFORMATION

(i) For the year ended 31 December 2013

	Year ended 31 December 2013			
	Online services	**Trade catalogues and yellow page directories**	**Seminars and other services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	693,903	42,924	100,894	837,721
Segment results	202,380	(49,013)	13,071	166,438
Other income				3,473
Finance income				16,555
Finance cost				(340)
Profit before income tax				186,126
Other information:				
Depreciation and amortisation	18,791	2,190	2,956	23,937
Share based compensation expense	18,690	1,156	2,720	22,566

(ii) For the year ended 31 December 2014

	Year ended 31 December 2014					
	Online services	Trade catalogues and yellow page directories	Seminars and other services	B2B household electrical appliances business exhibition centre	Anti-counterfeiting products and services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	812,935	35,630	101,879	–	16,193	966,637
Segment results	215,072	(33,466)	13,141	(11,442)	925	184,230
Other income						9,706
Share of post-tax losses of associates						(477)
Share of post-tax profits of joint ventures						801
Finance income						31,779
Finance cost						(4,951)
Profit before income tax						221,088
Other information:						
Depreciation and amortisation	25,188	1,657	2,989	388	1,590	31,812
Share based compensation expense	25,115	1,103	3,654	14	26	29,912
Provision for impairment of prepayments	21,600	–	–	–	–	21,600

(iii) For the year ended 31 December 2015

	Year ended 31 December 2015						
	Online services *RMB'000*	Trade catalogues and yellow page directories *RMB'000*	Seminars and others services *RMB'000*	O2O business exhibition centre *RMB'000*	Anti-counterfeiting products and services *RMB'000*	Financing services *RMB'000*	Total *RMB'000*
Revenue	534,837	18,251	109,364	–	55,168	46	717,666
Segment results	9,558	(8,784)	4,666	(49,974)	(8,651)	46	(53,139)
Other income	–	–	–	–	–	–	3,035
Share of post-tax losses of associates	(684)	–	–	(1,389)	(29)	–	(2,102)
Share of post-tax profits of joint ventures	–	–	–	–	–	11,955	11,955
Finance income	–	–	–	–	–	–	43,326
Finance cost	–	–	–	–	–	–	(47,802)
Profit before income tax							(44,727)
Other information:							
Depreciation and amortisation	21,726	694	5,800	407	6,324	–	34,951
Share based compensation expense	23,042	774	4,639	284	492	–	29,231

(iv) For the six months ended 30 June 2015

	Six months ended 30 June 2015						
	Online services	Trade catalogues and yellow page directories	Seminars and others services	O2O business exhibition centre	Anti-counterfeiting products and services	Financing services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	315,936	8,447	37,061	–	29,608	–	391,052
Segment results	36,318	(2,129)	1,438	(9,827)	2,406	–	28,206
Other income	–	–	–	–	–	–	2,080
Share of post-tax losses of associates	27	–	–	(2,520)	–	–	(2,493)
Share of post-tax profits of joint ventures	–	–	–	–	–	9,127	9,127
Finance income	–	–	–	–	–	–	26,680
Finance cost	–	–	–	–	–	–	(21,640)
Profit before income tax							41,960
Other information:							
Depreciation and amortisation	14,232	277	1,343	274	3,292	–	19,418
Share based compensation expense	12,653	338	1,484	104	196	–	14,775

(v) For the six months ended 30 June 2016

	Six months ended 30 June 2016						
	Online services	Trade catalogues and yellow page directories	Seminars and others services	O2O business exhibition centre	Anti-counterfeiting products and services	Financing services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	248,448	6,124	46,243	–	22,667	2,842	326,324
Segment results	(34,256)	(3,088)	1,597	(25,583)	(8,452)	2,741	(67,041)
Other income	–	–	–	–	–	–	5,539
Other gain	–	–	–	–	–	–	33,863
Share of post-tax losses of associates	(2,179)	–	–	(2,434)	53	–	(4,560)
Share of post-tax profits of joint ventures	–	–	–	–	–	11,244	11,244
Finance income	–	–	–	–	–	–	25,704
Finance cost	–	–	–	–	–	–	(34,190)
Loss before income tax							(29,441)
Other information:							
Depreciation and amortisation	16,676	200	3,665	133	284	–	20,958
Share based compensation expense	13,016	252	1,053	110	192	–	14,623

LIQUIDITY AND FINANCIAL RESOURCES

(i) For the year ended 31 December 2013

As at 31 December 2013, the cash and bank balances of the Remaining Group increased by approximately RMB602,537,000 from approximately RMB422,552,000 as at 31 December 2012 to approximately RMB1,025,089,000. The Remaining Group had loans and finance lease obligation amounted to approximately RMB115,753,000 as at 31 December 2013 (2012: RMB4,162,000).

The equity attributable to the Company's equity holders increased by approximately RMB551,494,000 as compared to 2012. The Remaining Group's net current assets amounted to approximately RMB585,484,000 as at 31 December 2013 (2012: RMB171,338,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.9 times as at 31 December 2013 as compared to approximately 1.4 times as at 31 December 2012.

The Remaining Group's trade receivables turnover has decreased from approximately 13.6 days in 2012 to approximately 6.7 days in 2013.

(ii) For the year ended 31 December 2014

As at 31 December 2014, the Remaining Group's cash and bank balances increased by approximately RMB296,900,000 from approximately RMB1,025,089,000 as at 31 December 2013 to approximately RMB1,321,989,000. The Remaining Group had total borrowings (including issued convertible bonds) and finance lease obligation amounted to approximately RMB695,774,000 as at 31 December 2014 (2013: RMB115,753,000). As at 31 December 2014 and 2013, the Remaining Group was in a net cash position.

The equity attributable to the Company's equity holders increased by approximately RMB263,002,000 as compared to 2013. The Remaining Group's net current assets amounted to approximately RMB936,319,000 as at 31 December 2014 (2013: RMB585,484,000). Its current ratio, which is dividing current assets by current liabilities, was approximately 2.6 times as at 31 December 2014 as compared to approximately 1.9 times as at 31 December 2013.

The Remaining Group's trade receivables turnover has increased from approximately 6.7 days in 2013 to approximately 8.1 days in 2014.

(iii) For the year ended 31 December 2015

As at 31 December 2015, the Remaining Group's cash and bank balances amounted to approximately RMB736,237,000 (2014: RMB1,321,989,000), which decreased by approximately RMB585,752,000. The Remaining Group had total borrowings (including issued convertible bonds) and finance lease obligation which amounted to approximately RMB1,128,517,000 as at 31 December 2015 (2014: RMB695,774,000). As at 31 December 2015 the gearing ratio of the Remaining Group was 15.2% (2014: Nil), whereas the gearing ratio is calculated as net debt divided by total capital.

The capital and reserves attributable to the Company's equity holders increased by approximately RMB903,695,000 as compared to last year.

The Remaining Group's net current assets amounted to approximately RMB90,083,000 as at 31 December 2015 (2014: RMB936,319,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.0 times as at 31 December 2015 as compared to approximately 2.6 times as at 31 December 2014. The Remaining Group trade receivables turnover has increased from approximately 8.1 days in 2014 to approximately 12.5 days in 2015.

(iv) For the six months ended 30 June 2016

As at 30 June 2016, the Remaining Group's cash and bank balances amounted to approximately RMB644,540,000 (31 December 2015: RMB736,237,000), which decreased by approximately RMB91,697,000. The Remaining Group had total borrowings (including issued convertible bonds) and finance lease obligation which amounted to approximately RMB1,306,753,000 as at 30 June 2016 (31 December 2015: RMB1,128,517,000). As at 30 June 2016, the gearing ratio of the Remaining Group was 20.3% (31 December 2015: 15.2%), whereas the gearing ratio is calculated as net debt divided by total capital.

The capital and reserves attributable to the Company's equity holders increased by approximately RMB387,256,000 as compared to the amount as at 31 December 2015.

The Remaining Group's net current asset amounted to approximately RMB308,446,000 as at 30 June 2016 (31 December 2015: net current assets of approximately RMB90,083,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.1 times as at 30 June 2016 as compared to approximately 1.0 times as at 31 December 2015. The Remaining Group trade receivables turnover has decreased from approximately 12.5 days as at 31 December 2015 to approximately 9.8 days as at 30 June 2016.

CAPITAL STRUCTURE

The Remaining Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including issued convertible bonds) and finance lease obligations less cash and cash equivalents. Total capital is the sum of net debt and total equity. Accordingly, the gearing ratios at 31 December 2013, 2014 and 2015 and 30 June 2016 were as follows:

	31/12/2013	**31/12/2014**	**31/12/2015**	**30/06/2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	24,838	122,766	499,760	659,154
Other borrowings	88,833	16,898	27,549	28,357
Finance lease obligation	2,082	2,154	983	537
Issued convertible bonds – liability portion	–	553,956	600,225	618,705
Less: cash and cash equivalents	(1,025,089)	(1,321,989)	(736,237)	(644,540)
Net debt/(cash)	(909,336)	(626,215)	392,280	662,213
Total equity	1,010,474	1,315,167	2,195,688	2,597,003
Total capital	101,138	688,952	2,587,968	3,259,216
Gearing ratio	N/A	N/A	15.2%	20.3%

	31/12/2013	**31/12/2014**	**31/12/2015**	**30/06/2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion:				
Bank borrowings	24,838	32,766	20,000	169,300
Other borrowings	77,649	8,373	26,597	26,879
	102,487	41,139	46,597	196,179
Current portion:				
Bank borrowings	–	90,000	479,760	489,854
Other borrowings	11,184	8,525	952	1,478
	11,184	98,525	480,712	491,332
	113,671	139,664	527,309	687,511

(i) For the year ended 31 December 2013

Bank borrowings will mature on 10 May 2017 and bear an interest rate of 6.8% annually. The bank borrowings are secured by land use rights, investment properties and properties under development amounted to RMB416,537,000.

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the funding of the development of a B2B household electrical appliances business exhibition centre in Shunde of Guangzhou. The borrowings are unsecured and bear an average interest of 7.8% per annum.

All borrowings are denominated in RMB.

(ii) For the year ended 31 December 2014

Bank borrowings will mature in full on 10 May 2017, part of which RMB90,000,000 will mature in 2015 by installments, and bear average interest rate of 7.7% per annum. Bank borrowings are secured by land use rights, investment properties and properties under development amounted to RMB718,831,000 (2013: RMB416,537,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in the associate. The borrowings are unsecured, and bear an average interest rate of 6.5% per annum (2013: 7.8% per annum).

All borrowings are denominated in RMB.

(iii) For the year ended 31 December 2015

Bank borrowings will mature in 2017 and bear an average interest rate of 5.54% per annum (2014: 7.66% per annum), part of which RMB100,000,000 are secured by certain properties and land use right amounted to RMB213,070,000 (2014: RMB718,831,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. Other borrowings are unsecured, mature in 2018 and bear average interest rate of 6.4% per annum (2014: 6.5% per annum).

All borrowings are denominated in RMB.

(iv) For the six months ended 30 June 2016

Bank borrowings will mature in 2018 and bear an average interest rate of 5.85% per annum (31 December 2015: 5.54% per annum), part of which RMB160,000,000 are secured by certain properties and land use right amounted to RMB300,638,000 (31 December 2015: RMB213,070,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. Other borrowings are unsecured, mature in 2018 and bear average interest rate of 6.4% per annum (31 December 2015: 6.4% per annum).

All borrowings are denominated in RMB.

FOREIGN EXCHANGE

During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, the Remaining Group's operations were principally in the PRC and majority assets and liabilities of the Remaining Group were denominated in RMB, the Directors believe that the Remaining Group is not subject to significant exchange rate risk.

CHARGE ON THE REMAINING GROUP'S ASSETS

(i) For the year ended 31 December 2013

As at 31 December 2013, the Remaining Group had bank borrowings amounting to RMB24,838,000 and undrawn banking facilities of RMB255,162,000, which are secured by land use rights, investment properties and properties under development.

(ii) For the year ended 31 December 2014

As at 31 December 2014, the Remaining Group had bank borrowings amounting to RMB122,766,000 and undrawn banking facilities of RMB137,235,000, which were secured by land use rights, investment properties and properties under development.

(iii) For the year ended 31 December 2015

As at 31 December 2015, the Remaining Group had bank borrowings amounting to RMB100,000,000, which were secured by certain properties and land use rights.

(iv) For the six months ended 30 June 2016

As at 30 June 2016, the Remaining Group had bank borrowings amounting to RMB160,000,000, which were secured by certain properties and land use right.

CAPITAL COMMITMENTS

(i) For the year ended 31 December 2013

As at 31 December 2013, the Remaining Group had capital expenditure commitments contracted for acquiring property, plant and equipment of approximately RMB53,304,000 and investment properties and properties under development of approximately RMB284,050,000.

The Remaining Group had sufficient internal resources to finance its capital expenditure.

(ii) For the year ended 31 December 2014

As at 31 December 2014, the Remaining Group had capital expenditure commitments contracted for acquiring property, plant and equipment of approximately RMB594,000, investment properties and properties under development of approximately RMB88,291,000 and investment in joint venture and associate of approximately RMB154,000,000.

The Remaining Group had sufficient internal resources to finance its capital expenditure.

(iii) For the year ended 31 December 2015

As at 31 December 2015, the Remaining Group had capital expenditure commitments contracted for acquiring property, plant and equipment of approximately RMB1,500 and investment properties and properties under development of approximately RMB47,292, and investment in joint venture and associate of approximately RMB540,724,000.

The Remaining Group had sufficient internal resources to finance its capital expenditure.

(iv) For the six months ended 30 June 2016

As at 30 June 2016, the Remaining Group had capital expenditure commitments contracted for acquiring property, plant and equipment of approximately RMB263,000 and investment properties and properties under development of approximately RMB89,260,000, and investment in joint venture and associate of approximately RMB5,000,000.

The Remaining Group had sufficient internal resources to finance its capital expenditure.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND MATERIAL DISPOSALS

(i) For the year ended 31 December 2013

(a) Significant investments acquisition of land in Shunde

On 5 February 2013, Guangdong Huicong Household Appliances City Investment Co., Ltd.* 廣東慧聰家電城投資有限公司 (the "Shunde Subsidiary"), an indirectly non wholly owned subsidiary of the Company whose equity interest was owned at the relevant time 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) ("Tianjin HC"), 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), 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 5 February 2013. The Shunde Subsidiary has entered into the transfer contract for land use rights of state-owned land (國有土地使用權出讓合同書) 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 4 March 2013.

On 20 December 2013, Foshan Shunde Beijiao Investment Management Co., Ltd.* (佛山市順德區北滘投資管理有限公司), an independent third party, injected RMB50,000,000 into the Shunde Subsidiary and subscribed 10% of its equity interest. As at 18 March 2014, Tianjin HC owns 53.1% of the equity interest of the Shunde Subsidiary.

(b) General Contracting Construction and Management Contract for Huichong Household Appliances City Project

On 1 November 2013, the Shunde Subsidiary entered into a general contracting construction and construction management (the "Construction Contract") with China Huaxi Corporation Limited (中國華西企業有限公司) (the "Contractor") in respect of the construction and construction management works of the Huicong Household Appliance City Project on the Land at a contract sum of RMB308,880,000.

(c) Establishment Of A Joint Venture Company In Chongqing

On 4 December 2013, the Company and Digital China Holdings Limited ("Digital China") entered into the joint venture agreement (the "Chongqing JV Agreement"), pursuant to which the parties (or its nominee subsidiary) agreed to, among other things, establish Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) (the "Chongqing JV Company"), which will be owned as to 60% by Digital China and as to 40% by the Company (or their respective nominee subsidiaries) for the purpose of the development and operation of the micro-credit internet financing business.

Pursuant to the Chongqing JV Agreement, the total registered capital of the Chongqing JV Company shall be RMB1,000,000,000, of which RMB600,000,000 will be contributed by Digital China in cash and RMB400,000,000 will be contributed by the Company in cash.

(d) Establishment Of Hui De Holdings Co., Ltd.

On 9 December 2013, Tianjin HC (a non-wholly-owned subsidiary of the Remaining Group), Tianjin Lekun Enterprise Management and Consultancy Partnership (Limited Partnership) (天津樂坤企業管理諮詢合夥企業(有限合夥)) ("Tianjin Lekun"), and Beijing Zhong Ding Bo Rui Investment Management Co., Ltd. (北京中鼎博瑞投資管理有限公司) ("Zhongding Borui") entered into the a joint venture agreement ("Huide JV Agreement"), pursuant to which the parties agreed to, among other things, establish Hui De Holding Co., Ltd. (慧德控股有限公司) ("Hui De Company"). Hui De Company will be owned as to 20% by Tianjin HC, as to 40% by Tianjin Lekun and as to 40% by Zhongding Borui.

(ii) For the year ended 31 December 2014

(a) Chongqing Digital China Huicong Microcredit Co., Ltd

Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) ("Chongqing JV Company") was established pursuant to a joint venture agreement for the purpose of the development and operation of the micro-credit internet financing business. The Chongqing JV Company obtained its nationwide micro-credit financing business license in May 2014 and has already commenced scale lending in the PRC since 1 September 2014. The Chongqing JV Company is owned as to 40% by the Remaining Group and its financial results are not consolidated into those of the Remaining Group.

Pursuant to the Chongqing JV Agreement, the total registered capital of the Chongqing JV Company shall be RMB1,000,000,000, of which RMB400,000,000 should be contributed by the Remaining Group in cash. As at 31 December 2014, the Remaining Group had contributed RMB270,000,000. The application for increasing the registered capital of the Chongqing JV Company to RMB1,000,000,000 has been approved and the Remaining Group has contributed an additional RMB130,000,000 in March 2015.

(b) Cornerstone Investment in Cogobuy Group

On 2 July 2014, the Company and Hong Kong Huicong International Group Limited ("Hong Kong Huicong") (a wholly-owned subsidiary of the Company) entered into the cornerstone investment agreement with Cogobuy Group, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Cogobuy Group up to an aggregate value of US$20,000,000. On 18 July 2014, Hong Kong Huicong was allocated 38,758,000 shares of Cogobuy Group for a total consideration of HK$155,034,000.

(c) B2B Household Electrical Appliances Business Exhibition Centre

廣東慧聰家電城投資有限公司 (the "Shunde Subsidiary"), a subsidiary of the Remaining Group which is owned as to 53.1% by 慧聰（天津）電子商務產業投資有限公司 ("Tianjin HC"). The construction of the B2B household electrical appliance business exhibition centre (the "Exhibition Centre") on the land located in Shunde (the "Land") has commenced, and is scheduled to complete by the end of 2015 and shall be put into operation afterwards. The Exhibition Centre provides business information through both online and offline channels and one-stop solution for B2B buyers and sellers of that particular sector.

With a view to maintain the financial position of the project, a property situated on the Land with a total gross floor area of 36,499 square meters, representing approximately 21.45% of the total gross floor area of the Land, was sold as at 31 December 2014. All proceeds from the sale are or will be applied as capital for further construction of the Exhibition Centre, or for repayment of facilities or loan of Shunde Subsidiary.

(d) Baidu Aladdin Technical Service Contract

On 13 August 2014, Beijing HC International (an indirect wholly-owned subsidiary of the Company,) and Baidu (China) Co., Ltd. ("Baidu") entered into the Baidu Aladdin Technical Service Contract (the "Service Contract") pursuant to which Beijing HC International becomes a partner of Baidu in the Aladdin B2B project and will provide information of its fee-paying customers relating to business-to-business enterprises to Baidu's Aladdin PC platform, such as product images, models, prices and customers' information and Baidu will exhibit such information in personalised form in the result pages through its search engine so as to provide more efficient search contents for the users. According to the terms and conditions of the Services Contract, the contract term is for one year commencing from 29 August 2014 and the Remaining Group will pay Baidu a fixed fee in the aggregate amount of RMB50,080,000.

(e) Acquisition of Shares in Panpass Information Technology Co. Ltd.

On 30 September 2014, 北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd) ("Beijing HC Technology") (an indirect wholly-owned subsidiary of the Company) and the remaining purchasers entered into the acquisition agreement with the vendors, pursuant to which, among other things, Beijing HC Technology agreed to acquire 16,487,000 shares in Panpass Information Technology Co., Ltd (representing approximately 56.002% of its issued share capital) at an aggregate consideration of RMB108,814,200 (equivalent to approximately HK$137,105,000). The acquisition was completed on 8 October 2014.

(f) Establishment of Zhejiang Huicong

On 31 October 2014, Beijing HC International (a wholly-owned subsidiary of the Remaining Group) and Hui De Holdings Co., Ltd ("Hui De") entered into an investment cooperation agreement (the "Cooperation Agreement"), pursuant to which the parties agreed to, among other things, establish Zhejiang Huicong Investment Co., Ltd ("Zhejiang Huicong") for the purpose of the development and operation of the e-commercial industrial center project. Zhejiang Huicong is owned as to 80% by Hui De and as to 20% by Beijing HC International. Pursuant to the Cooperation Agreement, the total registered capital of Zhejiang Huicong is RMB250,000,000 of which RMB50,000,000 should be contributed by Beijing HC International. The registered capital of Zhejiang Huicong shall be contributed in four trenches.

(g) Issue of HK$780,000,000 5% Convertible Bonds Due 2019

On 20 November 2014, the Company entered into a subscription agreement (the "Subscription Agreement") with Credit Suisse and China International Capital Corporation Hong Kong (the "Joint Bookrunners"), under which the Joint Bookrunners have agreed severally and not jointly to subscribe and pay for, or to procure subscribers to subscribe for, the bonds to be issued by the Company in an aggregate principal amount of HK$780,000,000 (the "Bonds"), on the terms and subject to the conditions set out therein. In addition, the Company has agreed to grant the Joint Bookrunners an option to subscribe for all or any of the additional Bonds to be issued by the Company upon exercise of an option granted by the Company to the Joint Bookrunners under the Subscription Agreement to subscribe up to an additional HK$200,000,000 aggregate principal amount of 5.00% Bonds due 2019. The Bonds are convertible into Shares in the circumstances set out in the terms and conditions in relation to the Bonds at an adjusted conversion price of HK$11.28 per share (subject to adjustments). The issue of the Bonds in the principal amount of HK$780,000,000 was completed on 27 November 2014. The net proceeds from the subscription and issue of the Bonds, after deducting the underwriting discounts and commissions and estimated expenses payable in connection with the subscription and issue of the Bond pursuant to the Subscription Agreement, amount to approximately HK$759,838,000, of which HK$163,856,000 (approximately

RMB130,000,000) was used for the registered capital of the Chongqing JV Company by the Company. The remaining amount will be used for potential acquisition projects and general corporate purposes. The Bonds were listed on the Stock Exchange on 28 November 2014.

(iii) For the year ended 31 December 2015

(a) Disclosable transaction in relation to the acquisition of shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("Hohhot Jindu")

On 22 July 2015, 北京慧聰互聯信息技術有限公司 (HC Internet Information Technology Company Limited*) ("HC Internet"), a wholly-owned subsidiary of the Remaining Group, entered into a sale and purchase agreement with Wang Feng Feng (王鳳鳳), pursuant to which HC Internet has agreed to acquire approximately 2.49% of the issued share capital of Hohhot Jingu for a consideration of RMB57,900,000. The acquisition has been completed. Please also refer to the announcements of the Company dated 22 July 2015 and 22 October 2015 for further details.

(b) Establishment of Huichong Finance Leasing Company Limited

On 25 September 2015, the Company via Hong Kong Huicong International Group Limited ("Hong Kong Huicong"), a wholly-owned subsidiary of the Company, established Huicong Finance Leasing Company Limited ("Huicong Finance Leasing") in Tianjin, the PRC. Huicong Finance Leasing is wholly owned by Hong Kong Huicong and the total registered capital is USD30,000,000. The Board considers the establishment of Huicong Finance Leasing shall be of great assistance to the development of the internet finance sector of the Company. Together with the Company's current business operations, Huicong Finance Leasing shall provide its customers with multiple solution services.

(c) Major transaction in relation to the future subscription of shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company

On 7 December 2015, HC Internet entered into the subscription agreement (the "Subscription Agreement") with Hohhot Jingu, pursuant to which HC Internet conditionally agreed to further subscribe for 108,661,533 shares of Hohhot Jingu (subject to adjustment under the terms of the Subscription Agreement) (the "Subscription Share(s)") at the subscription price of RMB3 per Subscription Share. The consideration for the said subscription is RMB325,984,599 (subject to adjustment under the terms of the Subscription Agreement), which shall be settled by HC Internet in cash. Please also refer to the announcement of the Company dated 7 December 2015 for further details.

(d) *Connected transaction — proposed subscription of zero-coupon convertible bonds under specific mandate*

On 9 December 2015, the Company entered into the subscription agreement with Mr. Guo Jiang (the chief executive officer of the Company and an executive Director), Mr. Lee Wee Ong (an executive Director and chief financial officer of the Company), Mr. Liu Jun (a director of a non-wholly owned subsidiary of the Company) and Mr. Liu Xiaodong (a shareholder of the Company ("Shareholder") and a director of several subsidiaries of the Company) (collectively, the "CB Subscribers"), pursuant to which the CB Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds in an aggregated principal amount of HK$500,000,000 to be issued by the Company under the specific mandate of the Company.

Please also refer to the announcements of the Company dated 9 December 2015, 29 February 2016 and 1 April 2016, and the circular of the Company dated 12 January 2016 for further details.

(e) *Share transaction in relation to the acquisition of the entire issued share capital of Zhongfu Holdings Limited involving issue of convertible bonds and continuing connected transaction in relation to the structured contracts*

On 18 December 2015, Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr Moustache Holdings Limited (collectively, the "Sellers"), the Company, and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠), Mr. Guo Jiang (郭江) and Mr. Liao Bin (廖斌) (collectively, the "Seller Guarantors") entered into the sale and purchase agreement, pursuant to which the Sellers had conditionally agreed to sell, and the Company had conditionally agreed to acquire the entire issued share capital of ZhongFu Holdings Limited for an aggregate consideration of HK$170,807,500 (subject to downward adjustments), to be settled by way of cash and issuance and allotment of convertible bonds of the Company (subject to downward adjustments). The completion of the transactions under the sale & purchase agreement took place on 8 January 2016 in accordance with the terms of the Sale and Purchase Agreement. Please also refer to the announcements of the Company dated 3 July 2015, 18 December 2015 and 8 January 2016 for further details.

(iv) For the six months ended 30 June 2016

Acquisition of an available-for-sale financial asset – Digital China

On 5 July 2016, Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) entered into a agreement for sale and purchase of shares with Sparkling Investment (BVI) Limited to acquire 9,400,000 shares (approximately 0.80% of the issued shares of Digital China) of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company) at the purchase price of HK$56,400,000.

The acquisition constituted a discloseable transaction of the Company. As of 30 June 2016, the subscription has not yet been completed. Further details are set out in the announcement of the Company dated 5 July 2016.

Proposed acquisition of an available-for-sale financial asset – Hohhot Jingu Rural Commercial Bank

On 7 December 2015, HC Internet Information Technology Company Limited (an indirect wholly-owned subsidiary of the Company) entered into a subscription agreement with Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("Hohhot Jingu", a commercial bank based in Inner Mongolia), to subscribe for 108,661,533 shares (subject to adjustment) in Hohhot Jingu at the price of RMB3 per share (RMB325,984,599 in aggregate) in cash, subject to adjustment of number of shares.

Together with the 19,300,000 shares in Hohhot Jingu already acquired by it, HC Internet Information Technology Company Limited will hold approximately 10.0% equity interests in Hohhot Jingu upon completion.

The subscription constituted a major transaction of the Company. As of 30 June 2016, the subscription has not yet been completed and supplemental agreements were entered into on 30 June 2016 and 16 August 2016 to extend the date for fulfilment of conditions precedents to 30 September 2016. Further details are set out in the announcement of the Company dated 7 December 2015.

CONTINGENT LIABILITIES

As at 31 December 2013, 2014 and 2015 and 30 June 2016 there were no material contingent liabilities to the Remaining Group.

EMPLOYEES AND REMUNERATION POLICY

(i) For the year ended 31 December 2013

As at 31 December 2013, the Remaining Group had employees of 3,054, among which 2,208 employees were employed in the Sales and Marketing Division, 193 employees were employed in the Editorial Division, 233 employees were employed in the Information Technology Division and the remaining employees 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 include medical insurance, retirement schemes, training programmes and educational subsidies.

(ii) For the year ended 31 December 2014

As at 31 December 2014, the Remaining Group had employees of 2,807, among which 2,016 employees were employed in the Sales and Marketing Division, 173 employees were employed in the Editorial Division, 359 employees were employed in the Information Technology Division and the remaining employees 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 include medical insurance, retirement schemes, training programmes and educational subsidies.

(iii) For the year ended 31 December 2015

As at 31 December 2015, the Remaining Group had employees of 2,621, among which 1,886 employees were employed in the Sales and Marketing Division, 113 employees were employed in the Editorial Division, 196 employees were employed in the Information Technology Division and the remaining employees 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 include medical insurance, retirement schemes, training programmes and educational subsidies.

(iv) For the six months ended 30 June 2016

As at 30 June 2016, the Remaining Group had employees of 2,769, among which 1,739 employees were employed in the Sales and Marketing Division, 147 employees were employed in the Editorial Division, 518 employees were employed in the Information Technology Division and the remaining employees 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 include medical insurance, retirement schemes, training programmes and educational subsidies.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The unaudited pro forma financial information of the Remaining Group (the "Unaudited Pro Forma Financial Information") presented below is prepared to illustrate (a) the financial position of the Remaining Group as at 30 June 2016 as if the Disposal had been completed on 30 June 2016; and (b) the results and cash flows of the Remaining Group for the year ended 31 December 2015 as if the Disposal had been completed on 3 July 2015, being the original acquisition date of Beijing Zhixing Ruijing by the Group. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 30 June 2016 or at any future date had the Disposal been completed on 30 June 2016, or the results and cash flows of the Remaining Group for the year ended 31 December 2015 or for any future period had the Disposal been completed on 3 July 2015. The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016, as set out in its published interim report for the period ended 30 June 2016, and the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group for the year ended 31 December 2015 extracted from the audited consolidated financial statements of the Group as set out in the 2015 annual report of the Company, and the Unaudited Financial Information of the Disposal Company as set out in Appendix II of this circular after giving effect to the pro forma adjustments described in the notes and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

For the year ended 31 December 2015

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2015	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 4)*	
Revenue	916,138	(198,472)	–	717,666
Cost of revenue	(95,513)	133	–	(95,380)
Gross profit	820,625	(198,339)	–	622,286
Other income	4,374	(1,339)	467,360	470,395
Selling and marketing expenses	(598,874)	107,642	–	(491,232)
Administrative expenses	(198,226)	14,033	(7,000)	(191,193)
Operating profit	27,899	(78,003)	460,360	410,256
Finance income	43,376	(50)	–	43,326
Finance cost	(47,802)	–	–	(47,802)
Share of post-tax losses of associates	(2,102)	–	–	(2,102)
Share of post-tax profit of joint ventures	11,955	–	–	11,955
Profit before income tax	33,326	(78,053)	460,360	415,633
Income tax expense	(10,268)	8,714	(310,676)	(312,230)
Profit for the year	23,058	(69,339)	149,684	103,403

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

For the year ended 31 December 2015

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2015	Pro forma adjustments	Pro forma adjustments	Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 4)*	
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Fair value gain on available-for-sale financial assets, net of tax	158,283	–	171,314	329,597
Currency translation difference	(17,808)	–	–	(17,808)
Total comprehensive income for the year, net of tax	163,533	(69,339)	320,998	415,192
Profit attributable to:				
Equity holders of the Company	52,552	(69,339)	149,684	132,897
Non-controlling interests	(29,494)	–	–	(29,494)
	23,058	(69,339)	149,684	103,403
Total comprehensive income attributable to:				
Equity holders of the Company	193,027	(69,339)	320,998	444,686
Non-controlling interests	(29,494)	–	–	(29,494)
	163,533	(69,339)	320,998	415,192

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 30 June 2016

	Unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016	Pro forma adjustments	Pro forma adjustments	Unaudited Pro forma condensed consolidated interim statement of financial position of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 5)*	
Assets				
Non-current assets				
Land use rights	173,777	–	–	173,777
Investment properties	592,756	–	–	592,756
Property, plant and equipment	299,454	(6,602)	–	292,852
Intangible assets	1,545,415	(870)	(1,342,765)	201,780
Long term deposits, prepayments and other receivables	120,261	(1,997)	–	118,264
Non-current portion of finance leases receivable	24,000	–	–	24,000
Deferred income tax assets	25,680	–	–	25,680
Investments accounted for using equity method	543,400	–	–	543,400
Available-for-sale financial assets	510,865	–	586,560	1,097,425
Financial assets at fair value through profit or loss	3,800	–	32,100	35,900
	3,839,408	(9,469)	(724,105)	3,105,834
Current assets				
Properties under development	750,734	–	–	750,734
Direct selling costs	125,639	–	–	125,639
Current portion of finance leases receivable	74,998	–	–	74,998
Deposits, prepayments and other receivables	877,100	(12,405)	–	864,695
Trade receivables	128,871	(111,522)	–	17,349
Inventories	5,641	–	–	5,641
Cash and cash equivalents	676,026	(31,486)	661,440	1,305,980
Financial assets at fair value through profit or loss	3,041	–	–	3,041
	2,642,050	(155,413)	661,440	3,148,077
Total assets	6,481,458	(164,882)	(62,665)	6,253,911

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 30 June 2016

	Unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016	Pro forma adjustments	Pro forma adjustments	Unaudited Pro forma condensed consolidated interim statement of financial position of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 5)*	
Equity				
Equity attributable to the Company's equity holders				
Share capital	94,414	(10,000)	2,982	87,396
Other reserves	2,378,149	(35,597)	(493,836)	1,848,716
Retained earnings	434,407	(84,531)	165,243	515,119
	2,906,970	(130,128)	(325,611)	2,451,231
Non-controlling interests	145,772	–	–	145,772
Total equity	3,052,742	(130,128)	(325,611)	2,597,003
Liabilities				
Non-current liabilities				
Non-current portion of finance lease obligation	37	–	–	37
Non-current portion of bank borrowings	169,300	–	–	169,300
Non-current portion of other borrowings	26,879	–	–	26,879
Deferred government grants	188,515	–	–	188,515
Deferred income tax liabilities	159,098	–	(90,630)	68,468
Receipt in advance	53,237	–	–	53,237
Issued convertible bonds – liability portion	618,705	–	–	618,705
Financial liabilities at fair value through profit or loss	–	–	35,900	35,900
	1,215,771	–	(54,730)	1,161,041

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 30 June 2016

	Unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016	Pro forma adjustments	Pro forma adjustments	Unaudited Pro forma condensed consolidated interim statement of financial position of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 5)*	
Current liabilities				
Current portion of finance lease obligation	500	–	–	500
Trade payables	7,163	–	–	7,163
Accrued expenses and other payables	104,889	(16,692)	5,960	94,157
Deferred revenue	281,170	–	–	281,170
Current portion of bank borrowings	489,854	–	–	489,854
Current portion of other borrowings	1,478	–	–	1,478
Deferred government grants	12,581	–	–	12,581
Receipt in advance	1,237,308	–	–	1,237,308
Financial liabilities at fair value through profit or loss	37,600	–	–	37,600
Other taxes payable	16,830	(6,348)	1,040	11,522
Income tax payable	23,572	(11,714)	310,676	322,534
	2,212,945	(34,754)	317,676	2,495,867
Total liabilities	3,428,716	(34,754)	262,946	3,656,908
Total equity and liabilities	6,481,458	(164,882)	(62,665)	6,253,911

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

For the year ended 31 December 2015

	Audited consolidated cash flow statement of the Group for the year ended 2015	Pro forma adjustments	Pro forma adjustments	Adjusted unaudited pro forma consolidated cash flow statement of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 6)*	
Cash flows from operating activities				
Cash generated from operations	235,607	(87,553)	–	148,054
Interest received	43,515	(51)	–	43,464
Interest paid	(34,064)	1	–	(34,063)
The People's Republic of China ("PRC") income tax paid	(35,928)	5,734	–	(30,194)
Net cash generated from/(used in) operating activities	209,130	(81,869)	–	127,261
Cash flows from investing activities				
Acquisition and disposal of subsidiaries, net of cash acquired/disposed	(439,752)	(7,043)	661,440	214,645
Additions of property, plant and equipment	(25,172)	3,448	–	(21,724)
Additions of intangible assets	(1)	–	–	(1)
Additions of investment properties	(311,268)	–	–	(311,268)
Proceeds from disposal of property, plant and equipment	2,195	–	–	2,195
Loans to an associate	(20,800)	–	–	(20,800)
Loans to a joint venture	(200,000)	–	–	(200,000)
Loans to third parties	(105,000)	–	–	(105,000)
Loan repayment received from third parties and employees	21,187	–	–	21,187
Investment in available-for-sale financial assets	(57,900)	–	–	(57,900)
Investment in associates	(62,500)	–	–	(62,500)
Investment in a joint venture	(130,000)	–	–	(130,000)
Net cash (used in)/generated from investing activities	(1,329,011)	(3,595)	661,440	(671,166)

UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

For the year ended 31 December 2015

	Audited consolidated cash flow statement of the Group for the 2015	Pro forma adjustments	Pro forma adjustments	Adjusted unaudited pro forma consolidated cash flow statement of the Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 3)*	*(Note 6)*	
Cash flows from financing activities				
Proceeds from issuance of new shares	222,434	(9,000)	–	213,434
Proceeds from bank borrowings	501,235	–	–	501,235
Proceeds from other borrowings	9,120	–	–	9,120
Repayment of bank borrowings	(125,000)	–	–	(125,000)
Repayment of other borrowings	(40,000)	40,000	–	–
Capital contribution from non-controlling shareholders	6,620	–	–	6,620
Exercise of share options	2,159	–	–	2,159
Repayments for finance lease obligation	(1,171)	–	–	(1,171)
Net cash generated from/(used in) financing activities	575,397	31,000	–	606,397
Net (decrease)/increase in cash and cash equivalents	(544,484)	(54,464)	661,440	62,492
Cash and cash equivalents at beginning of the year	1,321,989	–	–	1,321,989
Exchange gain on cash and cash equivalents	13,196	–	–	13,196
Cash and cash equivalents at end of the year	790,701	(54,464)	661,440	1,397,677

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The amounts in the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement were extracted from the audited consolidated financial statements of the Group as set out in its annual report for the year ended 31 December 2015. The unaudited condensed consolidated interim statement of financial position of the Group as at 30 June 2016 was extracted from its published interim report for the period ended 30 June 2016.

2. These adjustments represent the exclusion of the financial position of Beijing Zhixing Ruijing, which have been extracted from the unaudited financial information of Beijing Zhixing Ruijing as at 30 June 2016 as set forth in Appendix II to this Circular, and the reversal of the consolidation adjustments of the license fee payable to Orange Triangle Inc. and technical service fee payable to Beijing Orange Triangle Technology Co., Ltd. and the related tax liabilities, which are stipulated under the Existing Structured Contracts, assuming the Disposal had been completed on 30 June 2016.

   As 40% of the net assets of Beijing Zhixing Ruijing relate to the Buy-Backs explained in Note 5(ii) below, the effect of the exclusion of 40% of the net assets of Beijing Zhixing Ruijing of approximately RMB35,597,000 as at 30 June 2016 is recorded in the capital redemption reserves in the consolidated reserves of the Group.

3. These adjustments represent the exclusion of the Group's share of results and cash flows of Beijing Zhixing Ruijing since the original acquisition date and the reversal of the consolidation adjustments of the license fee payable to Orange Triangle Inc. and technical service fee payable to Beijing Orange Triangle Technology Co., Ltd. and the related tax liabilities, which are stipulated under the Existing Structured Contracts, assuming the Disposal had been completed on 3 July 2015.

4. This adjustment reflects the gain on disposal as if the Disposal had been completed on 3 July 2015.

	RMB'000
Estimated Cash Consideration received from the Disposal *(Note 4(i))*	936,000
Estimated Contingent Shares received from the Disposal *(Note 4(i))*	1,144,000
Less: Cash Consideration to be paid to Xizang Ruijing *(Note 4(i))*	(274,560)
Less: Consideration Shares to be paid to Xizang Ruijing *(Note 4(i))*	(557,440)
	1,248,000
Less: Estimated direct expenses in relation to the Disposal *(Note 4(ii))*	(5,960)
Less: Estimated other tax expenses *(Note 4(ii))*	(1,040)
Less: Estimated income tax expenses *(Note 4(ii))*	(310,676)
Net consideration received by the Group	930,324
Less: Financial liabilities at fair value through profit or loss arising from the Acquisition *(Note 4(iv))*	(36,100)
Add: Financial assets at fair value through profit or loss arising from the Acquisition *(Note 4(iv))*	36,100
Sub-total	930,324

	RMB'000
Less: The carrying amount of financial assets at fair value through profit or loss in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 *(Note 4(v))*	(6,600)
Add: 60% of the carrying amount of deferred tax liabilities in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 *(Note 4(v))*	59,850
Less: 60% of the carrying amount of the intangible assets in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 *(Note 4(v))*	(827,548)
Less: 60% of the net assets of Beijing Zhixing Ruijing as at 3 July 2015	(6,342)
Net gain from the Disposal	149,684

The financial effects of the Buy-backs as if the Disposal had been completed on 3 July 2015 are as follows:

	RMB'000
Fair value of the Buy-Backs Shares as at 3 July 2015 *(Note 4(iii))*	491,290
Add: 40% of the carrying amount of deferred tax liabilities in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 *(Note 4(v))*	39,900
Less: 40% of the carrying amount of the intangible assets in relation to the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015 *(Note 4(v))*	(551,699)
Less: 40% of the net assets of Beijing Zhixing Ruijing as at 3 July 2015	(4,228)
Capital redemption reserves arising from the buy-back of HC Consideration Shares *(Note 4(iii))*	(24,737)

(i) This adjustment represents the recognition of the cash proceeds and the Consideration Shares to be recognised as available-for-sale financial assets at fair value arising from the Disposal.

Pursuant to the Second Supplemental Agreement, based on the maximum Total Consideration of RMB2,080,000,000 and the Issue Price of RMB36.49 per Consideration Share, 31,351,054 Consideration Shares (approximately RMB1,144,000,000) will be issued, (i) Beijing Huicong Construction shall receive RMB661,440,000 in cash and 16,074,540 Consideration Shares (approximately RMB586,560,000) and (ii) Xizang Ruijing shall receive RMB274,560,000 in cash and 15,276,514 Consideration Shares (approximately RMB557,440,000).

Since Xizang Ruijing will not be consolidated into the financial statements of the Group, the cash and Consideration Shares to be paid to Xizang Ruijing will be excluded in the adjusted unaudited pro forma consolidated statement of comprehensive income, the adjusted unaudited pro forma consolidated statement of financial position and the adjusted unaudited pro forma consolidated cash flow statement.

(ii) These adjustments represent the estimated expenses directly attributable to the Disposal. This includes estimated legal and professional fees and other expenses of approximately RMB5,960,000 and estimated other and corporate income tax liabilities of approximately RMB1,040,000 and approximately RMB310,676,000 respectively. The other and corporate income tax liabilities are estimated by the Directors based on the applicable tax rates of corporate income tax, stamp duties and capital gains tax levied by the China tax bureau arising from the Disposal.

(iii) These adjustments represent the Buy-Backs of the 2nd Batch HC Consideration Shares and 3rd Batch HC Consideration Shares, which in aggregate equal to 88,958,115 Shares. As at the Completion Date, the 1st Batch HC Consideration Shares (for the performance undertaking year ended 30 June 2016) should have already been released to the Zhixing Ex-Shareholders or their wholly-owned company in accordance with the terms of the Sale and Purchase Agreement. As such, the Buy-Backs would only involve the 2nd Batch HC Consideration Shares and the 3rd Batch HC Consideration Shares, totalling 88,958,115 Shares.

The fair value of the Buy-Backs Shares of approximately RMB491,290,000 is calculated based on the 88,958,115 Buy-Backs Shares at the closing price of HK$7.00 (equivalent to approximately RMB5.52) per share as quoted on the Stock Exchange on 3 July 2015, being the issue date of the HC Consideration Shares.

The consideration for the Buy-Backs shall be 40% of the equity interest in Beijing Zhixing Ruijing, which were transferred to Xizang Ruijing before the Disposal. The net amount will be recognised in capital redemption reserves in the consolidated reserves of the Group.

(iv) The financial assets and liabilities at fair value through profit or loss of approximately RMB36,100,000 and RMB36,100,000 respectively are recognised at 3 July 2015 in relation to the New Performance Undertakings contingent consideration arrangement. The fair value of the contingent consideration was estimated based on the valuation analysis which considers the probability–weighted scenarios of the New Performance Targets of Beijing Zhixing Ruijing and the market prices of the Consideration Shares at 31 December 2015. For the purposes of the adjusted unaudited pro forma consolidated statement of comprehensive income, the Directors do not expect that there will be any material differences between the valuations of the financial assets and liabilities at fair value through profit or loss valued at 3 July 2015 versus those valued at 31 December 2015.

(v) These adjustments represent the reversal of the consolidation adjustments of the Group relating to the intangible assets, goodwill, financial assets at fair value through profit or loss, deferred tax liabilities and net assets of Beijing Zhixing Ruijing that arose from the original acquisition of Beijing Zhixing Ruijing as at 3 July 2015;

(vi) The fair value gain on available-for-sale financial assets is approximately RMB174,314,000 and represents the change in fair value of the Consideration Shares from the 3 July 2015 to 31 December 2015 after net off with the related tax liabilities.

5. These adjustments represent the reversal of the consolidation adjustments of the Group relating to the carrying amount of intangible assets, goodwill, financial assets at fair value through profit or loss and deferred tax liabilities as at 30 June 2016 that arose from the original acquisition of Beijing Zhixing Ruijing, and the recognition of assets and liabilities arising from the Disposal on the unaudited pro forma condensed consolidated interim statement of financial position assuming the Disposal had completed on 30 June 2016.

	RMB'000
Reversal of consolidation adjustment for the carrying amount of intangible assets in relation to the original acquisition of Beijing Zhixing Ruijing	(1,342,765)
Financial assets at fair value through profit or loss arising from the Acquisition *(Note 5(i))*	35,900
Reversal of consolidation adjustment for the carrying amount of financial assets at fair value through the profit and loss in relation to the original acquisition of Beijing Zhixing Ruijing	(3,800)
Financial assets at fair value through profit or loss, net	32,100
Estimated Cash consideration received from the Disposal *(Note 4(i))*	936,000
Cash consideration to be paid to Xizang Ruijing *(Note 4(i))*	(274,560)
Cash and cash equivalents, net	661,440
Estimated Contingent Shares received from the Disposal *(Note 4(i))*	1,144,000
Consideration Shares to be paid to Xizang Ruijing *(Note 4(i))*	(557,440)
Available-for-sale financial assets, net	586,560
Reversal of consolidation adjustment for the share capital of Beijing Zhixing Ruijing	10,000
Share capital adjustment arising from the Buy-Backs *(Note 5(ii))*	(7,018)
Share capital, net	2,982
Capital redemption reserve arising from the Buy-Backs *(Note 5(ii))*	(124,507)
Share premium adjustment arising from the Buy-Backs *(Note 5(ii))*	(484,272)
Fair value loss of the Buy-Backs Shares *(Note 5(ii))*	114,943
Other reserves, net	(493,836)
Reversal of consolidation adjustment for the carrying amount of deferred tax liabilities in relation to the original acquisition of Beijing Zhixing Ruijing	(90,630)
Financial liabilities at fair value through profit or loss arising from the Acquisition *(Note 5(i))*	35,900
Accrued expenses and other payables *(Note 5(iii))*	5,960
Other taxes payable *(Note 5(iii))*	1,040
Income tax payable *(Note 5(iii))*	310,676
Estimated direct expenses, income tax expenses, and other taxes expenses in relation to the Disposal	317,676

(i) As explained in Note 4(iv) above, the fair value of the contingent consideration was estimated based on the valuation analysis which considers the probability-weighted scenarios of the New Performance Targets of Beijing Zhixing Ruijing and the market prices of the Consideration Shares. As at 30 June 2016, the financial assets and liabilities at fair value through profit or loss are assessed to be approximately RMB35,900,000 and RMB35,900,000 respectively.

(ii) As explained in Note 4(iii) above, the consideration for the Buy-Backs shall be 40% of the equity interest in Beijing Zhixing Ruijing and the net amount will be recognised in capital redemption reserves in the consolidated reserves of the Group.

The fair value of the Buy-Backs Shares of approximately RMB376,348,000 is calculated based on the 88,958,115 Buy-Backs Shares at the closing price of HK$4.95 (equivalent to approximately RMB4.23) per Share as quoted on the Stock Exchange on 30 June 2016.

The financial effects of the Buy-backs as if the Disposal had been completed on 30 June 2016 are as follows:

	RMB'000
Fair value of the Buy-Backs Shares as at 30 June 2016	376,348
Add: 40% of the carrying amount of deferred tax liabilities in relation to the original acquisition of Beijing Zhixing Ruijing as at 30 June 2016	36,251
Less: 40% of the carrying amount of the intangible assets in relation to the original acquisition of Beijing Zhixing Ruijing as at 30 June 2016	(537,106)
Capital redemption reserves before adjusting for the 40% of the net assets of Beijing Zhixing Ruijing as at 30 June 2016, arising from the Buy-backs of HC Consideration Shares	(124,507)
Less: 40% of the net assets of Beijing Zhixing Ruijing as at 30 June 2016 (As disclosed and adjusted in note(2))	35,597
Total capital redemption reserves arising from the Buy-backs HC Consideration Shares	160,104

(iii) As explained in Note 4(ii) above, the estimated expenses directly attributable to the Disposal are recorded as payables on the unaudited pro forma condensed consolidated interim statement of financial position.

6. These adjustments represent the net cash proceeds arising from the disposal of investment in subsidiary assuming the Disposal had completed on 3 July 2015.

7. Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2015 for the consolidated statement of comprehensive income and the consolidated cash flow statement, and 30 June 2016 for the condensed consolidated interim statement of financial position. The available-for-sale financial assets and the financial assets and liabilities at fair value through profit or loss are determined using a number of assumptions. As these assumptions require fair value remeasurement for statutory reporting purposes, the valuation of the available-for-sale financial assets and the financial assets and liabilities at fair value through profit or loss may be subject to changes in subsequent periods.

The final amounts of available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss would be subjected to the changes in the key assumptions underlying the respective fair value measurements, and the fair value of the Consideration Shares received by the Group and the fair value of the Buy-Backs Shares are subject to the changes in market value. These amounts may be different upon the completion of the Transaction.

8. Apart from the fair value of the available-for-sale financial assets and the financial assets and liabilities at fair value through profit or loss that will be remeasured subsequently at each period end date, there are no other pro forma adjustments to the financial statements of the Group expected to have a continuing effect in subsequent periods.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF HC INTERNATIONAL, INC.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of HC International lnc. (the "Company") and its subsidiaries (collectively the "Group") excluding Beijing Zhixing Ruijing Technology Co., Ltd ("Beijing Zhixing Ruijing") (collectively the "Remaining Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma condensed consolidated interim statement of financial position as at 30 June 2016, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2015, the unaudited pro forma consolidated cash flow statement for the year ended 31 December 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 246 to 260 of the Company's circular dated 30 August 2016, in connection with the proposed disposal of the entire equity interest in Beijing Zhixing Ruijing for certain shares in Shanghai Ganglian E-Commerce Co., Ltd. and cash (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 246 to 260.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2016 as if the Transaction had taken place at 30 June 2016, and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Transaction had taken place at 3 July 2015 respectively. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's interim report for the period ended 30 June 2016, on which no audit or review report has been published, and the Group's financial performance and cash flows has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2016 for the Group's financial position and 3 July 2015 for the Group's financial performance and cash flows would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2016

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF SHANGHAI GANGLIAN

The audited consolidated financial statements of Shanghai Ganglian, together with the accompanying notes, for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the annual reports of Shanghai Ganglian for the financial years ended 31 December 2013 (pages 265 to 438), 31 December 2014 (pages 439 to 602), and 31 December 2015 (pages 603 to 786), respectively, the unaudited consolidated financial information of Shanghai Ganglian for the three months ended 31 March 2016 is disclosed in the quarterly report of Shanghai Ganglian for the three months ended 31 March 2016, are incorporated by reference into this circular.

The said annual reports of Shanghai Ganglian are available on the website of the Shenzhen Stock Exchange at www.szse.cn through the links below:

Annual report for the year ended 31 December 2013:
http://disclosure.szse.cn/finalpage/2014-04-18/63863213.PDF

Annual report for the year ended 31 December 2014:
http://disclosure.szse.cn/finalpage/2015-02-28/1200657635.PDF

Annual report for the year ended 31 December 2015:
http://disclosure.szse.cn/finalpage/2016-04-26/1202243999.PDF

Quarterly report as at 31 March 2016:
http://disclosure.szse.cn/finalpage/2016-04-26/1202244012.PDF

A. FINANCIAL INFORMATION OF SHANGHAI GANGLIAN FOR THE YEAR ENDED 31 DECEMBER 2015

I. AUDIT REPORT

Type of audit opinion	standard and unqualified audit opinions
The date when the audit report was signed	25 April 2016
Name of the auditor	Ruihua Certified Public Accountants (special general partnership)
Reference number of the audit report	Rui Hua Shen Zi [2016] No. 31010023
Name of certified public accountant	Lian Xiangyang (連向陽), Wang Chen (王晨)

Text of the audit report

To shareholders of Shanghai Ganglian E-Commerce Holdings Co., Ltd.:

We have audited the accompanying financial statements of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (hereinafter to as the "Shanghai Ganglian"), which comprise the consolidated and company balance sheets as at 31 December 2015, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2015 and notes to the financial statements.

1. Management's responsibility for the financial statements

The management of Shanghai Ganglian is responsible for the preparation and fair presentation of the financial statements. This responsibility includes (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises so as to give a fair view; (2) designing, implementing and maintaining necessary internal control in order to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on the audit we have conducted. We conducted our audit in accordance with the Chinese Certified Public Accountants Auditing Standards. Those standards require us to comply with ethical codes of Chinese certified public accountants and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. When conducting risk assessment, the auditor consider internal control relevant to the preparation and fair presentation of financial statements so as to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

3. Opinion

In our opinion, the financial statements above have been prepared in all material aspects in accordance with requirements of the Accounting Standards for Business Enterprises and have given a true and fair view of the consolidated and company financial position of Shanghai Ganglian E-Commerce Holdings Co., Ltd. as at 31 December 2015 and of its consolidated and company operating results and cash flows for 2015.

Ruihua Certified Public Accountants (special general partnership)	PRC Certified Public Accountant: Lian Xiangyang (連向陽)
Beijing, China	PRC Certified Public Accountant: Wang Chen (王晨)
	25 April 2016

II. FINANCIAL STATEMENTS

The unit in the financial statements of the financial notes: RMB

1. Consolidated Balance Sheet

Prepared by: Shanghai Ganglian E-Commerce Holdings Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	350,406,594.55	158,064,334.06
Deposit reservation for balance		
Lending funds		
Financial assets at fair value through profit or loss for the period	22,300,000.00	
Derivative financial assets		
Bills receivable	13,061,938.65	15,204,511.00
Accounts receivable	2,242,033.40	1,012,243.50
Prepayments	821,353,022.19	655,452,660.09
Premiums receivable		
Receivables from reinsurers		
Reinsurance contract reserves receivable		
Interest receivable		
Dividend receivable		
Other receivables	2,357,565.51	146,510,030.24
Buy-back of financial assets sold		
Inventories	248,041,827.35	279,978,375.55
Assets held for sale		
Non-current assets due within one year		
Other current assets	51,348,638.29	17,302,895.20
Total current assets	1,511,111,619.94	1,273,525,049.64

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Provision of loans and advances		
Available-for-sale financial assets	66,000,000.00	24,000,000.00
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	45,214,692.64	22,555,892.83
Investment properties		
Fixed assets	222,166,992.23	231,143,260.54
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	24,252,292.00	23,595,240.00
Development expenditures		
Goodwill		
Long-term deferred expenses	1,395,978.90	773,078.10
Deferred income tax assets	733,800.88	5,786,880.26
Other non-current assets		
Total non-current assets	359,763,756.65	307,854,351.73
TOTAL ASSETS	1,870,875,376.59	1,581,379,401.37

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	74,000,000.00	116,800,000.00
Borrowings from the Central Bank		
Deposit taking and interbank deposits		
Borrowed funds		
Financial liabilities at fair value through profit or loss for the period		
Derivative financial liabilities		
Bills payable	100,060,921.44	
Accounts payable	9,772,279.47	28,287,235.42
Receipts in advance	513,079,581.63	310,485,196.36
Amounts from the sales of repurchased financial assets		
Handling fees and commissions payable		
Payroll payable	12,171,207.29	2,769,683.66
Taxes payable	2,808,406.93	4,850,756.63
Interest payable	114,873.61	75,619.95
Dividend payable		
Other payables	747,581,678.92	153,637,262.86
Reinsurance accounts payable		
Reserves for insurance contracts		
Brokerage for trading securities		
Brokerage for underwriting securities		
Liabilities held for sale		
Non-current liabilities due within one year	12,000,000.00	2,500,000.00
Other current liabilities		
Total current liabilities	1,471,588,949.29	619,405,754.88

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long-term borrowings	65,000,000.00	77,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Accrued liabilities		
Deferred income	39,641,411.71	34,307,217.18
Deferred income tax liabilities	45,000.00	
Other non-current liabilities		
Total non-current liabilities	104,686,411.71	111,307,217.18
TOTAL LIABILITIES	1,576,275,361.00	730,712,972.06

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	156,000,000.00	156,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	48,798,505.83	161,548,141.83
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	17,868,177.70	17,868,177.70
General risk provision		
Retained profit	-145,435,388.41	107,968,232.14
Total equity attributable to owners of the parent company	77,231,295.12	443,384,551.67
Minority interest	217,368,720.47	407,281,877.64
Total owners' equity	294,600,015.59	850,666,429.31
TOTAL LIABILITIES AND OWNERS' EQUITY	1,870,875,376.59	1,581,379,401.37

Legal representative: Zhu Junhong (朱軍紅)

Financial controller: Yu Dahai (俞大海)

Head of the financial department: Cheng Chao (成超)

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	24,919,167.19	45,570,555.39
Financial asset at fair value through profit or loss for the period	22,300,000.00	
Derivative financial assets		
Bills receivable		
Accounts receivable	512,507.50	927,693.50
Prepayments	1,407,851.66	1,134,472.90
Interest receivable		
Dividend receivable		
Other receivables	2,232,145.60	4,866,312.67
Inventories		
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,201,404.05	1,292,597.01
Total current assets	52,573,076.00	53,791,631.47
NON-CURRENT ASSETS:		
Available-for-sale financial assets	66,000,000.00	24,000,000.00
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	877,700,945.68	356,365,213.43
Investment properties		
Fixed assets	213,324,287.90	221,895,789.88
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	23,082,300.00	23,595,240.00
Development expenditures		
Goodwill		
Long-term deferred expenses	1,188,501.94	437,812.07
Deferred income tax assets	729,769.40	26,330.47
Other non-current assets		
Total non-current assets	1,182,025,804.92	626,320,385.85
TOTAL ASSETS	1,234,598,880.92	680,112,017.32

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings		68,800,000.00
Financial liabilities at fair value through profit or loss for the period		
Derivative financial liabilities		
Bills payable		
Accounts payable		
Receipts in advance	76,244,699.59	68,883,987.49
Payroll payable		
Taxes payable	1,594,328.19	3,787,224.15
Interest payable		
Dividend payable		
Other payables	647,226,690.83	30,879,053.61
Liabilities held for sale		
Non-current liabilities due within one year	12,000,000.00	2,500,000.00
Other current liabilities		
Total current liabilities	737,065,718.61	174,850,265.25
NON-CURRENT LIABILITIES:		
Long-term borrowings	65,000,000.00	77,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Accrued liabilities		
Deferred income	39,641,411.71	34,307,217.18
Deferred income tax liabilities	45,000.00	
Other non-current liabilities		
Total non-current liabilities	104,686,411.71	111,307,217.18
TOTAL LIABILITIES	841,752,130.32	286,157,482.43

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	156,000,000.00	156,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	119,221,101.33	110,378,639.15
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	17,868,177.70	17,868,177.70
Retained profit	99,757,471.57	109,707,718.04
Total owners' equity	392,846,750.60	393,954,534.89
TOTAL LIABILITIES AND OWNERS' EQUITY	1,234,598,880.92	680,112,017.32

3. Consolidated Income Statement

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Total operating income	21,357,135,682.27	7,557,110,151.61
Including: Operating income	21,357,135,682.27	7,557,110,151.61
Interest income		
Premium earned		
Handling fees and commissions income		
II. Total operating costs	21,803,583,596.27	7,553,895,151.22
Including: Operating costs	21,499,915,356.56	7,355,490,503.37
Interest expenses		
Handling fees and commissions expenses		
Surrender payment		
Net expenditure for compensation payment		
Net provision for insurance contract		
Expenditure for insurance policy dividend		
Reinsurance costs		
Business taxes and surcharges	1,103,589.42	3,348,128.96
Selling expenses	176,436,673.66	110,732,850.20
Administration expenses	87,452,853.91	72,443,161.46
Finance costs	19,616,184.82	11,579,875.68
Loss on impairment of assets	19,058,937.90	300,631.55
Plus: Gain on change in fair value (“-” denotes loss)	300,000.00	
Investment income (“-” denotes loss)	-2,062,406.85	-1,426,961.12
Including: Income from investment in associates and joint ventures	-5,361,184.99	-1,426,961.12
Exchange gains (“-” denotes loss)		

Item	Amounts for the current period	Amounts for the prior period
III. Operating profit ("-" denotes loss)	-448,210,320.85	1,788,039.27
Plus: Non-operating income	6,282,966.02	9,833,697.50
Including: Gains on disposal of non-current assets	10,616.72	
Less: Non-operating expenses	415,613.65	28,238.25
Including: Loss on disposal of non-current assets	120,925.99	11,809.82
IV. Total profit ("-" denotes total loss)	-442,342,968.48	11,593,498.52
Less: Income tax expenses	5,547,564.46	-1,732,336.48
V. Net profit ("-" denotes net loss)	-447,890,532.94	13,325,835.00
Net profit attributable to owners of the parent company	-250,385,277.59	18,775,724.65
Minority interest	-197,505,255.35	-5,449,889.65

Item	Amounts for the current period	Amounts for the prior period
VI. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to owners of the parent company		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
1. Change in remeasurement of net defined benefit scheme liabilities or assets		
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss under equity method		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Share of other comprehensive income of investees that will be reclassified to profit and loss under equity method in subsequent periods		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from reclassification from held-to-maturity investment to available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences on translation of foreign currency financial statements		
6. Others		
Net other comprehensive income after tax attributable to minority interest		

Item	Amounts for the current period	Amounts for the prior period
VII. Total comprehensive income	-447,890,532.94	13,325,835.00
Total comprehensive income attributable to owner of the parent company	-250,385,277.59	18,775,724.65
Total comprehensive income attributable to minority interest	-197,505,255.35	-5,449,889.65
VIII. Earnings per share:		
(I) Basic earnings per share	-1.610	0.1204
(II) Diluted earnings per share	-1.610	0.1204

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0.00, and the net profit recognized by the merged party in the prior period was RMB0.00.

Legal representative: Zhu Junhong (朱軍紅)

Financial controller: Yu Dahai (俞大海)

Head of the financial department: Cheng Chao (成超)

4. Income Statement of the Parent Company

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Operating income	148,656,059.94	164,220,417.68
Less: Operating costs	42,923,051.96	26,091,419.03
Business taxes and surcharges	866,377.19	2,380,475.16
Selling expenses	48,414,229.93	51,671,156.90
Administration expenses	56,650,670.97	49,556,098.67
Finance costs	11,097,102.63	10,002,207.94
Loss on impairment of assets	218,806.00	306,050.50
Plus: Gain on change in fair value ("-" denotes loss)	300,000.00	
Investment income ("-" denotes loss)	-2,352,507.71	-1,432,424.37
Including: Income from investment in associates and joint ventures	-5,650,431.95	-1,432,424.37
II. Operating profit ("-" denotes loss)	-13,566,686.45	22,780,585.11
Plus: Non-operating income	6,060,041.27	9,359,994.67
Including: gains on disposal of non-current assets		
Less: Non-operating expenses	83,697.26	10,542.61
Including: Loss on disposal of non-current assets	83,697.26	10,456.10
III. Total profit ("-" denotes total loss)	-7,590,342.44	32,130,037.17
Less: Income tax expenses	-658,438.93	3,261,320.23
IV. Net profit ("-" denotes net loss)	-6,931,903.51	28,868,716.94
V. Net other comprehensive income after tax		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
1. Change in remeasurement of net defined benefit scheme liabilities or assets		
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss under equity method		

Item	Amounts for the current period	Amounts for the prior period
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Share of other comprehensive income of investees that will be reclassified to profit and loss in subsequent periods under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from reclassification of held-to-maturity investment to available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences on translation of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	-6,931,903.51	28,868,716.94
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	25,173,523,419.62	8,837,686,781.68
Net increase in customers' deposits and inter-bank deposits		
Net increase in borrowings from the central bank		
Net increase in borrowed funds from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of financial assets at fair value through profit or loss for the period		
Cash received on interest, handling fee and commission income		
Net increase in borrowed funds		
Net increase in returned business capital		
Tax refund received		
Cash received relating to other operating activities	645,012,856.38	90,695,755.80
Subtotal of cash inflows from operating activities	25,818,536,276.00	8,928,382,537.48
Cash paid for purchase of goods and services received	25,136,661,492.57	8,993,570,373.97
Net increase in customers' loans and advances		
Net increase in deposits with central bank and inter-banks		
Cash paid for compensation payments under original insurance contract		
Cash paid on interest, handling fee and commission income		
Cash paid for insurance policy dividend		

Item	Amounts for the current period	Amounts for the prior period
Cash paid to employees and for employees	192,501,264.05	133,342,731.96
Payments of taxes and surcharges	24,838,378.32	19,770,657.70
Cash paid relating to other operating activities	622,688,773.59	212,069,572.49
Subtotal of cash outflows from operating activities	25,976,689,908.53	9,358,753,336.12
Net cash flows from operating activities	-158,153,632.53	-430,370,798.64
II. Cash flows from investing activities:		
Cash received from investments	13,967,033.30	
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	112,311.97	2,302,074.79
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	14,079,345.27	2,302,074.79
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	9,019,526.89	24,982,991.78
Cash paid on investment	549,800,000.00	17,400,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	558,819,526.89	42,382,991.78
Net cash flows from investing activities	-544,740,181.62	-40,080,916.99
III. Cash flows from financing activities:		
Cash received from capital contribution	336,000,000.00	404,800,000.00
Including: cash received from minority interest contribution to subsidiaries	336,000,000.00	404,800,000.00
Cash received from borrowings	1,077,000,000.00	306,800,000.00
Cash received from bond issue		
Cash received relating to other financing activities	7,340,000.00	16,015,000.00
Subtotal of cash inflows from financing activities	1,420,340,000.00	727,615,000.00
Cash paid for repayment of debts	544,300,000.00	269,400,000.00

Item	Amounts for the current period	Amounts for the prior period
Cash paid for dividends and profit distribution or interest payment	22,514,000.14	22,411,548.78
Including: dividend and profit paid to minority interest by subsidiaries		
Cash paid relating to other financing activities	1,789,214.00	1,700,000.00
Subtotal of cash outflows from financing activities	568,603,214.14	293,511,548.78
Net cash flows from financing activities	851,736,785.86	434,103,451.22
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	148,842,971.71	-36,348,264.41
Plus: Balance of cash and cash equivalents as at the beginning of the period	158,064,334.06	194,412,598.47
VI. Balance of cash and cash equivalents as at the end of the period	306,907,305.77	158,064,334.06

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	165,016,724.64	169,099,801.75
Tax refund received		
Cash received relating to other operating activities	77,195,697.97	10,113,662.53
Subtotal of cash inflows from operating activities	242,212,422.61	179,213,464.28
Cash paid for purchase of goods and services received		
Cash paid to employees and for employees	81,167,521.05	78,276,567.97
Payments of taxes and surcharges	14,379,614.52	12,095,116.06
Cash paid relating to other operating activities	82,286,606.09	35,829,051.25
Subtotal of cash outflows from operating activities	177,833,741.66	126,200,735.28
Net cash flows from operating activities	64,378,680.95	53,012,729.00
II. Cash flows from investing activities:		
Cash received from investments	17,000,000.00	10,000,000.00
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	34,500.00	2,300,474.79
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	17,034,500.00	12,300,474.79
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	5,167,393.26	15,766,994.88
Cash paid on investments	601,800,000.00	243,410,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	606,967,393.26	259,176,994.88

Item	Amounts for the current period	Amounts for the prior period
Net cash flows from investing activities	-589,932,893.26	-246,876,520.09
III. Cash flows from financing activities:		
Cash received from capital contribution		
Cash received from borrowings	662,200,000.00	178,800,000.00
Cash received from bond issue		
Cash received relating to other financing activities	7,340,000.00	16,015,000.00
Subtotal of cash inflows from financing activities	669,540,000.00	194,815,000.00
Cash paid for repayment of debts	155,500,000.00	111,400,000.00
Cash paid for dividend and profit distribution or interest payment	9,137,175.89	18,423,025.53
Cash paid relating to other financing activities		1,700,000.00
Subtotal of cash outflows from financing activities	164,637,175.89	131,523,025.53
Net cash flows from financing activities	504,902,824.11	63,291,974.47
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-20,651,388.20	-130,571,816.62
Plus: Balance of cash and cash equivalents as at the beginning of the period	45,570,555.39	176,142,372.01
VI. Balance of cash and cash equivalents as at the end of the period	24,919,167.19	45,570,555.39

7. Consolidated Statement of Changes in Owners' Equity

Amounts for the current period

Unit: RMB

	For the current period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profit	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	156,000,000.00				161,548,141.83				17,868,177.70		107,968,232.14	407,281,877.64	850,666,429.31
Plus: accounting policy change													
Corrections of prior period errors													
Business combination under common control													
Others													
II. Balance as at the beginning of the current year	156,000,000.00				161,548,141.83				17,868,177.70		107,968,232.14	407,281,877.64	850,666,429.31
III. Changes in the current period ("-" denotes decrease)					-112,749,636.00						-253,403,620.55	-189,913,157.17	-556,066,413.72
(I) Total comprehensive income											-250,385,277.59	-197,505,255.35	-447,890,532.94
(II) Capital paid in and reduced by owners					-112,749,636.00							7,592,098.18	-105,157,537.82
1. Ordinary shares paid by shareholders												-114,000,000.00	-114,000,000.00
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity													
4. Others					-112,749,636.00							121,592,098.18	8,842,462.18
(III) Profit distribution											-3,018,342.96		-3,018,342.96
1. Transfer to surplus reserves													
2. Transfer to general risk provision													

Item	For the current period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profit	Minority interest	Total owners' equity
3. Distribution to owners (or shareholders)											-3,018,342.96		-3,018,342.96
4. Others													
(IV) Transfer within owners' equity													
1. Transfer from capital reserves to capital (or share capital)													
2. Transfer from surplus reserves to capital (or share capital)													
3. Transfer from surplus reserves to make up for losses													
4. Others													
(V) Special reserves													
1. Amount withdrawn in the current period													
2. Amount utilized in the current period													
(VI) Others													
IV. Balance as at the end of the current period	156,000,000.00				48,798,505.83				17,868,177.70		-145,435,388.41	217,368,720.47	294,600,015.59

Amounts for the prior period

Unit: RMB

Item	For the prior period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profit	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	120,000,000.00				146,173,380.10				14,981,306.01		98,079,379.18	55,306,529.02	434,540,594.31
Plus: accounting policy change													
Corrections of prior period errors													
Business combination under common control													
Others													
II. Balance as at the beginning of the current year	120,000,000.00				146,173,380.10				14,981,306.01		98,079,379.18	55,306,529.02	434,540,594.31
III. Changes in the current period ("-" denotes decrease)	36,000,000.00				15,374,761.73				2,886,871.69		9,888,852.96	351,975,348.62	416,125,835.00
(I) Total comprehensive income											18,775,724.65	-5,449,889.65	13,325,835.00
(II) Capital paid in and reduced by owners					51,374,761.73							357,425,238.27	408,800,000.00
1. Ordinary shares paid by shareholders												404,800,000.00	404,800,000.00
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity												4,000,000.00	4,000,000.00
4. Others					51,374,761.73							-51,374,761.70	
(III) Profit distribution									2,886,871.69		-8,886,871.69		-6,000,000.00
1. Transfer to surplus reserves									2,886,871.69		-2,886,871.69		
2. Transfer to general risk provision													
3. Distribution to owners (or shareholders)											-6,000,000.00		-6,000,000.00
4. Others													

	For the prior period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provision	Retained profit	Minority interest	Total owners' equity
(IV) Transfer within owners' equity	36,000,000.00				-36,000,000.00								
1. Transfer from capital reserves to capital (or share capital)	36,000,000.00				-36,000,000.00								
2. Transfer from surplus reserves to capital (or share capital)													
3. Transfer from surplus reserves to make up for losses													
4. Others													
(V) Special reserves													
1. Amount withdrawn in the current period													
2. Amount utilized in the current period													
(VI) Others													
IV. Balance as at the end of the current period	156,000,000.00				161,548,141.83				17,868,177.70		107,968,232.14	407,281,877.64	850,666,429.31

8. Statement of Changes in Owners' Equity of the Parent Company

Amounts for the current period

Unit: RMB

Item	Current period										
	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual shares	Other equity instruments: Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
I. Balance as at the end of the prior year	156,000,000.00				110,378,639.15				17,868,177.70	109,707,718.04	393,954,534.89
Plus: accounting policy change											
Corrections for error in previous period											
Others											
II. Balance as at the beginning of the current year	156,000,000.00				110,378,639.15				17,868,177.70	109,707,718.04	393,954,534.89
III. Changes in the current period ("-" denotes decrease)					8,842,462.18					-9,950,246.47	-1,107,784.29
(I) Total comprehensive income										-6,931,903.51	-6,931,903.51
(II) Capital paid in and reduced by owners					8,842,462.18						8,842,462.18
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others					8,842,462.18						8,842,462.18
(III) Profit distribution										-3,018,342.96	-3,018,342.96
1. Transfer to surplus reserves											
2. Distribution to owners (or shareholders)										-3,018,342.96	-3,018,342.96
3. Others											

Item	Current period										
		Other equity instruments									
	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
(IV) Transfer within owners' equity											
1. Transfer from capital reserves to capital (or share capital)											
2. Transfer from surplus reserves to capital (or share capital)											
3. Transfer from surplus reserves to make up for losses											
4. Others											
(V) Special reserve											
1. Amount withdrawn in the current period											
2. Amount utilized in the current period											
(VI) Others											
IV. Balance as at the end of the current period	156,000,000.00				119,221,101.33				17,868,177.70	99,757,471.57	392,846,750.60

Amounts for the prior period

Unit: RMB

	Prior period											
		Other equity instruments										
Item	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
I. Balance as at the end of the prior year	120,000,000.00				146,378,639.15				14,981,306.01	89,725,872.79	371,085,817.95
Plus: accounting policy change											
Corrections for error in previous period											
Others											
II. Balance as at the beginning of the current year	120,000,000.00				146,378,639.15				14,981,306.01	89,725,872.79	371,085,817.95
III. Changes in the current period ("-" denotes decrease)	36,000,000.00				-36,000,000.00				2,886,871.69	19,981,845.25	22,868,716.94
(I) Total comprehensive income										28,868,716.94	28,868,716.94
(II) Capital paid in and reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution									2,886,871.69	-8,886,871.69	-6,000,000.00
1. Transfer to surplus reserves									2,886,871.69	-2,886,871.69	
2. Distribution to owners (or shareholders)										-6,000,000.00	-6,000,000.00
3. Others											

Item	Prior period										
		Other equity instruments									
	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
(IV) Transfer within owners' equity	36,000,000.00				-36,000,000.00						
1. Transfer from capital reserves to capital (or share capital)	36,000,000.00				-36,000,000.00						
2. Transfer from surplus reserves to capital (or share capital)											
3. Transfer from surplus reserves to make up for losses											
4. Others											
(V) Special reserve											
1. Amount withdrawn in the current period											
2. Amount utilized in the current period											
(VI) Others											
IV. Balance as at the end of the current period	156,000,000.00				110,378,639.15				17,868,177.70	109,707,718.04	393,954,534.89

III. GENERAL INFORMATION OF THE COMPANY

上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd.) (hereinafter in this appendix referred to as the "Company", the Company and its subsidiaries collectively referred to as the "Group"), formerly known as 上海鋼聯電子商務有限公司, was established as a company with limited liability jointly by 上海閩冶鋼鐵工貿有限公司 (Shanghai Hui Sheng Asset Management Co., Ltd.*) and 11 natural person shareholders such as You Zhenwu (游振武). After several times of equity transfer and capital increase, the current registered capital is RMB156.00 million. The Company's headquarter is now located at No.68, Yuanfeng Road, Baoshan District, Shanghai, and Zhu Junhong (朱軍紅) acts as its legal representative.

The original registered capital and the paid-in capital of the Company were RMB9.00 million and RMB9.00 million, respectively. On 22 January 2008, the Company resolved its transformation into a joint-stock limited company as a whole at the general meeting. The net assets of the Company of RMB17,726,073.15, which was evaluated by Beijing Liu He Zheng Xu Assets Appraisal Co., Ltd. (北京六合正旭資產評估有限責任公司) (Liu He Zheng Xu Ping Bao Zi [2008] No. 002, the assessed value of net assets: RMB18,543,478.85) and audited by RSM China Certified Public Accountants (中瑞岳華會計師事務所有限公司) (RSM Shen Zi [2008] No. 11374) at the base date of 31 December 2007, was converted into a total number of 15.00 million shares with a par value of RMB1 each, and the remaining RMB2,726,073.15 was included into the capital reserve. Upon such change, the registered (share) capital was RMB15.00 million, of which: RMB9.00 million was contributed by Shanghai Xingye Investment Development Co., Ltd., (上海興業投資發展有限公司), representing 60.00% of the registered capital; RMB2.8750 million was contributed by Zhu Junhong (朱軍紅), representing 19.17% of the registered capital; RMB0.8 million was contributed by Jia Liangqun (賈良群), representing 5.33% of the registered capital; RMB0.8 million was contributed by Liu Yuewu (劉躍武), representing 5.33% of the registered capital; RMB0.75 million was contributed by Xiao Guoshu (肖國樹), representing 5.00% of the registered capital; RMB0.45 million was contributed by Yu Ruitai (虞瑞泰), representing 3.00% of the registered capital; RMB0.325 million was contributed by Mao Jie (毛杰), representing 2.17% of the registered capital. The above alteration was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2008] No. 2006). In March 2008, the Company changed its name into "Shanghai Ganglian E-Commerce Holdings Co., Ltd.".

On 10 August 2008, pursuant to the resolutions of the Second Extraordinary General Meeting and the amended constitution of the Company, the Company increased its registered (share) capital by RMB12.875 million by monetary capital. Such capital increase was contributed by Shanghai Xingye Investment Development Co., Ltd. and 62 natural persons such as Zhu Junhong, and the registered (share) capital was RMB27.875 million upon such change. Such capital contribution was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2008] No. 2183).

On 1 September 2008, pursuant to the resolutions of the Third Extraordinary General Meeting and the amended constitution of the Company, the Company applied for an increase of RMB2.125 million in its registered (share) capital by monetary capital, and the registered (share) capital was RMB30.00 million upon such change. The registered (share) capital increased was contributed by 36 natural persons such as Yu Liangui (俞連貴), the original shareholder, and by 77 natural persons such as Huang He (黃河), a new shareholder. Such contribution was made as premium contribution and the capital reserve increased by RMB2.125 million. Such capital contribution was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2008] No. 2208).

Pursuant to the resolutions of 2011 First Extraordinary General Meeting of the Company and the "Approval of Initial Public Offering of Shares and Listing on the GEM of Shanghai Ganglian E-Commerce Holdings Co., Ltd." (《關於上海鋼聯電子商務股份有限公司首次公開發行股票並在創業板上市的批覆》) (Zheng Jian Xu Ke [2011] No. 734) from the China Securities Regulatory Commission, on 30 May 2011, the Company made a public offering of 2.00 million RMB ordinary shares (A shares) to price consultation participants by offline placing, and 8.00 million RMB ordinary shares (A shares) by online pricing respectively, representing an aggregate amount of 10.00 million RMB ordinary shares (A shares) with a par value of RMB1 each being issued at an issue price of RMB23.00 per share. After receipt by the Company of the capital of RMB230,000,000.00 contributed by public shareholders and a deduction of the securities underwriting fees and sponsor fees of RMB28,000,000.00 and other issuance costs of RMB6,472,434.00, the net proceeds was RMB195,527,566.00, of which RMB10,000,000.00 was converted into share capital, and the remaining RMB185,527,566.00 was converted into capital reserve. After the issuance, the public float of the Company was 10.00 million shares, all of which were contributed by monetary capital. The registered capital of the Company was RMB40.00 million upon such issuance. Such capital contribution was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2011] No. 107).

Pursuant to the resolutions of 2011 Annual General Meeting convened by the Company in 2012 and the amended constitution, the Company applied for an increase of RMB40,000,000.00 in its registered capital by a transfer of retained profit and capital reserves into share capital with 31 December 2011 being the base date for transfer, and its registered capital was RMB80,000,000.00 upon such change. The Company increased its share capital by RMB20,000,000.00 by way of converting its retained profits into 20,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 5 additional shares for every 10 shares. Meanwhile, the Company increased its share capital by RMB20,000,000.00 by way of converting its capital reserve into 20,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 5 additional shares for every 10 shares. The registered capital of the Company was RMB80.00 million upon such capital increase. Such capital contribution was verified by RSM China Certified Public Accountants (special general partnership) (中瑞岳華會計師事務所(特殊普通合夥)), and a capital verification report was issued in this regard (RSM Yanzi [2012] No. 0122).

Pursuant to the resolutions of 2012 Annual General Meeting convened by the Company in 2013 and the amended constitution, the Company applied for an increase of RMB40,000,000.00 in its registered capital by a transfer of retained profit and capital reserves into share capital with 31 December 2012 being the base date for transfer, and its registered capital was RMB120,000,000.00 upon such change. The Company increased its share capital by RMB16,000,000.00 by way of converting its retained profits into 16,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 2 additional shares for every 10 shares. Meanwhile, the Company increased its share capital by RMB24,000,000.00 by way of converting its capital reserve into 24,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 3 additional shares for every 10 shares. The registered capital of the Company was RMB120.00 million upon such capital increase. Such capital contribution was verified by RSM China Certified Public Accountants (special general partnership) (中瑞岳華會計師事務所（特殊普通合夥）), and a capital verification report was issued in this regard (RSM Yanzi [2013] No. 0154).

Pursuant to the resolutions of 2013 Annual General Meeting convened by the Company in 2014 and amended constitution, the Company applied for an increase of RMB36,000,000.00 in its registered capital. The Company increased its share capital by RMB36,000,000.00 by way of converting its capital reserves into 36,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 3 additional shares for every 10 shares.

Scope of operations of the Company: computer software, development and sales of network technology, network systems integration, sales of metallic materials, refractory materials, building materials, chemical raw material (except for hazardous material), mechanical and electrical equipment, rubber products, wood, ferrous metal ores and hardware and electrical equipment, advertising design, advertisement release by own media, exhibition services, consulting and investigation about market information(not allowed to engage in social research, social survey, public opinion survey, and poll), establishment of branches, import and export business of goods and technology, corporate management consulting, investment consulting, corporate image planning and marketing planning; call center business under the second catalogue of value-added telecom services (see the license attachment for details of the business scope) and information service business under the second catalogue of value-added telecom services (excluding fixed network telephone information services, and internet information services limited to Shanghai).

These financial statements have been approved for issue by the Board of the Group on 25 April 2016.

In 2015, there were a total of 8 subsidiaries consolidated into the Group. See "IX Interest in other entities" for more details in this chapter. In the current year, there was an increase of 2 subsidiaries consolidated into the Group as compared to last year. See "VIII Changes in scope of business combination" for more details in this chapter.

The Group is primarily engaged in the third-party e-commerce services and trading services via internet platform.

The Company established a new subsidiary 上海鋼聯金屬礦產國際交易中心有限責任公司 (Shanghai Ganglian Metal mineral International Trading Center Co., Ltd*) in April 2015 with a registered capital of RMB50.00 million. At of 31 December 2015, the Company was interested in its total number of shares.

During the reporting period, the Company established a new subsidiary上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*) on 15 October 2015 with a registered capital of RMB20.00 million. At of 31 December 2015, the Company was interested in 51% of its shares.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements are prepared on a going concern basis and based on transactions and events actually occurred, in accordance with the Accounting Standards for Business Enterprises – Basic Standard promulgated by the Ministry of Finance (Order of Ministry of Finance No. 33 Issue and Order of Ministry of Finance No.76 Amendment) and 41 specific accounting standards as promulgated and amended on and after 15 February 2006, guidelines on application of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

The Group's financial statements have been prepared on an accrual basis in accordance with the ASBEs. Except for certain financial instruments, these financial statements have been measured under the historical cost convention. If an asset is impaired, a provision for impairment shall be made accordingly in accordance with the relevant provisions.

2. Going concern

The Company will be able to continue its operation as a going concern.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Company and its subsidiaries have formulated some specific accounting policies and accounting estimates in relation to the transactions and events such as revenue recognition at their actual business features and in accordance with the relevant provisions of the ASBEs. For descriptions of critical accounting judgments and estimates made by the management of the Group.

1. Statement of compliance with the accounting standards for business enterprises

The financial statements have been prepared by the Group in conformity with the ASBEs, which truly and fully reflect the financial position of the Group as at 31 December 2015 and relevant information such as the operating results and cash flows for 2015. In addition, the financial statements of the Group also comply with, in all material aspects, the disclosure requirements of the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

2. Accounting period

The accounting periods of the Group are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full accounting year. The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Operating cycle

Normal operating cycle refers to the period from acquisition of assets used for processing by the Group until their realization in cash or cash equivalents. The operating cycle of the Group lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

4. Functional currency

Renminbi is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate, therefore, the Company and its domestic subsidiaries adopt RMB as their functional currency. The Group prepares these financial statements in RMB.

5. Accounting treatment of business combination under common control and not under common control

Business combinations refer to the transactions or events in which two or more separate enterprises merged as a single reporting entity. Business combinations are divided into business combination under common control and not under common control.

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. For a business combination under common control, the party that, at the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while other enterprise participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period when incurred.

(2) Business combination not under common control

A business combination not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not under common control, the party that, at the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination not under common control, the cost of a business combination is the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, plus agency fees for business combination such as audit, legal service and evaluation consultation and other management fees, which is charged to the profit or loss for the period when incurred. As equity or debt securities are issued by the acquirer as consideration for business combination, any attributable transaction cost is included in their initial cost. Contingent consideration involved is charged to the combination cost according to its fair value at the acquisition date, the combined goodwill will be adjusted if new or additional evidence existed about the condition at the acquisition date within twelve months after the acquisition date, which is required to adjust the contingent consideration. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets at the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the current period.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred income tax assets due to non-fulfillment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree at the acquisition date can be expected, the relevant deferred income tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred income tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the current period. Except for the above circumstances, deferred income tax assets in relation to business combination are recognised in the profit or loss of the current period.

For a business combination not under common control finished by a stage-up approach with several transactions, these several transactions will be judged whether they belong to "transactions in a basket" in accordance with the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No.19) and the judgment standards on "transactions in a basket" in Clause 51 as set out in "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements" (see Note IV, 5(2)). If they belong to "transactions in a basket", they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and 12 "Long-term equity investments" under Note IV, and if they do not belong to "transactions in a basket", they are accounted for in separate financial statements and consolidated financial statements:

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time of disposal of such investment.

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at its fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree.

6. Preparation of consolidated financial statements

(1) Principles for determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control refers to the fact that the Group has power over the investee and is entitled to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all of its subsidiaries which are defined as those entities controlled by the Company.

Once any change in the relevant facts and circumstances arises, which leads to a change in the elements involved in the above definition of control, the Company will conduct a reassessment.

(2) Preparation of the consolidated financial statements

Subsidiaries are consolidated from the date on which the Company obtains their net assets and actual control over their production and operation decisions, and are deconsolidated from the date when such control ceases. For those subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are properly included in the consolidated income statement and consolidated cash flow statement; for those subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For those subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are properly included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures in the consolidated financial statements would not be restated. For those subsidiaries acquired from a business combination under common control and the combined party of absorbing consolidation, their operating results and cash flows from the beginning of combination period to the date of combination are properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures in the consolidated financial statements would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods adopted by the subsidiaries are inconsistent with those of the Company, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company when necessary. For those subsidiaries acquired from a business combination not under common control, their financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-company balances, transactions and unrealised profit are eliminated in the preparation of the consolidated financial statements.

The shareholders' equity and the portion of the net profit or loss for the period of the subsidiaries that is not attributable to the Company are presented separately under the shareholders' equity and net profit in the consolidated financial statements, as minority interests and profits or losses attributable to minority interests respectively. A subsidiary's net profit or loss for the period attributable to minority interests is presented as "profit or loss of minority interests" under net profit in the consolidated income statement. When the amount of a subsidiary's loss attributable to the minority shareholders exceeds the minority shareholders' share of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against minority interests.

For the loss of control over former subsidiaries due to disposal of a portion of the equity investment or other reasons, the remaining equity interest is remeasured at fair value on the date when the control is ceased. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the share of net assets of the former subsidiaries calculated continuously since the purchase date based on the original shareholding percentage before disposal are included as investment income in the period when the control is ceased. Other comprehensive income related to equity investment in the former subsidiaries is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree when the control is ceased (i.e. the remaining is to be transferred to investment income for the period, except for the changes arising from re-measuring net liabilities or net assets of defined benefit plan of the former subsidiaries). The remaining equity interests are measured subsequently according to relevant requirements of "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" etc..

7. Classification of joint arrangements and accounting treatment for joint ventures

–

8. Standards for determining cash and cash equivalents

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held by the Group which are readily convertible into known amounts of cash and with an insignificant risk of changes in value.

9. Foreign currency operations and translation of statements denominated in foreign currency

(1) Translation of foreign currency transactions

The foreign currency transactions of the Group, when initially recognized, are translated into functional currency at the spot exchange rate on the date of transaction. However, the foreign currency exchange operations or transactions in connection with foreign currency exchange of the Company shall be translated into functional currency at the exchange rate actually adopted.

(2) Translation of foreign currency monetary items and foreign currency non-monetary items

Foreign currency monetary items on the balance sheet date shall be translated at the spot exchange rate on the balance sheet date, all exchange differences arising from which are included in the profit or loss for the period, except for: ① the exchange differences arising from specific foreign currency borrowings related to the acquisition or construction of assets which are qualified for capitalisation are treated in accordance with the principles of capitalisation of borrowings; and ② the exchange differences arising from changes in other book balance of the foreign currency monetary items available for sale (apart from the amortisation costs) are included in other consolidated income.

10. Financial instruments

Financial asset or financial liability will be recognized when the Group become one of the parties under a financial instrument contract. Financial assets and financial liabilities are measured at fair value when initially recognized. For financial assets and financial liabilities measured at fair value with changes included in profit or loss for the period, relevant transaction costs are directly included in profit or loss. For financial assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount when initially recognized.

(1) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If financial instruments exist in an active market, the Group determined their fair value based on the quoted price in such market. Quotation in an active market refers to the price easily and regularly obtained from exchanges, brokers, industrial associations and price fixing service organisations, representing the actual market price in a fair transaction. While financial instruments do not exist in an active market, the Group used valuation techniques to determine their fair value. Valuation technologies include reference to prices of recent market transactions between knowledgeable and willing parties, reference to current fair values of other financial instruments that is substantially the same with this instrument, cash flow discounting method and option pricing models, etc.

(2) Classification, recognition and measurement of financial assets

The financial assets traded conventionally shall be recognized and derecognized at the trading date. Upon initial recognition, financial assets shall be classified into financial assets measured at fair value with changes included in profit or loss for the period, held-to-maturity investment, loans and receivables as well as available-for-sale financial assets.

① Financial assets measured at fair value with changes included in profit or loss for the period

Including financial assets held for trading and those designated at fair value with changes included in profit or loss for the period.

A financial asset is classified into held for trading if any of the following conditions is satisfied: A. it has been acquired principally for the purpose of selling in the near term; B. it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group recently manages such portfolio by a pattern of short-term profit taking; C. it is a derivative but except for derivatives that are designated and effective hedging instrument, derivatives under a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as financial assets measured at fair value with changes included in profit or loss for the period upon initial recognition only when any of the following conditions is satisfied: A. Such designation can eliminate or significantly reduce inconsistency of measurement or recognition of gains or losses of such financial asset due to different measurement bases of such financial asset; B. The formal documents of the Group's risk management or investment strategy has stated that, the group of financial assets or the group of financial assets and financial liabilities of which such financial asset forms part is managed, evaluated and reported to key management personnel on a fair value basis.

Financial assets measured at fair value with changes included in profit or loss for the period are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and relevant dividends or interest income earned on the financial assets are included in profit or loss for the period.

② Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables, etc..

Loans and receivables are subsequently measured at amortised cost using the effective interest method, the gain or loss arising from derecognition, impairment or amortisation is recognized in profit or loss for the period.

③ Available-for-sale financial assets

Including non-derivative financial assets that are designated as available-for-sale upon initial recognition, and financial assets that are not classified as financial assets measured at fair value with changes included in profit or loss for the period, loans and receivables, held-to-maturity investments.

The closing cost of the investment on available-for-sale debt instrument is determined by amortized cost method, which is the initial recognized amount after deduction of the principle payment, addition or deduction of the accumulated amortization after amortizing the differences of the initially recognized amount and the amount at maturity date by using effective interest method, and after deduction of the impairment loss incurred. Closing cost of the available-for-sale equity instrument investment is the initial cost.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income (except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss in the period) and are transferred to profit or loss for the period when such financial assets are derecognized. However, for investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such equity instruments, they are measured at cost subsequently.

Interests obtained and the dividends distribution in cash declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

(3) *Impairment of financial assets*

The Group reviews the book value of other financial assets other than those measured at fair value with change included in profit or loss for the period at each balance sheet date, and provide for impairment if there is an objective evidence indicating that a financial asset is impaired.

For a financial asset that is individually significant, the Group tests the asset individually for impairment. For a financial asset that is not individually significant, the Group tests the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. If there is no impairment exists for an individually tested financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively tested for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective test for impairment.

① Impairment of held-to-maturity investments, loans and receivables

The book value of the financial assets measured at cost or amortised cost is written down to the present value of the estimated future cash flow and the written-down amount is recognized as the impairment loss in the profit or loss for the period. The originally recognized impairment loss is reversed if there is an objective evidence indicating that the value of the financial assets has been recovered and the recovery can be linked objectively to an event occurring after the impairment loss of the financial assets was recognized. The book value of the financial assets upon the reversal of the impairment loss will not exceed the amortised cost of the financial assets on the reversal date as if no impairment loss provision had been made.

② Impairment of available-for-sale financial assets

In the event that decline in fair value of the available-for-sale equity instrument investment is regarded as severe or non-temporary decline on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument investment.

When the available-for-sale financial assets impair, the accumulated loss originally included in the other comprehensive income arising from the decrease in fair value will be transferred out and included in the profit or loss for the period. The accumulated loss that will be transferred out is the balance of the acquired initial cost of the assets, after deduction of the principal recovered and the amounts amortised, current fair value and the impairment loss originally included in the profit or loss.

The originally recognized impairment loss is reversed if there is an objective evidence indicating that the value of the financial assets has been recovered and the recovery can be linked objectively to an event occurring after the impairment loss of the financial assets was recognized. The impairment loss reversal of the available-for-sale equity instrument investment will be recognized as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

Equity instrument investment (that is not quoted in an active market and its fair value cannot be measured reliably) or the impairment loss of a derivative financial asset (which links to and must be settled by delivery of such equity instrument) will not be reversed.

(4) Recognition basis and measurement methods of transfer of financial assets

The financial assets are derecognized if any of the following conditions is satisfied: ① the contractual right to receive the cash flow of the financial assets is terminated; ② the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets have been transferred to the transferee; ③ the financial assets have been transferred and the enterprise waives the control over the financial assets although it has neither transferred nor reserved substantially all the risks and rewards of ownership of the financial assets.

Where the enterprise has neither transferred nor reserved substantially all the risks and rewards of ownership of the financial assets and not waived the control over the financial assets, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the enterprise's continuing involvement in the transferred financial asset is the extent to which it is exposed to changes in the value of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the de-recognition criteria, the difference between the book value of the transferred financial asset and the sum of the consideration received from the transfer and the accumulated changes in the fair value of the originally included other comprehensive income are included in the profit or loss for the period.

Where the partial transfer of the financial assets satisfies the de-recognition criteria, the book value of the transferred financial assets is allocated between the derecognized portion and the recognized portion at the corresponding fair value, and the difference between the sum of the consideration received from the transfer and the accumulated changes in the fair value originally included in other comprehensive income which should be allocated to the de-recognized portion and the above mentioned allocated book value are included in the profit or loss for the period.

For the financial assets sold with the right of recourse or the financial assets held and transferred by endorsement by the Group, the Group shall determine that whether substantially all the risks and rewards of ownership of the financial assets have been transferred. Where substantially all the risks and rewards of ownership of the financial assets have been transferred to the transferee, the financial assets are de-recognized; where substantially all the risks and rewards of ownership of the financial assets have been reserved, the financial assets are not de-recognized; where substantially all the risks and rewards of ownership of the financial assets have been neither transferred nor reserved, it shall be determined whether the enterprise reserves control over the assets and the accounting treatment will be carried out based on the principles mentioned in the above paragraphs.

(5) Classification and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified into financial liabilities measured at fair value with changes included in profit or loss for the period and other financial liabilities. Upon initial recognition, financial liabilities are measured at fair value. For the financial liabilities measured at fair value with changes included in profit or loss for the period, the relevant transaction costs are directly included in profit or loss for the period; and for the other financial liabilities, the relevant transactions costs are included in the amount of initial recognition.

① Other financial liabilities

The derivative financial liabilities linked to the equity instruments that are not quoted in an active market and of which the fair value cannot be reliably measured and to be settled through delivery of such equity instruments are subsequently measured at cost. The other financial liabilities are subsequently measured at amortised cost using the effective interest rate method and the gains or losses arising from derecognition or amortisation are included in profit or loss for the period.

(6) Derecognition of financial liabilities

No financial liability is derecognized in whole or in part unless and until its present obligations are discharged in whole or in part. Where the Group (the debtor) concludes agreements with the creditors to replace the existing financial liabilities with the new financial liabilities and the contractual terms of the new financial liabilities and those of the existing financial liabilities are different in substance, the existing financial liabilities are derecognized and the new financial liabilities are recognized at the same time.

Where the financial liabilities are derecognized in whole or in part, the difference between the book value of the derecognized portion and the consideration paid (including the transferred-out non-cash assets or the new assumed financial liabilities) is recognized in profit or loss for the period.

(7) Offset between financial assets and financial liabilities

Where the Group is legally entitled to offset the recognized financial assets and financial liabilities and may exercise this right currently and plans to settle on a net basis, or realise the financial assets and repay the financial liabilities simultaneously, the amount upon the offset between the financial assets and the financial liabilities is presented in the balance sheet. In other cases, the financial assets and the financial liabilities are separately presented in the balance sheet and not offset against each other.

(8) Equity instruments

Equity instruments refer to the contracts proving the ownership of the remaining equities in the assets of the Group upon the deduction of all the liabilities. The issuance (including refinance), repurchase, disposal or cancellation of equity instruments by the Group are accounted for changes in equity. The Group does not recognize the changes in fair value of the equity instruments. The transaction costs related to the transactions of equity instruments are deducted from equity.

The allocations made by the Group to the holders of equity instruments (excluding stock dividends) decrease shareholders'equity. The Group does not recognize the amounts of the changes in the fair value of equity instruments.

11. Receivables

(1) Receivables that are individually significant and provided for bad debts on individually basis

Basis or standard for determining the significant level of individual receivable	For receivables that are more than RMB100,000, they are recognized by the Group as individually significant receivables.
Method of providing for bad debts for individually significant receivables on individual basis	For receivables that are individually significant, the Group tests the receivables individually for impairment. If there is no impairment exists for an individually tested financial assets, the financial assets are included in a group of financial assets with similar credit risk characteristics and collectively tested for impairment. Receivables for which an impairment loss is individually recognized are not included in the collective test for impairment.

(2) Receivables that are provided for bad debts on credit risk characteristics group basis

Name of group	**Method for providing for bad debts**
Aging group	Aging analysis
Group of deposit and reserve fund	Other methods
Group of related party	Other methods

Use of aging analysis for providing for bad debts in the groups:

√ Applicable ☐ Not applicable

Aging	**Provision ratio for accounts receivable**	**Provision ratio for other receivables**
Within 1 year (inclusive)	5.00%	5.00%
1-2 years	50.00%	50.00%
2-3 years	80.00%	80.00%
Over 3 years	100.00%	100.00%

The provisions for bad debt are made in the groups based on percentage of balance:

□ Applicable √ Not applicable

The provisions for bad debt are made in the groups using other methods:

□ Applicable √ Not applicable

(3) Receivables that are individually insignificant but provided for bad debts on individual basis

Method of providing for bad debts	The Group tests the receivables individually for impairment if they are individually insignificant but with the following characteristics. Impairment loss is recognized and bad debts are provided in accordance with excess amount of its book value over the present value of the future cash flow if there is an objective evidence indicating that receivables are impaired. Bad debts are provided for accounts receivable which have long aging or counterparties incapable of repaying or out of touch, or such receivables with no supply or distribution relationship with counterparties, or dispute against or involved in litigation or arbitration with counterparties or with remote recover possibilities.

12. Inventories

(1) Classification of inventories

Inventories primarily include commodities in stock, etc..

(2) Pricing of inventories received and dispatched

Inventories are measured at actual cost upon acquisition. Cost of inventory consists of purchase cost, processing cost and other costs. Inventories will be measured using individual determination method before usage and dispatch.

(3) Recognition of net realisable value of inventories and provision for inventories impairment

Net realisable value refers to the amount of the estimated selling price of inventories less the estimated cost to be incurred upon completion, estimated sales expenses and relevant taxes in ordinary course of business. The net realisable value of inventories shall be determined on the basis of definite evidence received, and the purpose of holding the inventories and effect of after-balance-sheet-date events are also to be considered.

As at the balance sheet date, inventories are measured at the lower of cost and net realisable value. Provision for inventories impairment is made when the net realisable value is lower than the cost. Provisions for impairment of inventory shall be made according to the excess of the cost of an individual item over its net realisable value.

After making the provision for inventory impairment, in case the affect factors causing inventory impairment to write down no longer exists, which resulted in the net realisable value of an inventory is higher than its book value, the original provision for inventory impairment shall be reversed and included in the profit or loss for the period.

(4) Stock taking system is permanent inventory system.

13. Classification of assets held-for-sale

–

14. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments by which the Group has control, joint control or significant influence over the investee. Long-term equity investments without control or joint control or significant influence by the Group are accounted for as available-for-sale financial assets or financial assets measured at fair value with changes included in profit or loss for the period. For details on their accounting policy, please refer to Section V. 10 “Financial instruments”.

Joint control refers to the Group’s contractually agreed sharing of control over an arrangement, and relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Group to participate in the financial and operating policy decisions of an investee, but cannot control or jointly control together with other parties the formulation of such policies.

(1) Determination of investment costs

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment costs of the long-term equity investment shall be the shareholder's equity of absorbed party's share of the book value under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment costs of the long-term equity investments and the cash paid, non-cash assets transferred as well as the book value of the debts assumed shall be charged to the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. If the consideration of the combination is satisfied by issue of equity securities, the initial investment costs of the long-term equity investments shall be the shareholder's equity of absorbed party's share of the book value of the under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total book value of the shares issued as share capital, the difference between the initial investment costs of the long-term equity investments and total book value of the shares issued shall be charged to the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against the retained earnings.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or assumed and equity securities issued.

Agent fees such as audit fee, legal service fee and valuation and consultation fee and other relevant administration costs incurred by the absorbing party or acquirer for business combination, are charged to profit or loss in the period incurred.

For other equity investments than long-term equity investments acquired through a business combination, the investment shall be initially recognized at cost, the cost of investment varies between different ways of acquisition, which is recognized based on the actual amount of cash purchase price paid by the Group, fair value of equity securities issued by the Group, such value agreed in investment contracts or agreements, fair value or original book value of transferred-out assets in a transaction of non-monetary assets transfer or the fair value of the long-term equity investments, etc. The costs, taxes and other necessary expenses, which are directly attributable to the acquisition of the long-term equity investments, are also included in the investment cost. For additional equity investment made for exercising significant influence or common control over investee without resulting in control, the relevant cost for long-term equity investment shall be the sum of fair value of previously held equity investment and additional investment cost determined according to "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments".

(2) Subsequent measurement and recognition for profit or loss

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence over the investee are accounted for using equity method. In addition, long-term equity investments with control over the investee are accounted for using cost method in the Company's financial statements.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the share of the net profits or losses and other comprehensive income realised by the investee, respectively, and the book value of long-term equity investment shall be adjusted. The book value of long-term equity investment shall be reduced accordingly based on the Group's share of profit or cash dividend distributions declared by the investee. In respect of the other movements in owner's equity of investee other than net profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making adjustments on the net profits of the investee. In the event of inconformity between the accounting policies and accounting periods of the investee and those of the Group, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Group and investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed or sold do not form an operation, the unrealised gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Group, and investment gain or loss shall be recognized accordingly. However, any unrealised loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that an asset disposed by the Group to its joint ventures or associates forms an operation, and therefore the investor acquires the long-term equity investment but without the right of control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between the initial investment cost and the book value of disposed operation will be fully included in profit or loss for the period. In the event that an asset sold by the Group to its associates or joint ventures forms an operation, the difference between the consideration received and the book value of operation shall be fully included in profit or loss for the period. In the event that an asset acquired by the Group from its associates or joint ventures form an operation, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 – Business Combination". All profit or loss related to the transaction shall be recognized.

The Group's share of net losses of the investee shall be recognized, to the extent that the book value of the long-term equity investment together with other long-term interests that in substance form a part of net investment in the investee are reduced to zero. In addition, if the Group is obliged to assume additional losses for investee, the estimated liabilities shall be recognized based on estimated obligation assumed and included in investment loss for the period. Where the investee makes net profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

③ Acquisition of minority interest

In the preparation of the consolidated financial statements, the difference between the additional cost of long-term equity investment due to acquisition of minority interests and the share of the subsidiary's net assets continuously calculated by new share percentage since acquisition date (or combination date) shall be charged to the capital reserve. If capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained profit.

④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary by the parent without loss of control, the difference between disposal cost and the corresponding share of net assets in the subsidiary due to the disposal of long-term equity investments is charged to the shareholders' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent results in loss of control over the subsidiary, it shall be accounted for in accordance with the relevant accounting policies as described in Note IV. 5.

On disposal of a long-term equity investment otherwise, the difference between the book value of the equity interest disposed and the actual price paid is charged to profit or loss in the period.

In respect of long-term equity investment accounted for using equity method, if the remaining equity interest is also accounted for using equity method after disposal, other comprehensive income previously under shareholders' equity shall be accounted for in accordance with the same bases as for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognized for the movements of other owners' equity of investee (excluding net profit or loss, other comprehensive income and profit distribution) shall be carried forward to profit or loss for the period on pro rata basis.

In respect of long-term equity investment accounted for using cost method, if the remaining equity interest is also accounted for using cost method after disposal, other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before obtaining control over the investee shall be accounted for in accordance with the same base as for direct disposal of relevant asset or liability by investee, and carried forward to profit or loss for the period on pro rata basis. Movements of other owners' equity of investee's net asset (excluding net profit or loss, other comprehensive income and profit distribution) accounted for and recognized using equity method shall be carried forward to profit or loss for the period on pro rata basis.

15. Investment Property

Measurement model for investment property

Not applicable

16. Fixed assets

(1) Conditions for recognition

Fixed asset refers to tangible assets with useful life exceeding one accounting year held for purpose of goods production, service provision, leasing or operation and management. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. A fixed asset is initially measured at cost, with consideration on the impact of disposition cost.

(2) Method for depreciation

Category	Method for depreciation	Useful lives of depreciation	Residual value	Annual depreciation rate
Building and structure	Straight-line method	20-30	5.00	3.17-4.75
Office equipment	Straight-line method	3-5	4.00-5.00	19.00-32.00
Electronic equipment	Straight-line method	3-5	4.00-5.00	19.00-32.00
Transportation equipment	Straight-line method	5-8	4.00-5.00	11.88-19.20

(3) The recognition standards, measurements and method for depreciation of fixed assets under finance lease

–

17. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

18. Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of an asset qualified for capitalisation, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalised; and capitalisation shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognized as expense in the period they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, and the interruption lasts for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

19. Biological assets

–

20. Oil and gas assets

–

21. Intangible assets

(1) Valuation method, useful life and impairment test

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognized as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow into the Group and the cost of the asset can be measured reliably. Expenditures on other items shall be charged to profit or loss when incurred.

Land use rights acquired shall normally be recognized as an intangible asset. For buildings constructed by the Group including plants, expenditures of related land use rights and the building costs shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use rights and the buildings. In case there is difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment provision and amortized using the straight-line method over its estimated useful life when the asset is available for use. Intangible assets with indefinite life are not amortized.

The Group shall review the useful life of intangible asset with a finite useful life and the amortization method applied at the end of the period. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset. If there is evidence indicating that the useful life of that intangible asset is finite, the useful life of that asset should be estimated and amortised applying the accounting policies for intangible asset with a finite useful life.

(2) Accounting policies concerning internal research and development expenditure

Research and development expenditure of the Group was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenditure on the research phase is recognized in profit or loss in the period it is incurred.

Expenditure on the development phase is recognized as an intangible asset only when the Group can demonstrate all of the followings as below. Otherwise, it is charged to profit or loss in the period:

① it is technically feasible that the intangible asset can be used or sold upon completion;

② there is intention to complete the intangible asset for use or sale;

③ the intangible asset can produce economic benefits, including evidence indicating that there is a market for the products produced by the intangible asset or for the intangible asset itself; if the intangible asset is for internal use, there is evidence indicating the existence of the usage for the intangible asset;

④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenditures on the research and development phases cannot be identified, the expenditure incurred should be fully recognized in profit or loss for the period.

22. Impairment of long-term asset

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of noncurrent non-financial assets such as fixed assets, intangible assets with a finite useful life, and long-term equity investments in subsidiaries and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its book value, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sales agreement in an arm's length transaction. If there is no sales agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sales agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset is determined by discounting the future cash flows expected occurs over the course of continued use and final disposal with an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

23. Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have incurred but that shall be amortised over the reporting period and subsequent periods of more than one year. Long-term prepaid expenses of the Group are expenses on housing renovation, software services, advertising light box as well as outdoor billboard and are amortised over the estimated benefit period using the straight-line method.

24. Remuneration of employees

(1) Accounting of short-term remuneration

Short-term remuneration mainly includes salaries, bonuses, allowance and subsides, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs, non-monetary welfare, etc. Short-term remuneration incurred during the accounting period in which the employee renders services to the Group is recognized as liability and included in profit or loss for the period or related asset costs. Of which, non-monetary welfare is measured at fair value.

(2) Accounting of post-employment benefits

Post-employment benefits mainly include defined contribution plan. Defined contribution plan mainly includes pension insurance premium and unemployment insurance premium. Relevant contribution amount is included in related asset costs or profit or loss for the period during which the expenses incurred.

(3) Accounting of termination benefits

–

(4) *Accounting of other long-term employees remuneration*

–

25. Estimated Liability

–

26. Share-based payment

The term "share-based payment" refers to a transaction in which an enterprise grants equity instruments or assumes equity-instrument-based liabilities in return for services from employees or other parties. Share-based payment is classified into equity-settled share-based payment and cash-settled share-based payment.

(1) *Equity-settled share-based payment*

The equity-settled share-based payment in return for employees' services shall be measured based on the fair value of equity instruments granted to the employees on the grant date. If the equity-settled share-based payment cannot be vested until the services are completed in vesting period or until the prescribed performance conditions are met, then within the vesting period, the amount of fair value should, based on the best estimate of the number of vested equity instruments, be included in relevant costs or expenses according to the straight-line method/included in relevant costs or expenses on the grant date, and the capital reserves should be increased accordingly when the equity instruments can be vested upon grant.

On each balance sheet date within the vesting period, the Group shall make the best available estimate based on the subsequent information such as the change of the number of equity instruments expected to vest and revise that estimate. The effect of the above estimate is included in relevant costs or expenses for the period and the capital reserve is adjusted accordingly.

Equity-settled share-based payments in return for services rendered by other parties are measured at the fair value of the services rendered by other parties on the receiving date if such fair value can be reliably measured. If the fair value of the services rendered by other parties cannot be reliably measured, equity-settled share-based payments in exchange for services rendered by other parties are measured at the fair value of equity instruments on the date of receiving services and relevant costs or expenses are included and shareholders' equity is credited accordingly, provided that the fair value of equity instruments can be reliably measured.

(2) Cash-settled share-based payment

Cash-settled share-based payment should be measured in accordance with the fair value of liability recognized based on the shares or other equity instruments assumed by the Group. If being vested immediately after the grant, on the date of grant, the relevant costs or expenses shall be included in, and the liabilities shall be increased accordingly; if being vested until the services are completed in vesting period or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services received in the current period shall, based on the best estimate about vesting conditions, be included in relevant costs or expenses at the fair value of the liability assumed by the Group, and the liabilities shall be increased accordingly.

On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, the fair values of the liabilities shall be re-measured and the changes shall be included in profits and losses for the period.

27. Other financial instruments such as preference shares and perpetual bonds

–

28. Revenue

(1) Revenue from sales of goods

Revenue from sales of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained, the amount of revenue could be measured reliably, the relevant economic benefits will likely inflow, and related costs incurred or to be incurred could be measured reliably.

(2) Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognize the revenue from the rendering of services employing the percentage-of-completion method. The completion schedule of transaction concerning the rendering of services shall be ascertained according to the proportion of service costs incurred to the estimated total costs.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the enterprise; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognize the revenue from the rendering of services based on the cost of services already incurred and expected to be compensated, and the cost of services incurred shall be recognized as an expense for the current period. If the cost of services incurred is not expected to be compensated, the revenue shall not be recognized.

When a contract or agreement signed by the Group includes sales of goods and rendering of services, if sales of goods and rendering of services can be differentiated and separately measured, they will be recognized respectively. If sales of goods and rendering of services cannot be differentiated or cannot be separately measured, they will be recognized as sales of goods in full.

(3) Transfer of assets use rights

Revenue from transfer of assets use rights includes charge for use, etc. Revenue from transfer of assets use rights is recognized when the relevant economic benefits will probably flow into the Company, and the amount of revenue can be measured reliably.

(4) Methods for recognition of revenue from rendering service and commodity trading activities by the Company are as follows:

① Revenue from information service and website link service

Revenue is deferred equally within the agreed service period in accordance with contracts when the amount of revenue could be measured reliably, the relevant economic benefits will likely to inflow and the related costs incurred or to be incurred could be measured reliably.

② Revenue from meeting affairs service, consultancy, promotion and advertising service and other services

Revenue from meeting affairs service, consultancy, promotion and advertising service and other services is recognized when services are provided, the amount of revenue could be measured reliably, the relevant economic benefits will likely to inflow and the related costs incurred or to be incurred could be measured reliably. If the number of the services provided cannot be determined in a period, the revenue shall be deferred equally within the agreed service period in accordance with contracts, unless there are evidences proving that the stage of completion can be better reflected by other methods.

③ Revenue from trade service

Revenue from trade service is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained, the amount of revenue could be measured reliably, the relevant economic benefits will likely to inflow, and related costs incurred or to be incurred could be measured reliably.

29. Government grants

(1) Basis for determination and accounting of asset-related government grant

Government grants are monetary assets or non-monetary assets transferred from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are classified into government grants related to assets and government grants related to income. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to income. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) in case the grants are specified for a project in such documents, the grants are classified based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed on each balance sheet date and change when necessary; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

If a government grant is in the form of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the period.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the Requirements for Disclosure of Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment be specified in related documents and the payment thereof will be covered by corresponding budget to ensure such grants will be paid on time as specified; (4) pursuant to the specific situation between the Group and such grants, other relevant conditions (if any) should be satisfied.

A government grant related to an asset shall be recognized as deferred income, and evenly amortised to profit or loss over the useful life of the asset.

For the repayment of a government grant already recognized, if there is any balance of related deferred income, the repayment shall be setoff against the book balance of deferred income, and any excess shall be recognized in profit or loss for the period; if there is no related deferred income, the repayment shall be recognized immediately in profit or loss for the period.

(2) Basis for determination and accounting of income-related government grant

For government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and charged to profit or loss over the period in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, it is charged to profit or loss directly for the period.

30. Deferred tax assets/deferred tax liabilities

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirement of tax laws. The taxable profits for which the current income tax expense shall be paid is calculated pursuant to the related tax laws by making respective adjustments for the accounting profits before tax of the year.

(2) Deferred tax assets and deferred tax liabilities

Temporary differences arising from the difference between the book value of an asset or liability and its tax base, and the difference between the tax base and the book value of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognized for taxable temporary differences related to the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. The Group recognizes all deferred income tax liability for taxable temporary differences but for the exception mentioned above.

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognizes the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that the temporary difference will reverse in the foreseeable future or it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The Group recognizes other deferred income tax assets arise from deductible temporary differences but for the exception mentioned above, to the extent that it is probable that taxable profits will be available against which the deductible temporary difference can be utilized.

As for deductible loss or tax deduction that can be carried forward, the corresponding deferred tax assets shall be recognized to the extent that it is probable that taxable profits will be available in the future against which the deductible loss or tax deduction can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws.

The book value of deferred tax assets shall be reviewed at the balance sheet date. If it is unlikely that the Group can obtain sufficient taxable profit to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is probable that the Group can obtain sufficient taxable profit, the amount written down previously shall be subsequently reversed.

(3) Income tax expenses

The income tax expenses include current income tax and deferred income tax.

Income and expense of current income tax deferred income are included in profit or loss for the current period, except for those recognized as other comprehensive income or current income tax and deferred income tax related to transactions or events that are directly recognized in owners' equity, which are recognized in other comprehensive income or owners' equity, and deferred income tax arising from a business combination, which is adjusted against the book value of goodwill.

(4) Offsetting of income taxes

If the Group has the legal rights to settle on a net base and has an intention to use net settlement or acquire assets and repay debts simultaneously, current income tax assets and current income tax liabilities of the Group are presented on a net base after offsetting.

If the Group has the legal rights to settle current income tax assets and current income tax liabilities on a net base and deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or acquire assets and repay debts simultaneously in the period during which every deferred income tax assets and liabilities with importance would be reversed in the future, deferred income tax assets and deferred income tax liabilities of the Group are presented on a net base after offsetting.

31. Leases

(1) Accounting treatment on operating leases

–

(2) Accounting treatment on finance leases

Finance leases are the leases in which substantially all the risks and rewards of asset ownership are transferred, the ownership will be transferred or may not be transferred eventually. All other leases are classified as operating leases.

(1) The Group as lessee under operating leases

Lease payment for operating lease is recognized as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is accounted in profit or loss for the current period. Contingent rental is recognized as profit or loss for the current period upon occurrence.

(2) The Group as lessor under operating leases

Rental income is recognized in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is significant is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period; the initial direct cost where the amount is less significant is included in the profit or loss for the period when incurred. Contingent rental is accounted for as profit or loss for the period in which it is incurred.

32. Other significant accounting policies and estimates

The Group needs to make judgments, estimates and assumptions as to the book value of the items in the statements which cannot be accurately calculated during the application of the Group's accounting policies due to the uncertainties on the operation. Such judgments, estimates and assumptions are made based on the historical experiences of the Group's management and taking into account of other relevant factors, which may affect the reported amount of revenue, expenses, assets and liabilities and disclosure of contingent liabilities at the balance sheet date. However, the outcome resulting from the uncertainties of such estimates may differ from the current estimation of the Group's management, which may cause critical adjustment to the book value of assets or liabilities which may be affected in the future.

The Group regularly reviews the aforesaid judgments, estimates and assumptions on the going-concern basis. A revision to accounting estimates is recognized in the period in which the estimate is revised if it only affects that period. A revision is recognized in the period of the revision and future periods if it affects both current and future periods.

At the balance sheet date, the critical areas where Group needs to make judgments, estimates and assumptions as to the items amount of financial statements are set out below:

(1) Classification of leases

The Company classifies its leases as operating lease and financing lease in accordance with "Accounting Standard for Business Enterprises No. 21 – Leases". When classifying leases, the management needs to analyze and judge whether substantially all risks and returns related to the ownership of leased out assets have transferred to the leasee, or whether the Company has obliged to substantially all risks and returns related to the ownership of leased assets.

(2) Provision for bad debts

The Group adopts the allowance method to account for bad debt loss under the accounting policies of accounts receivable. Impairment of accounts receivable is based on the recoverability of assessed accounts receivable. Given the management's judgments and estimates are required for determining the impairment of accounts receivable, the difference between the actual outcome and original estimates will affect the book value of accounts receivable and provision and reversal of bad debts of accounts receivable during the period in which the estimates are revised.

(3) Provision for inventories impairment

Under the accounting policies for inventories and by measuring at the lower of cost and net realisable value, the Group makes impairment provision for inventories of which the costs are higher than net realisable values or become obsolete and slow-moving. Write-down of inventories to their net realisable values is based on the salability of the evaluated inventories and their net realizable values. Given the management's judgments and estimates are required for determining inventory impairment on the basis of definite evidence, taking into account of the purpose of holding the inventories, effects of subsequent events after balance sheet date and other factors, the difference between the actual outcome and original estimates will affect the book value of inventories and provision and reversal of inventories impairment during period in which the estimates are revised.

(4) Impairment of available-for-sale financial assets

In respect of impairment of available-for-sale financial assets, whether impairment loss shall be recognized in income statement significantly depends on the judgments and assumptions of the management. While making judgments and assumptions, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial position of and near-term business outlook for the investee, including industry performance, technological innovations, credit ratings, delinquency rates and counterparty risk.

(5) Provision for impairment of non-financial non-current assets

At the balance sheet date, the Group makes its judgment as to whether there is any evidence indicating potential impairment of non-current assets other than financial assets. Intangible assets with indefinite useful life shall be tested for impairment when there is any indication of impairment in addition to the annual impairment testing. Other non-current assets other than financial assets shall be tested for impairment if there is any evidence indicating that their book value cannot be recovered.

When the book value of an asset or asset groups is higher than the recoverable amount, being the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset, it indicates impairment.

The net amount of the fair value less costs of disposal is determined by making reference to the price in a sales agreement in an arm's length transaction or the observable market price less the incremental costs directly attributable to such assets disposal.

In projecting the present value of the future cash flows, critical judgments shall be made to the output, selling price and relevant operating costs of such assets (or asset groups) and the discount rate applied in calculating the present value. In estimating the recoverable amount, the Group may adopt all relevant materials available including the projections as to the output, selling price and relevant operating costs based on reasonable and supportive assumptions.

(6) Depreciation and amortization

Fixed assets and intangible assets are depreciated and amortized by the Group over their useful lives using straight-line method after taking into account of their residual value. The Group shall regularly review the useful lives to determine the amount depreciated and amortized to be accounted for in each reporting period. The useful life is determined by the Group according to its previous experience on the similar assets and estimated technical innovation. If there is any material change in the previously made estimate, the amounts of depreciation and amortization will be adjusted over the future period.

(7) Deferred income tax assets

The Group will recognize deferred income tax assets for all unused tax loss to the extent there will be sufficient taxable profits against which the deducible loss is available. This requires the Group's management to apply numerous judgments to estimate the time and amount of the future taxable profits so as to determine the amount of deferred income tax assets with reference to the tax planning strategy.

(8) Income tax

There are some uncertainties in tax treatment and calculation for some transactions of the Group during its ordinary course of business. The approval from the tax authority is required for pre-tax expending of some items. Any difference between the final recognition outcome of such taxation and the initially estimated amount will affect the current income tax and deferred income tax during their final recognition period.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

□ Applicable √ Not applicable

(2) Changes in significant accounting estimates

□ Applicable √ Not applicable

34. Others

–

VI. TAXATION

1. Main tax types and tax rates

Tax types	Taxation basis	Tax rates
Value added tax		The output VAT rate of domestic sales is 6%, 17%. VAT payable is the net difference between output VAT and the deductible input VAT or pursuant to the 3% tax rate.
Business tax		5% of taxable revenue
Urban maintenance and construction tax		5%, 7% of actual payment of turnover tax

Disclosure on entities subject to different enterprise income tax rates

Entity subject to taxation	Income tax rate
Shanghai Ganglian E-Commerce Holdings Co., Ltd.	15% of taxable income
Beijing Ganglian Maidi E-commerce Co., Ltd.	25% of taxable income
Wuxi Ganglian E-commerce Co., Ltd.	25% of taxable income
Shanghai Gangyin E-Commerce Co., Ltd.	25% of taxable income
Shanghai B&Y Brand Architects Co., Ltd.	25% of taxable income
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	25% of taxable income

Entity subject to taxation	Income tax rate
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	25% of taxable income
上海鋼聯金屬礦產國際交易中心有限責任公司 (Shanghai Ganglian Metal mineral International Trading Center Co., Ltd*)	25% of taxable income

2. Tax incentives

Pursuant to the relevant regulations of the Administrative Methods for the Confirmation of New and High Technology Enterprises (Guo Ke Fa Huo [2008] No. 172) (《高新技術企業認定管理辦法》 (國科發火[2008]172號)), Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2008] No. 362) (《高新技術企業認定管理工作指引》(國科發火[2008]362號)), Notice on the Relevant Matters Concerning the Change of Name and Review of New and High Technology Enterprises (Guo Ke Huo Zi (2011) No. 123) (《關於高新技術企業更名和複審等有關事項的通知》(國科火字(2011)123號)) and Administrative Measures for the Accreditation of High-Tech Enterprises in Shanghai (Hu Ke He (2008) No. 025) (《上海市高新技術企業認定管理實施辦法》(滬科合(2008)第025號)) promulgated by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation，parent company of the Group Shanghai Ganglian E-Commerce Holdings Co., Ltd. were entitled to enjoy a reduced 15% enterprise income tax rate from 1 January 2014 to 30 September 2017.

3. Others

–

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	78,510.67	31,494.55
Bank deposit	306,828,795.10	158,032,839.51
Other monetary funds	43,499,288.78	
Total	350,406,594.55	158,064,334.06

Other explanation

2. Financial assets measured at fair value with changes included in profit or loss for the period

Unit: RMB

Item	Closing balance	Opening balance
Held-for-trading financial assets	22,300,000.00	–
Equity instrument investment	22,300,000.00	–
Total	22,300,000.00	–

Other explanation:

Note: The Company subscribed 2,000,000 RMB ordinary shares issued by Shanghai Resource Property Consulting Co., Ltd. on NEEQ at issue price of RMB11/share with total amount of RMB22,000,000, and change of fair value RMB300,000 is also included in closing balance.

3. Derivative financial assets

□ Applicable √ Not applicable

4. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	2,428,080.95	15,204,511.00
Commercial acceptance bills	10,633,857.70	
Total	13,061,938.65	15,204,511.00

(2) *Bills receivable of the Company pledged at the end of the period*

Unit: RMB

Item	**Pledged amount at the end of the period**
–	–

(3) *Outstanding bills receivable endorsed or discounted by the Company at the end of the period*

Unit: RMB

Item	**Derecognized amount at the end of the period**	**Recognized amount at the end of the period**
–	–	–

(4) *Accounts receivable transferred from bills receivable because of the drawers' inability to pay at the end of the period*

Unit: RMB

Item	**Amount transferred to accounts receivable at the end of the period**
–	–

Other explanation

5. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	*Proportion*	*Amount*	*Provision proportion*		*Amount*	*Proportion*	*Amount*	*Provision proportion*	
Accounts receivable that are provided for bad debts on the base of credit risk features portfolio	2,557,403.58	100.00%	315,370.18	12.33%	2,242,033.40	1,192,230.00	100.00%	179,986.50	15.10%	1,012,243.50
Total	2,557,403.58	100.00%	315,370.18	12.33%	2,242,033.40	1,192,230.00	100.00%	179,986.50	15.10%	1,012,243.50

Accounts receivable that are individually significant and provided for bad debts separately at the end of the period:

□ Applicable √ Not applicable

Accounts receivable of which provision for bad debts is made based on aging analysis method in the portfolio:

√ Applicable □ Not Applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Provision for bad debts	Provision on proportion
Segments for accounts receivable within 1 year			
Sub-total for accounts receivable within 1 year	2,307,403.58	115,370.18	5.00%
2-3 years	250,000.00	200,000.00	80.00%
Total	2,557,403.58	315,370.18	

Explanation on the basis of recognition of the portfolio:

Accounts receivable using percentage of balance for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Accounts receivables using other methods for making bad debt provision in the portfolio:

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB306,033.68. The amount for bad debt provision recovered or reversed during the current period was RMB650.00.

Of which significant recovered or reversed bad debt provision:

Unit: RMB

Unit name	Recovered or reversed amount	Recovery method
–	–	–

(3) Particulars of accounts receivable actually written off during the period

Unit: RMB

Item	Amount written off
Accounts receivable actually written off	170,000.00

Particulars of significant accounts receivable written off:

Unit: RMB

Unit name	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedure performed	Whether the amount arose from connected transaction
–	–	–	–	–	–

Explanation on accounts receivable written off:

(4) *Balance of accounts receivable due from top five debtors at the end of the period*

The Company's balance of accounts receivable due from top five debtors at the end of the year aggregated to RMB1,302,468.51, attributed to 50.93% of the total balance of accounts receivable at the end of the year.

(5) *Accounts receivable derecognized due to the transfer of financial assets*

–

(6) *Transferred accounts receivable which continued to involve relevant assets and liabilities formed*

Other explanation:

6. Prepayments

(1) *Prepayments stated by aging analysis*

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	*Proportion*	*Amount*	*Proportion*
Within 1 year	821,157,475.18	99.98%	655,447,860.09	100.00%
1-2 years	195,547.01	0.02%	4,800.00	0.00%
Total	821,353,022.19	–	655,452,660.09	–

Reason for unsettlement of significant prepayments overdue for more than 1 year:

(2) Balance of prepayment of top five payees at the end of the period

The Company's balance of prepayment of top five payees at the end of the year aggregated to RMB262,249,405.93, attributed to 31.93% of the total balance of prepayment at the end of the year.

Other explanation:

7. Interest receivable

(1) Classification of interest receivable

Unit: RMB

Item	**Closing balance**	**Opening balance**
–	–	–

(2) Significant overdue interest

Borrowing unit	**Closing balance**	**Overdue time**	**Overdue reasons**	**Whether there is impairment and the basis of impairment**
–	–	–	–	–

Other explanation:

8. Dividends receivable

(1) Dividends receivable

Unit: RMB

Item (or invested unit)	**Closing balance**	**Opening balance**
–	–	–

(2) Significant dividends receivable with aging more than 1 year

Unit: RMB

Item (or invested unit)	Closing balance	Aging	Reasons for not being recovered	Whether there is impairment and the basis of impairment
–	–	–	–	–

Other explanation:

9. Other receivables

(1) Disclosure of other receivables by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	*Proportion*	*Amount*	*Provision proportion*		*Amount*	*Proportion*	*Amount*	*Provision proportion*	
Other receivables that are provided for bad debts on the base of credit risk features portfolio	2,357,565.51	100.00%	–	–	2,357,565.51	146,518,793.04	100.00%	8,762.80	0.01%	146,510,030.24
Total	2,357,565.51	100.00%	–	–	2,357,565.51	146,518,793.04	100.00%	8,762.80	0.01%	146,510,030.24

Other receivables that are individually significant and are provided for bad debts separately at the end of the period:

☐ Applicable √ Not applicable

Other receivables of which provision for bad debts is made based on aging analysis method in the portfolio:

√ Applicable ☐ Not applicable

Unit: RMB

	Closing balance		
Aging	**Other receivables**	**Provision for bad debts**	**Provision on proportion**
Segments for other receivables within 1 year			
Sub-total for other receivables within 1 year	1,896,608.01	–	–
1-2 years	450,000.00	–	–
2-3 years	10,953.50	–	–
Total	2,357,565.51	–	–

Explanation on the basis of recognition of the portfolio:

Other receivables using percentage of balance for making bad debt provision in the portfolio:

☐ Applicable √ Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

☐ Applicable √ Not applicable

(2) *Provision, recovery or reversal of bad debt provision for the period*

Bad debt provision made for the current period amounted to RMB0.00. Bad debt provision recovered or reversed during the current period amounted to RMB8,762.80.

Of which significant recovered or reversed bad debt provision for the period:

Unit: RMB

Unit name	Recovered or reversed amount	Recovery method
–	–	–

(3) *Particulars of other receivables actually written off during the period*

Unit: RMB

Item	Amount written off
–	–

Of which significant other receivables written off:

Unit: RMB

Unit name	Nature of other receivables	Amount written off	Reasons for write-off	Write-off procedure performed	Whether the amount arose from connected transactions
–	–	–	–	–	–

Explanation on other receivables written off:

(4) *Other receivables by nature*

Unit: RMB

Nature	Closing book balance	Opening book balance
Guarantee deposits for services and deposits	2,258,270.00	145,039,153.93
Advances to staff	99,295.51	1,468,685.61
Others		10,953.50
Total	2,357,565.51	146,518,793.04

(5) *Balance of other receivables due from top five debtors at the end of the period*

Unit: RMB

Unit name	Nature	Closing balance	Aging	Proportion of closing balance of total other receivable	Closing balance of bad debt provision
浙江杭鋼國貿有限公司 (Zhejiang Hanggang Guomao Co. Ltd.*)	Guarantee deposits for goods	300,000.00	1-2 years	12.72%	–
Tang Yuan	Personal advances	250,000.00	Within 1 year	10.60%	–
Personal landlord	Guarantee deposits for rent	208,291.00	Within 1 year	8.84%	–
江蘇萍鋼工貿有限公司江陰分公司 (Jiangsu pxsteel Industrial Co., Ltd. Jiangyin branch*)	Guarantee deposits for goods	150,000.00	1-2 years	6.36%	–
Li Xin	Personal advances	113,000.00	Within 1 year	4.79%	–
Total		1,021,291.00		43.31%	–

(6) *Receivables related to government grant*

Unit: RMB

Unit name	Project name of government grant	Closing balance	Aging at the end of the period	Expected grant time, amount and basis
–	–	–	–	–

(7) *Other receivables derecognized due to the transfer of financial assets*

–

(8) Transferred other receivables which continued to involve relevant assets and liabilities formed

Other explanation:

10. Inventories

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Goods in stock	266,804,144.37	18,762,317.02	248,041,827.35	279,978,375.55	–	279,978,375.55
Total	266,804,144.37	18,762,317.02	248,041,827.35	279,978,375.55	–	279,978,375.55

(2) Provision for inventory impairment

Unit: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Goods in stock	–	18,762,317.02	–	–	–	18,762,317.02
Total	–	18,762,317.02	–	–	–	18,762,317.02

(3) Particulars of capitalised borrowing costs included in closing balance of inventory

–

(4) Particulars of completed but unsettled assets as at the end of the period as per construction contracts

Unit: RMB

Item	**Amount**
–	–

Other explanations:

11. Classified as assets held for sale

Unit: RMB

Item	Closing book value	Fair value	Estimated disposal costs	Estimated disposal time
–	–	–	–	–

Other explanations:

12. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

13. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax	1,286,197.42	1,384,845.09
Tax to be deducted	50,062,440.87	14,810,050.11
Others		1,108,000.00
Total	51,348,638.29	17,302,895.20

Other explanations:

Notes: deferred tax arises mainly because the Company's information services and webpage-link services for customers are provided in future periods with the relevant turnover tax paid upon issuing invoice, while the corresponding income defers evenly during the agreed period. The breakdown of the turnover tax invoiced but not yet recognised accounted for as deferred tax under other current assets is as follows:

Unit: RMB

Item	**Amount at the end of the year**	**Amount at the beginning of the year**
Business tax	74,299.58	295,407.59
Urban construction tax	4,777.56	16,821.71
Educational surcharges	3,715.05	14,770.48
Watercourse management fee	378.34	2,638.52
Cultural undertakings construction fee	1,201,829.47	1,054,336.38
Others	1,197.42	870.41
Total	1,286,197.42	1,384,845.09

14. Available-for-sale financial assets

(1) *Particulars of available-for-sale financial assets*

Unit: RMB

Item	**Closing balance**			**Opening balance**		
	Book balance	**Provision for impairment**	**Book value**	**Book balance**	**Provision for impairment**	**Book value**
Available-for-sale equity instruments:	66,000,000.00	–	66,000,000.00	24,000,000.00	–	24,000,000.00
At cost	66,000,000.00	–	66,000,000.00	24,000,000.00	–	24,000,000.00
Total	66,000,000.00	–	66,000,000.00	24,000,000.00	–	24,000,000.00

(2) *Available-for-sale financial assets measured at fair value as at the end of the period*

Unit: RMB

Classification of available- for-sale financial assets	**Available-for-sale equity instruments**	**Available-for-sale debt instruments**	**Total**
–	–	–	–

(3) *Available-for-sale financial assets measured at cost as at the end of the period*

Unit: RMB

	Book balance				Provision for impairment					
Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Opening balance	Increase for the period	Decrease for the period	Closing balance	Shareholding held in the investee	Cash dividend for the period
山東鋼聯電子商務有限公司 (Shandong Ganglian Ecommerce Co., Ltd*)	2,000,000.00			2,000,000.00					2.86%	
杭州高達軟件系統股份有限公司 (Hangzhou Gaoda software system Co., Ltd*)	12,000,000.00			12,000,000.00					10.00%	
上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)	10,000,000.00			10,000,000.00					2.00%	
廣州復星雲通小額貸款有限公司 (Guangzhou Fosun cloud microfinance Ltd*)		32,000,000.00		32,000,000.00					16.00%	
上海隆摯股權投資基金合夥企業(有限合夥) (Shanghai Longzhi enterprise equity investment fund partnership (limited partnership)*)		10,000,000.00		10,000,000.00					10.00%	
Total	24,000,000.00	42,000,000.00		66,000,000.00						

(4) *Changes in impairment of available-for-sale assets during the reporting period*

Unit: RMB

Classification of available- for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
–	–	–	–

(5) *Particulars of fair value of available-for-sale equity instruments as at the end of the period experiencing severe decline or non-temporary decline but not yet provided for impairment*

Unit: RMB

Item of available-for-sale equity instruments	Investment costs	Fair value as at the end of the period	Decline of fair value as compared with cost	Duration of continuous decline (months)	Amount provided for impairment	Reason for not making impairment provision
–	–	–	–	–	–	–

Other explanations

15. Held-to-maturity investment

(1) Particulars of held-to-maturity investment

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Book value	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Book value
–	–	–	–	–	–	–

(2) Significant held-to-maturity investment as at the end of the period

Unit: RMB

Item of bond	Par value	Nominal interest rate	Effective interest rate	Maturity date
–	–	–	–	–

(3) Reclassification of held-to-maturity investment during the period

Other explanations

16. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for bad debt	Closing balance Book value	Opening balance Book balance	Opening balance Provision for bad debt	Opening balance Book value	Range of discount rate
–	–	–	–	–	–	–	–

(2) Long-term receivables derecognised due to the transfer of financial assets

–

(3) The transfer of long-term receivables and the amount of continuous involvement with resulting assets and liabilities

Other explanations

17. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Increase/decrease for the period: Profit or loss of investment recognised under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividend or profit	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
II. Associates											
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co. Ltd.*)	8,702,075.76		8,702,075.76								
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	2,633,417.95	4,800,000.00		-4,377,259.32	2,888,239.96					5,944,398.59	
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	9,254,219.72			86,794.29						9,341,014.01	
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	1,966,179.40		1,966,179.40								
誠融(上海)動產信息服務有限公司 (Cheng Rong (Shanghai) Real Estate Information Service Co., Ltd*)		27,000,000.00		-1,359,966.92						25,640,033.08	
上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*)		4,000,000.00		289,246.96						4,289,246.96	
Subtotal	22,555,892.83	35,800,000.00	10,668,255.16	-5,361,184.99	2,888,239.96					45,214,692.64	
Total	22,555,892.83	35,800,000.00	10,668,255.16	-5,361,184.99	2,888,239.96					45,214,692.64	

Other explanations

18. Investment properties

(1) Investment properties measured at cost

☐ Applicable √ Not applicable

(2) Investment properties measured at fair value

☐ Applicable √ Not applicable

(3) Particulars of investment properties not yet obtaining property right certificates

Unit: RMB

Item	**Book value**	**Reason for not yet obtaining property right certificates**
–	–	–

Other explanations

19. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Property	Office equipment	Electronic equipment	Vehicles	Others	Total
I. Original book value:						
1. Opening balance	231,772,115.85	5,702,229.20	37,686,614.42	8,767,000.36		283,927,959.83
2. Increase for the period		721,209.17	5,687,627.83	251,374.36		6,660,211.36
(1) Purchase		721,209.17	5,687,627.83	251,374.36		6,660,211.36
(2) Transferred from construction in progress						
(3) Increase due to business combination						
3. Decrease for the period		35,470.00	2,067,694.00	269,850.00		2,373,014.00
(1) Disposal or retirement		35,470.00	2,067,694.00	269,850.00		2,373,014.00
4. Closing balance	231,772,115.85	6,387,968.37	41,306,548.25	8,748,524.72		288,215,157.19
II. Accumulated depreciation						
1. Opening balance	23,591,026.52	2,638,698.33	21,373,446.27	5,181,528.17		52,784,699.29
2. Increase for the period	8,042,221.32	951,681.99	5,235,661.14	1,184,293.98		15,413,858.43
(1) Provision	8,042,221.32	951,681.99	5,235,661.14	1,184,293.98		15,413,858.43
3. Decrease for the period		5,437.64	1,944,003.14	200,951.98		2,150,392.76
(1) Disposal or retirement		5,437.64	1,944,003.14	200,951.98		2,150,392.76
4. Closing balance	31,633,247.84	3,584,942.68	24,665,104.27	6,164,870.17		66,048,164.96
III. Provision for impairment						
1. Opening balance						
2. Increase for the period						
(1) Provision						
3. Decrease for the period						
(1) Disposal or retirement						
4. Closing balance						
IV. Book value						
1. Closing book value	200,138,868.01	2,803,025.69	16,641,443.98	2,583,654.55		222,166,992.23
2. Opening book value	208,181,089.33	3,063,530.87	16,313,168.15	3,585,472.19		231,143,260.54

(2) *Particulars of temporarily idle fixed assets*

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
–	–	–	–	–	–

(3) *Fixed assets leased under finance lease*

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
–	–	–	–	–

(4) *Fixed assets rent out under operating lease*

Unit: RMB

Item	Book value as at the end of the period
–	–

(5) *Particulars of fixed assets not yet obtaining property right certificates*

Unit: RMB

Item	Book value	Reason for not yet obtaining property right certificates
–	–	–

Other explanations

20. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Book value	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Book value
–	–	–	–	–	–	–

(2) Changes in material construction in progress projects for the period

Unit: RMB

Project name	Budget	Opening balance	Increase for the period	Transfer to fixed assets for the period	Other deductions for the period	Closing balance	Accumulated investment to budget	Construction in progress	Accumulated capitalised interest	Of which: capitalised interest for the period	Capitalisation rate of the interest for the period	Source of fund
-	-	-	-	-	-	-	-	-	-	-	-	-

(3) Particulars of provision for impairment of construction in progress for the period

Unit: RMB

Item	Provision for the period	Reason for provision
–	–	–

Other explanations

21. Construction materials

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

22. Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

23. Productive biological assets

(1) Productive biological assets measured at cost

□ Applicable √ Not applicable

(2) Productive biological assets measured at fair value

□ Applicable √ Not applicable

24. Oil and gas assets

□ Applicable √ Not applicable

25. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-patented technology	Software system	Total
I. Original carrying amount					
1. Opening balance	25,647,000.00				25,647,000.00
2. Increase for the period				1,300,000.00	1,300,000.00
(1) Acquisition				1,300,000.00	
(2) Internal research and development					
(3) Increase due to business combination					
3. Decrease for the period					
(1) Disposal					
4. Closing balance	25,647,000.00			1,300,000.00	26,947,000.00
II. Accumulated amortisation					
1. Opening balance	2,051,760.00				2,051,760.00
2. Increase for the period	512,940.00			130,008.00	642,948.00
(1) Provision	512,940.00			130,008.00	642,948.00
3. Decrease for the period					
(1) Disposal					
4. Closing balance	2,564,700.00			130,008.00	2,694,708.00
III. Provision for impairment					
1. Opening balance					
2. Increase for the period					
(1) Provision					
3. Decrease for the period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing carrying amount	23,082,300.00			1,169,992.00	24,252,292.00
2. Opening carrying amount	23,595,240.00				23,595,240.00

The proportion in the intangible assets balance represented by the intangible assets generated from the internal research and development of the company at the end of the period.

(2) *Particulars of land use rights without obtaining property right certificates*

Unit: RMB

Item	Book value	Reason for not yet obtaining property right certificates
–	–	–

Other explanations:

26. Development expenditure

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Other explanations

27. Goodwill

(1) *Original carrying amount of goodwill*

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

(2) *Provision for impairment of goodwill*

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Explanation on the process of goodwill impairment test, the inputs and the recognition method for the loss of goodwill impairment:

Other explanations

28. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
House renovation expenses	514,661.43	918,749.49	244,908.98		1,188,501.94
Advertisement lamp box, outdoor billboard, etc	258,416.67		148,555.04		109,861.63
Software service expenses		140,566.04	42,950.71		97,615.33
Total	773,078.10	1,059,315.53	436,414.73		1,395,978.90

Other explanations

29. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

	Closing balance		Opening balance	
Item	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	227,342.50	34,401.36	188,049.30	29,458.67
Deductible loss	4,640,786.90	696,118.04	19,987,429.86	4,996,857.47
Deferred impact of income	13,125.89	3,281.48	272,572.82	68,143.21
Staff remuneration payables			2,769,683.66	692,420.91
Total	4,881,255.29	733,800.88	23,217,735.64	5,786,880.26

(2) *Deferred income tax liabilities before offsetting*

Unit: RMB

	Closing balance		Opening balance	
Item	**Taxable temporary differences**	**Deferred income tax liabilities**	**Taxable temporary differences**	**Deferred income tax liabilities**
Changes in fair value from held-for-trading financial assets	300,000.00	45,000.00		
Total	300,000.00	45,000.00		

(3) *Deferred income tax assets or liabilities presented with the net amount after offsetting*

Unit: RMB

Item	**Ending set-off amount between deferred income tax assets and liabilities**	**Closing balance of the deferred income tax assets or liabilities after offsetting**	**Beginning set-off amount between the deferred income tax assets and liabilities**	**Opening balance of the deferred income tax assets or liabilities after offsetting**
Deferred income tax assets		733,800.88		5,786,880.26
Deferred income tax liabilities		45,000.00		

(4) *Breakdown of unrecognised deferred income tax assets*

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	18,841,069.70	700.00
Deductible loss	440,340,280.98	2,052,741.75
Total	459,181,350.68	2,053,441.75

(5) *Expiry of deductible loss of unrecognised deferred income tax assets falls in the years as follows*

Unit: RMB

Year	Closing amount	Opening amount	Remark
2015		772,324.69	
2019	20,393,439.04	1,280,417.06	
2020	419,946,841.94		
Total	440,340,280.98	2,052,741.75	

Other explanations:

30. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

31. Short-term borrowings

(1) By categories

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed borrowings	74,000,000.00	68,000,000.00
Credit borrowings		48,800,000.00
Total	74,000,000.00	116,800,000.00

Explanations on the categories of short-term borrowings:

Note: representing RMB10.00 million, RMB10.00 million and RMB54.00 million borrowed by Shanghai Gangyin E-commerce Co.,Ltd., the subsidiary of the Company, from Bank of Beijing, Shanghai Banking Dept. Branch (北京銀行上海分行營業部), Ping An Bank, Shanghai Changshu Road Sub-branch (平安銀行上海常熟路支行) and China Construction Bank, Shanghai Baogang Baoshan Branch (建設銀行上海寶鋼寶山支行), all guaranteed by its parent company Shanghai Ganglian E-commerce Holdings Co., Ltd. with maximum guarantee amount.

(2) Particulars of short-term borrowings due and outstanding

Short-term borrowings due and outstanding at the end of the period amounted to RMB0.00, and particulars of significant short-term borrowings due and outstanding are as follows:

Unit: RMB

Borrowing unit	Closing balance	Lending rate	Overdue	Overdue rate
–	–	–	–	–

Other explanations:

32. Financial liabilities at fair value through profit or loss

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

33. Derivative financial liabilities

□ Applicable √ Not applicable

34. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bills	100,060,921.44	
Total	100,060,921.44	

Unpaid bills payable due as at the end of the period amounted to RMB0.00.

35. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Loans	9,772,279.47	28,287,235.42
Total	9,772,279.47	28,287,235.42

(2) *Significant accounts payable for over 1 year*

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
–	–	–

Other explanations:

36. Advance receipts

(1) *Particulars of advance receipts*

Unit: RMB

Item	Closing balance	Opening balance
Advance receipts from deferred income	81,039,452.79	72,976,012.09
Other advance receipts	432,040,128.84	237,509,184.27
Total	513,079,581.63	310,485,196.36

(2) *Significant advance receipts for over 1 year*

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
–	–	–

(3) *Construction contract settled but not yet completed at the end of the period*

Unit: RMB

Item	Amounts
–	–

Other explanations:

37. Staff remuneration payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	2,264,447.95	184,758,478.69	175,502,596.88	11,520,329.76
II. Post-employment benefit plan-defined contribution scheme	505,235.71	17,144,308.99	16,998,667.17	650,877.53
Total	2,769,683.66	201,902,787.68	192,501,264.05	12,171,207.29

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	1,825,036.94	162,724,364.87	153,599,485.08	10,949,916.73
2. Staff welfare		4,767,199.54	4,767,199.54	
3. Social insurance premium	255,628.21	9,492,034.41	9,428,722.80	318,939.82
Of which:				
Medical insurance premium	224,595.77	8,448,005.32	8,392,456.66	280,144.43
Work-related injury insurance premium	14,236.44	434,669.39	430,801.24	18,104.59
Maternity insurance premium	16,796.00	609,359.69	605,464.90	20,690.79
4. Housing provident funds	183,782.80	6,536,138.93	6,468,448.52	251,473.21
5. Labor union funds and staff education funds		1,238,740.94	1,238,740.94	
Total	2,264,447.95	184,758,478.69	175,502,596.88	11,520,329.76

(3) *Particulars of defined contribution scheme*

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance	477,697.24	16,216,814.98	16,077,556.17	616,956.05
2. Unemployment insurance expense	27,538.47	927,494.01	921,111.00	33,921.48
Total	505,235.71	17,144,308.99	16,998,667.17	650,877.53

Other explanations:

38. Taxes payable

Unit: RMB

Item	Closing balance	Open balance
Value added tax	1,016,533.79	1,377,428.86
Business tax	404,819.01	391,936.81
Enterprise income tax	51,582.72	2,071,404.53
Individual income tax	506,723.67	454,455.91
Urban maintenance and construction tax	72,033.72	89,887.07
Educational surcharges	67,336.48	41,388.87
Others	689,377.54	424,254.58
Total	2,808,406.93	4,850,756.63

Other explanations:

39. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable for short-term borrowings	114,873.61	75,619.95
Total	114,873.61	75,619.95

Particulars of significant overdue unpaid interest:

Unit: RMB

Borrowing units	Overdue amounts	Overdue reason
–	–	–

Other explanations:

40. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanation, including significant unpaid dividends payable for over 1 year, the reason for overdue shall be disclosed:

41. Other payables

(1) Particulars of other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Shareholders' borrowings	578,000,000.00	
Current accounts of related parties	138,715,401.40	
Loan guarantees	6,502,993.55	128,066,059.65
Temporary estimated amount of projects	22,657,411.11	23,370,610.11
Intercourse funds		1,077,873.19
Others	1,554,889.13	1,122,719.91
Property expenses	150,983.73	
Total	747,581,678.92	153,637,262.86

(2) Significant other payables for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
Temporary estimated amount of projects	22,657,411.11	Not settled
Total	22,657,411.11	

Other explanations

42. Liabilities classified as held for sale

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

43. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	12,000,000.00	2,500,000.00
Total	12,000,000.00	2,500,000.00

Other explanations:

44. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Increase/decrease of short-term bonds payable:

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/ discount	Repayment during the period	Closing balance
-	-	-	-	-	-	-	-	-	-	-

Other explanations:

45. Long-term borrowings

(1) By categories

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	77,000,000.00	79,500,000.00
Less: Long-term borrowings due within one year	-12,000,000.00	-2,500,000.00
Total	65,000,000.00	77,000,000.00

Explanation on the categories of long-term borrowings:

Note: Long-term borrowings represent RMB95.00 million of pledged loans of China Construction Bank, Shanghai branch, Baoshan sub-branch, guaranteed by the Company with buildings and land. At the end of the year, borrowings balance not yet repaid amounted to RMB77.00million.

Other explanations, including interest rate range:

46. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds which are classified as financial liabilities)

Unit: RMB

(3) Particulars of the conversion conditions and conversion time of the convertible bonds

–

(4) Particulars of other financial instruments classified as financial liabilities

General information on financial instruments such as preference shares and perpetual bonds in issue at the end of the period

Table of changes on financial instruments such as preference shares and perpetual bonds in issue at the end of the period

Unit: RMB

Financial instrument in issue	At the beginning of the period		Increase for t he period		Decrease for the period		At the end of the period	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
–	–	–	–	–	–	–	–	–

Explanation on the basis of other financial instruments classified as financial liabilities

Other explanations:

47. Long-term payables

(1) Particulars of long-term payables by nature

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

48. Long-term staff remuneration payables

(1) Table of long-term staff remuneration payables

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

(2) *Particulars of defined benefit plan*

Present value of obligations under the defined benefit plan:

Unit: RMB

Item	Amount for the period	Amount for the prior period
–	–	–

Assets under the plan:

Unit: RMB

Item	Amount for the period	Amount for the prior period
–	–	–

Net liabilities (net assets) under the defined benefit plans

Unit: RMB

Item	Amount for the period	Amount for the prior period
–	–	–

Explanation on content of the defined benefit plan, associated risks, and the impact on the company's future cash flow, time and uncertainty:

Explanation on significant actuarial assumptions and sensitivity analysis of the defined benefit plan:

Other explanations:

49. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
–	–	–	–	–	–

Other explanations:

50. Estimated liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reason
–	–	–	–

Other explanations, including explanations on the relevant major assumptions and estimates of the significant estimated liabilities:

51. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	reason
Government grant	34,307,217.18	7,340,000.00	2,005,805.47	39,641,411.71	Asset-related income has not been fully recognized
Total	34,307,217.18	7,340,000.00	2,005,805.47	39,641,411.71	

Items in respect of government grant:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Amount included in non-operating income for the period	Other changes	Closing balance	Asset-related/ income-related
Special funds modern service industry comprehensive pilot in Shanghai *(Note 1)*	33,895,902.77	6,220,000.00	1,661,279.70		38,454,623.07	Asset-related
Funds for guiding the service industry development of Shanghai	300,000.00		300,000.00			Asset-related
Special funds for SMEs development	111,314.41		44,525.77		66,788.64	Asset-related
Special funds for Shanghai informatization development *(Note 2)*		1,120,000.00			1,120,000.00	
Total	34,307,217.18	7,340,000.00	2,005,805.47		39,641,411.71	

Other explanations:

Note 1: Special funds for modern service industry comprehensive pilots in Shanghai: According to the Notice on the Written Reply regarding the Solution for Modern Service Industry Comprehensive Pilots in Shanghai Issued by Ministry of Finance and MOFCOM (Cai Jian Han [2011], No.74) (《財政部商務部關於批覆上海市現代服務業綜合試點方案的通知》(財建函〔2011〕74號)) and the Notice on Printing and Issuing the Utilization and Management Rules regarding the Special Funds for Modern Service Industry Comprehensive Pilots in Shanghai Issued by Shanghai Municipal Commission of Commerce and Shanghai Municipal Administration of Industry and Commerce (Hu Shang Cai [2012], No.517) (《上海市商務委、上海市財政局關於印發上海現代服務業綜合試點專項資金使用和管理辦法的通知》(滬商財〔2012〕517號)), the "E-commerce Project for Bulk Commodity" (大宗商品電子商務) and "Cloud Terminal for Data on Bulk Commodity of Shanghai Ganglian" (上海鋼聯大宗商品數據雲終端)of the Company were included in the list of modern service industry comprehensive pilot projects in Shanghai. According to the Letter on Application for Distribution of the 2011 Special Funds (First Batch) for Modern Service Industry Comprehensive Pilots in Shanghai (Hu Shang Cai [2012], No.585)《上海市商務委關於商請撥付2011年上海現代服務業綜合試點項目專項資金(第一批)的函》(滬商財[2012]585號), in 2015, the company received special funds RMB3.22 million from Finance Bureau of Baoshan District, Shanghai and special funds RMB3.00 million from the municipal financial settlement center, respectively.

Note 2: Special funds for Shanghai informatization development: According to the Measures for the Administration of Special Funds for Shanghai Informatization development (Hu Jing Xin Fa〔2013〕No.879)《上海市信息化發展專項資金管理辦法》(滬經信法〔2013〕879號) and the Notice on Applying for 2015 Second Batch Special Funds for Shanghai informatization development projects(Hu Jing Xin Tui〔2015〕No.464)《上海市經濟信息化

委關於開展2015年度第二批上海市信息化發展專項資金項目申報工作的通知》(滬經信推〔2015〕464號), the company was included in the list of supported units under the second informatization development special funds. In 2015, the company received the asset-related grants RMB1.12 million in aggregate from the municipal financial settlement center.

52. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

53. Share capital

Unit: RMB

	Opening balance	Increase/decrease (+, -) Issue of new shares	Bonus issue	Shares converted from reserve fund	Others	Sub-total	Closing balance
Total shares	156,000,000.00						156,000,000.00

Other explanations:

54. Other equity instruments

(1) *General information on other financial instruments such as preference shares and perpetual bonds in issue at the end of the period*

–

(2) *Table of changes on financial instruments such as preference shares and perpetual bonds in issue at the end of the period*

Unit: RMB

Financial instrument in issue	At the beginning of the period		Increase for the period		Decrease for the period		At the end of period	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
–	–	–	–	–	–	–	–	–

The increase/decrease of other equity instruments for the period, reasons for such change and basis of the related accounting treatments:

Other explanations:

55. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	161,548,141.83	8,842,462.18	121,592,098.18	48,798,505.83
Total	161,548,141.83	8,842,462.18	121,592,098.18	48,798,505.83

Other explanations, including explanations on the increase/decrease for the period and reasons for such changes:

Note: Such increase during the year was due to no interest payments on borrowings and the increase in the capital reserve of investees; such decrease during the year was attributable to the Company acquiring the equity interest in Shanghai Gangyin E-commerce Co., Ltd. held by Shanghai Xingye Investment Development Co., Ltd.

56. Treasury shares

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Other explanations, including explanations on the increase/decrease for the period and reasons for such changes:

57. Other comprehensive income

Unit: RMB

		Amounts for the reporting period					
Item	Opening balance	Incurred before Income tax for the period	Less: Transferred from Other Comprehensive Income in prior periods to profit or loss during the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
–	–	–	–	–	–	–	–

Other explanations, including the adjustment on initial recognition upon transfer to hedged item from the effective portion of hedging gains and losses from cash flow:

58. Special reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Other explanations, including explanations on the increase/decrease for the period and reasons for such changes:

59. Surplus reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	17,868,177.70			17,868,177.70
Total	17,868,177.70			17,868,177.70

Explanations on the surplus reserve, including explanations on the increase/decrease for the period and reasons for such changes:

Note: Pursuant to the Companies Law and the Articles of Association, the Company transferred 10% of the net profit to the statutory surplus reserves. There was no need to transfer if the accumulated amounts of the surplus reserves exceeded 50% of the Company's registered capital. The Company can transfer the discretionary surplus reserve upon the transfer of statutory surplus reserve. Once approved, the discretionary surplus reserve can be used to offset loss for prior years or increase the share capital.

60. Retained profit

Unit: RMB

Item	The period	The prior period
Retained profit as at the beginning of the period after adjustment	107,968,232.14	98,079,379.18
Plus: Net profit for period attributable to owners of the parent company	-250,385,277.59	18,775,724.65
Less: Transferred the statutory surplus reserves		2,886,871.69
Ordinary dividend payable	3,018,342.96	6,000,000.00
Retained profit as at the end of the period	-145,435,388.41	107,968,232.14

Breakdown of retained profit as at the beginning of the period when adjustment:

1). The effect of the retroactive adjustment made according to the Enterprise Accounting Standards and related new regulations on the retained profit as at the beginning of the period amounted to RMB0.00.

2). The effect of the change in accounting policy on the retained profit as at the beginning of the period amounted to RMB0.00.

3). The effect of the correction of significant accounting errors on the retained profit as at the beginning of the period amounted to RMB0.00.

4). The effect of the change of the scope of consolidation caused by common control on the retained profit as at the beginning of the period amounted to RMB0.00.

5). The effect of other adjustments on the retained profit as at the beginning of the period amounted to RMB0.00.

61. Revenue and operating costs

Unit: RMB

	Amount for the period		Amount for the prior period	
Item	Revenue	Operating costs	Revenue	Operating costs
Primary activities	21,354,822,432.27	21,499,466,007.41	7,554,989,672.44	7,355,051,853.07
Other activities	2,313,250.00	449,349.15	2,120,479.17	438,650.30
Total	21,357,135,682.27	21,499,915,356.56	7,557,110,151.61	7,355,490,503.37

62. Business taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Business tax	255,542.14	1,995,470.07
Urban maintenance and construction tax	411,449.58	696,202.51
Educational surcharges	407,998.15	636,507.65
Others	28,599.55	19,948.73
Total	1,103,589.42	3,348,128.96

Other explanations:

63. Selling expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Staff remuneration	127,795,746.60	81,757,048.27
Warehouse rental expenses	16,780,967.29	3,467,198.49
Office expenses	10,476,439.67	4,940,133.51
Depreciation and amortization expenses	105,142.34	1,202,056.58
Business entertainment expenses	2,411,996.54	1,580,533.52
Advertisement and business promotion expenses	4,594,007.49	4,544,014.50
Information consulting expenses	4,174,401.59	4,581,838.71
Promotion expenses	1,888,992.36	57,260.19
Transportation travel expenses	3,637,479.23	3,970,004.26
Mail and freight expenses	1,775,874.53	1,002,562.58
Others	2,795,626.02	3,630,199.59
Total	176,436,673.66	110,732,850.20

Other explanations:

64. Administrative expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Project development costs	18,636,653.45	20,502,831.92
Wages	36,862,462.90	22,435,073.94
Depreciation expenses	15,076,359.17	13,894,672.61
Office expenses	4,807,852.12	2,411,388.28
Commuting and travel expenses	1,557,360.24	1,138,566.64
Housing rentals	1,961,222.45	2,007,542.86
Tax	5,540,975.59	2,279,998.41
Business entertainment expenses	564,607.47	426,521.90
Mailing expenses and freight	58,000.32	75,115.54
Consulting fee	324,643.15	311,808.59
Equity incentives of subsidiaries		4,000,000.00
Others	2,062,717.05	2,959,640.77
Total	87,452,853.91	72,443,161.46

Other explanations:

65. Financial expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Interest expenses	25,489,133.06	14,905,835.43
Less: interest income	6,369,808.30	3,567,499.60
Foreign exchange gains or losses	-170,784.19	-81,713.51
Others	667,644.25	323,253.36
Total	19,616,184.82	11,579,875.68

Other explanations:

66. Loss on impairment of assets

Unit: RMB

Item	Amount for the period	Amount for the prior period
I. Loss on bad debts	296,620.88	300,631.55
II. Impairment loss on inventory	18,762,317.02	
Total	19,058,937.90	300,631.55

Other explanations:

67. Gain on changes in fair value

Unit: RMB

Source of gain on changes in fair value	Amount for the period	Amount for the prior period
Financial assets at fair value through profit or loss	300,000.00	
Total	300,000.00	

Other explanations:

68. Investment income

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Income from long-term equity investments accounted for using the equity method	-5,361,184.99	-1,426,961.12
Investment income from disposal of long-term equity investments	3,298,778.14	
Total	-2,062,406.85	-1,426,961.12

Other explanations:

69. Non-operating income

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**	**Amount included in non-recurring gains or losses for the period**
Total gain on disposal of non-current assets	10,616.72		10,616.72
Of which: gain on disposal of fixed assets	10,616.72		10,616.72
Government grants	6,160,041.27	9,707,178.55	6,160,041.27
Others	112,308.03	126,518.95	112,308.03
Total	6,282,966.02	9,833,697.50	6,282,966.02

Government grants included in profit or loss for the period:

Unit: RMB

Grant item	Awarding authority	Awarding reason	Nature and type	Whether the subsidy influences the profit or loss for the year or not	Special subsidy or not	Amount for the period	Amount for the prior period	Asset-related/ income-related
Special financial fund for Shanghai Baoshan District *(Note 1)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	2,000,000.00	2,000,000.00	Income-related
Special fund for Shanghai modern service industry comprehensive pilot area *(Note 2)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	1,661,279.70	1,412,652.79	Asset-related
Development special fund for Shanghai Baoshan District advanced manufacturing industry *(Note 3)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	500,000.00	920,000.00	Income-related
Grant for key project of talent development *(Note 4)*		Incentive	Subsidy for engaging in specific industries and sectors encouraged and supported by the State (obtained according to national policies)	Yes	No	470,000.00		Income-related
Special fund for Shanghai modern service industry comprehensive pilot area *(Note 5)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	320,000.00		Income-related

Grant item	Awarding authority	Awarding reason	Nature and type	Whether the subsidy influences the profit or loss for the year or not	Special subsidy or not	Amount for the period	Amount for the prior period	Asset-related/ income-related
Development fund for Shanghai service industry *(Note 2)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	300,000.00	600,000.00	Asset-related
Special fund for informatisation development in Shanghai *(Note 6)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	535,000.00		Income-related
Development special fund for Shanghai Baoshan District advanced manufacturing industry *(Note 7)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	150,000.00		Income-related
Cash incentive for innovation *(Note 8)*		Incentive	Subsidy for engaging in specific industries and sectors encouraged and supported by the State (obtained according to national policies)	Yes	No	100,000.00		Income-related
Special fund for SME development *(Note 2)*		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	44,525.77	44,525.76	Asset-related

Grant item	Awarding authority	Awarding reason	Nature and type	Whether the subsidy influences the profit or loss for the year or not	Special subsidy or not	Amount for the period	Amount for the prior period	Asset-related/ income-related
Financial assistance for high and new technology achievements transformation		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No		2,020,000.00	Income-related
Support for Shanghai Zhangjiang Innopark operating platform enterprises		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No		2,000,000.00	Income-related
Special fund for SME development		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No		280,000.00	Income-related
Others		Subsidy	Subsidy for research and development, technological upgrade and improvement, etc.	Yes	No	79,235.80	430,000.00	Income-related
Total						6,160,041.27	9,707,178.55	

Other explanations:

Note 1: According to "Administration Measures of 'Facilitate Transformation by Modifying Structure' Special Fund for Financial Services in Shanghai Baoshan District" (《上海市寶山區金融服務「調結構、促轉型」專項資金使用管理辦法》), the Company received RMB2 million as incentive from Shanghai Baoshan City Industrial Park Management Committee in 2015.

Note 2: See Note VI. 25 for details of development fund for Shanghai service industry and special fund for Shanghai modern service industry comprehensive pilot area.

Note 3: The Company's trademark of "我的鋼鐵 Mysteel.com" was recognised as a "Well-Known Trademark" in 2013 by the Trademark Office of SAIC and was reassessed as a "Reputable Trademark". According to "Administration Measures of Special Fund for Advanced Manufacturing Industry Development in Shanghai Baoshan District" (Bao Fu Ban [2014] No. 33) (《上海市寶山區先進製造業發展專項資金使用管理辦法》(寶府辦)[2014]33號)), the Company received RMB0.5 million as financial support from Shanghai Baoshan City Industrial Park Management Committee in 2015.

Note 4: The "Strategy of Cultivating Talents to Establish National Grade Exemplary E-Commerce Service Platform" project applied by the Company was listed among key projects of talent development in Baoshan District. According to "Administration Measures of Special Fund for Talent Development in Baoshan District" (《寶山區人才發展專項資金使用管理辦法》), the Company received RMB0.329 million as subsidy from Shanghai Baoshan Public Service Human Resources Centre and RMB0.141 million as subsidy from Baoshan City Industrial Park Management Committee in 2015.

Note 5: According to "Notice of Ministry of Finance and Ministry of Commerce on Approval of the Programme of Shanghai Modern Service Industry Comprehensive Pilot Area" (Cai Jian Han [2011] No. 74) (《財政部商務部關於批覆上海市現代服務業綜合試點方案的通知》(財建函[2011]74號)) and "Notice from Shanghai Municipal Commission of Commerce and Shanghai Municipal Finance Bureau on Publishing of Administration Measures of Special Fund for Shanghai Modern Service Industry Comprehensive Pilot Area" (Hu Shang Cai [2012] No. 517) (《上海市商務委、上海市財政局關於印發上海現代服務業綜合試點專項資金使用和管理辦法的通知》(滬商財[2012]517號)), the Company's "Comprehensive E-Commerce Service Platform for Bulk Commodities Circulation" was listed among projects supported by Special Fund for National Comprehensive Pilot Areas, therefore the Company received RMB0.32 million from Shanghai Baoshan District Finance Bureau in 2015.

Note 6: ①According to "Notice of Shanghai Municipal Commission of Economy and Informatisation on Implementing 2015 E-commerce 'Double Promotion' Programme" (Hu Jing Xin Sheng [2015] No. 567) (《上海市經濟信息化委關於實施2015年度電子商務「雙推」工程的通知》(滬經信生[2015]567號)), the Company was listed among "Double Promotion" platform enterprises and received subsidy amounted to RMB0.255 million from Shanghai Finance Payment Centre; ②According to "Notice of Shanghai Municipal Commission of Economy and Informatisation on Publishing of 2015 Schedule of Special Fund for Shanghai Informatisation Development (Second Tranche)" (Hu Jing Xin Tui [2015] No. 742) (《上海市經濟信息化委關於印發2015年上海市信息化發展專項資金項目計劃表(第二批)的通知》(滬經信推[2015]742號)), the Company received subsidy amounted to RMB0.28 million from Shanghai Finance Payment Centre.

Note 7: According to "Administration Measures of Special Fund for Advanced Manufacturing Industry Development in Baoshan District" (Bao Fu Ban [2014] No. 33) (《寶山區先進製造業發展專項資金使用管理辦法》(寶府辦)[2014]33號)), the Company was recognised as an enterprise technology centre in Baoshan District and received RMB0.15 million from Baoshan District Finance Bureau in 2015.

Note 8: According to "Administration Measures of Shanghai SME Technology Innovation Fund" (Hu Ke [2013] No. 25)" (《上海市科技型中小企業技術創新資金管理辦法》(滬科)[2013]25號)) and "Notice on Organising the Project Declaration of SME Technology Innovation Fund of 2015 Shanghai 'Implementation Plan of Technology Innovation'" (Hu Ke [2015] No. 213) (《關於組織開展上海市2015年度「科技創新行動計劃」科技型中小企業技術創新資金項目申報的通知》((滬科)[2015]213號)), the Company was nominated a SME Technology Innovation Enterprise in Shanghai and received innovation fund amounted to RMB0.1 million from Science and Technology Commission of Shanghai Municipality in 2015.

70. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in non-recurring gains or losses for the period
Total loss on disposal of non-current assets	120,925.99	11,809.82	120,925.99
Of which: loss on disposal of fixed assets	120,925.99	11,809.82	120,925.99
Others	294,687.66	16,428.43	294,687.66
Total	415,613.65	28,238.25	415,613.65

Other explanations:

71. Income tax expenses

(1) *Particulars of income tax expenses*

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	449,485.08	4,417,006.67
Deferred income tax expenses	5,098,079.38	-5,595,047.45
Income tax return for the prior period		-554,295.70
Total	5,547,564.46	-1,732,336.48

(2) *The reconciliation between accounting profit and income tax expenses*

Unit: RMB

Item	Amount for the period
Total profit	-442,342,968.48
Income tax expenses calculated at statutory/ applicable tax rates	-66,351,445.27
Effect of different tax rates applicable to subsidiaries	-43,602,469.67
Effect of costs, expenses and loss not deductible for tax purposes	1,341,783.67
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred income tax assets	109,696,977.91
Effect of additional deductible expenses	-1,152,818.18
Others	5,615,536.00
Income tax expenses	5,547,564.46

Other explanations

72. Other comprehensive income

See Note 57 for details.

73. Cash flow statement items

(1) *Cash received relating to other operating activities*

Unit: RMB

Item	Amount for the period	Amount for the prior period
Government grants	4,277,160.55	7,650,000.00
Interest income	6,369,808.30	3,568,513.94
Deposit and guarantee	634,365,887.53	79,350,722.91
Others		126,518.95
Receivables and payables		
Total	645,012,856.38	90,695,755.80

Particulars of cash received relating to other operating activities:

(2) *Cash paid relating to other operating activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Deposit and guarantee	529,133,052.94	142,223,433.41
Communication fee, consulting fee, rental expenses and other expenses	22,691,234.48	21,357,248.46
Project development costs	5,233,969.31	7,859,309.35
Office expenses, mailing and business-related expenses	24,877,770.50	26,609,231.05
Travel expenses	5,194,839.47	4,369,941.90
Receivables and payables	13,838,812.26	5,099,804.18
Others	21,719,094.63	4,550,604.14
Total	622,688,773.59	212,069,572.49

Particulars of cash paid relating to other operating activities:

(3) *Cash received relating to other investment activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
–	–	–

Particulars of cash received relating to other investment activities:

(4) *Cash paid relating to other investment activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
–	–	–

Particulars of cash paid relating to other investment activities:

(5) *Cash received relating to other financing activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Asset-related government grants received	7,340,000.00	16,015,000.00
Total	7,340,000.00	16,015,000.00

Particulars of cash received relating to other financing activities:

(6) *Cash paid relating to other financing activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Payment of issuance related costs		1,700,000.00
Listing expenses *(Note 1)*	1,789,214.00	
Total	1,789,214.00	1,700,000.00

Particulars of cash paid relating to other financing activities:

Note 1: controlled subsidiary Gangyin E-Commerce is listed on National Equities Exchange and Quotations.

74. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	-447,890,532.94	13,325,835.00
Add: Provision for impairment of assets	19,058,937.90	300,631.55
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	15,413,858.43	14,726,801.44
Amortisation of intangible assets	642,948.00	512,940.00
Amortisation of long-term prepaid expenses	436,414.73	881,519.80
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	110,309.27	11,809.82
Loss on changes in fair value ("-" denotes gain)	-300,000.00	
Finance expenses ("-" denotes gain)	25,489,133.06	14,905,835.43
Investment loss ("-" denotes gain)	2,062,406.85	1,426,961.12
Decrease in deferred income tax assets ("-" denotes increase)	5,053,079.38	-5,595,047.45
Increase in deferred income tax liabilities ("-" denotes decrease)	45,000.00	
Decrease in inventories ("-" denotes increase)	13,174,231.18	-201,196,760.81
Decrease in operating receivables ("-" denotes increase)	-53,218,264.89	-556,971,430.35
Increase in operating payables ("-" denotes decrease)	261,768,846.50	287,300,105.81

Supplementary information	Amount for the period	Amount for the prior period
Net cash flows from operating activities	-158,153,632.53	-430,370,798.64
2. Major investment and financing activities not involving cash settlements:		
3. Net change in cash and cash equivalents:		
Closing balance of cash	306,907,305.77	158,064,334.06
Less: Opening balance of cash	158,064,334.06	194,412,598.47
Net increase in cash and cash equivalents	148,842,971.71	-36,348,264.41

(2) *Net cash paid for acquisition of subsidiaries during the period*

Unit: RMB

	Amount
Included:	–
Included:	–
Included:	–

Other explanations:

(3) *Net cash received from disposal of subsidiaries during the period*

Unit: RMB

	Amount
Included:	–
Included:	–
Included:	–

Other explanations:

(4) Cash and cash equivalents composition

Unit: RMB

Item	Balance at the end of the period	Balance at the beginning of the period
I. Cash	306,907,305.77	158,064,334.06
Included: Cash at hand	78,510.67	31,494.55
Bank deposits that can be used for payment at any time	306,828,795.10	158,032,839.51
II. Balance of cash and cash equivalents at the end of the period	306,907,305.77	158,064,334.06

Other explanations:

75. Notes to items of the statement of changes in owners' equity

Explanations for matters such as the name of "Others" item for the adjustment of the closing balance in the previous year and the adjustment amount:

76. Assets with restricted ownerships or right to use

Unit: RMB

Item	Book value at the end of the period	Reasons for such restrictions
Monetary funds	43,499,288.78	Notes guarantee payables
Fixed assets	201,307,323.03	Long-term borrowings obtained by pledging buildings and structures and land to banks
Total	244,806,611.81	

Other explanations:

77. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	**Balance of foreign currency at the end of the period**	**Exchange rate**	**Balance of RMB translated at the end of the period**
–	–	–	–

Other explanations:

(2) Explanations for overseas operating entities, as for significant overseas operating entities, including the disclosure of its principal place of business in overseas, its functional currency and selection basis, and reasons for the changes in its functional currency.

□ Applicable √ Not Applicable

78. Hedging

Disclosure of hedging items and related hedging instruments, the qualitative and quantitative information of the hedged risk by hedging category:

79. Others

–

VIII. CHANGE IN SCOPE OF COMBINATION

1. Business combination involving entities not under common control

(1) Business combination involving entities not under common control during the period

Unit: RMB

Name of acquiree	Time of acquisition of equity	Cost of acquisition of equity	Percentage of acquisition of equity	Way of acquisition of equity	Date of acquisition	Determining basis of date of acquisition	Income of the acquiree from the date of acquisition to the end of the period	Net profit of the acquiree from the date of acquisition to the end of the period
-	-	-	-	-	-	-	-	-

Other explanations:

(2) Combination costs and goodwill

Unit: RMB

Combination costs	–

Explanations for determination methods of the fair value of combination costs, contingent consideration and its changes:

Main reasons for the formation of goodwill with large amounts:

Other explanations:

(3) Identifiable assets and liabilities of the acquiree at the acquisition date

Unit: RMB

	Fair value at the acquisition date	Book value as at the acquisition date
	–	–

Determination methods of the fair value of identifiable assets and liabilities:

The contingent liabilities assumed by the acquiree in business combination:

Other explanations:

(4) *Gain or loss from remeasurement at fair value of the equity held before the acquisition date*

Whether there was transaction achieving business combination through several transactions that acquired control during the reporting period

☐ Yes √ No

(5) *Relevant explanations for failure to reasonably determine the combination consideration or fair value of identifiable assets and liabilities of the acquiree at the acquisition date or at the end of the combination period*

–

(6) *Other explanations*

–

2. Business combination involving entities under common control

(1) *Business combination involving entities under common control during the period*

Unit: RMB

Name of the combined parties	Equity percentage acquired in business combination	Basis for constituting business combination involving entities under common control	Date of combination	Determining basis of the date of combination	Income of the combined parties from the beginning of the combination period to the date of combination	Net profit of the combined parties from the beginning of the combination period to the date of combination	Income of the combined parties during the comparative period	Net profit of the combined parties during the comparative period
-	-	-	-	-	-	-	-	-

Other explanations:

(2) *Combination costs*

Unit: RMB

Combination costs	–

Explanations for the contingent consideration and its changes:

Other explanations:

(3) *Book value of assets and liabilities of the combined parties at the combination date*

Unit: RMB

	Combination date	**At the end of the previous period**
	–	–

Contingent liabilities assumed by the combined parties in business combination:

Other explanations:

3. Counter purchase

Basic information on transaction, basis for counter purchase, whether the retained assets and liabilities of a listed company constitutes a business and its basis, determination of combination costs, adjustment amount of equity in accordance with equity transaction and its calculation:

4. Disposal of subsidiaries

Whether there is a loss of control over investment in subsidiaries on a single disposal

□ Yes √ No

Whether there was disposal of investment in subsidiaries through several transactions that led to loss of control during the period

□ Yes √ No

5. Other reasons for changes in scope of combination

Explanations for other reasons resulting in changes in the scope of combination (e.g. newly established subsidiary, liquidation of subsidiary) and relevant circumstances:

During the year, the Company newly established a subsidiary named上海鋼聯金屬礦產國際交易中心有限責任公司 (Shanghai Ganglian Metal mineral International Trading Center Co., Ltd*), which was founded in April 2015 with a registered capital of RMB50 million, and as of 31 December 2015, the Company held its 100% equity interests.

During the reporting period, the Company newly established a subsidiary named 上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*), which was founded in 15 October 2015 with a registered capital of RMB20 million, and as of 31 December 2015, the Company held its 51% equity interests.

6. Others

–

IX. INTEREST IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Composition of the enterprise group

Name of subsidiary	Principal place of business	Place of incorporation	Nature of business	Shareholding percentage Direct	Shareholding percentage Indirect	Mode of acquisition
Beijing Ganglian Maidi E-Commerce. Co., Ltd.	Beijing	Beijing	Services Sector	100.00%		Established with investment
Wuxi Ganglian E-Commerce Co., Ltd.	Wuxi	Wuxi	Services Sector	100.00%		Established with investment
Shanghai Gangyin E-Commerce Co., Ltd.	Shanghai	Shanghai	Trade/Services Sector	67.82%		Established with investment
Shanghai B&Y Brand Architects Co., Ltd.	Shanghai	Shanghai	Services Sector	51.00%		Established with investment
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	Shanghai	Shanghai	Services Sector	60.00%		Established with investment
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	Shanghai	Shanghai	Services Sector	60.80%	29.40%	Established with investment
上海鋼聯金屬礦產國際交易中心有限公司 (Shanghai Ganglian Metal mineral International Trading Center Co., Ltd*)	Shanghai	Shanghai	Services Sector	100.00%		Established with investment
上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*)	Shanghai	Shanghai	E-Commerce	51.00%		Established with investment

Explanations for the differences between shareholding percentage in subsidiaries and voting right percentage:

The basis for holding half or less voting rights but still control the investee and for holding over half of the voting rights but does not control the investee:

The basis for controlling the significant structural entities incorporated into the scope of combination:

The basis of determining whether the Company is an agent or a trustee:

Other explanations:

(2) *Major non wholly-owned subsidiaries*

Unit: RMB

Name of subsidiary	Shareholding percentage of minority shareholders	Gain or loss attributable to minority shareholders for the period	Dividends declared to distribute to the minority shareholders during the period	Balance of minority shareholders' equity at the end of the period
Shanghai Gangyin E-Commerce Co., Ltd.	32.18%	-197,589,181.56		194,253,708.13
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	9.80%	-660,522.42		18,352,869.26
Shanghai B&Y Brand Architects Co., Ltd.	49.00%	44,493.96		720,650.35
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	40.00%	699,954.67		4,041,492.73
上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*)	49.00%	0.00		0.00

Explanations for the differences between shareholding percentage of minority shareholders in subsidiaries and their voting rights percentage:

Other explanations:

(3) *Key financial information of major non wholly-owned subsidiaries*

Unit: RMB

	Balance at the end of the period						Balance at the beginning of the period					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Gangyin E-Commerce Co., Ltd.	1,338,636,971.04	38,817,986.52	1,377,454,957.56	773,807,635.83		773,807,635.83	1,114,468,274.79	42,981,474.52	1,157,449,749.31	445,976,004.72		445,976,004.72
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	92,250,639.62	3,039,439.59	95,290,079.21				96,396,039.03	2,323,543.91	98,719,582.94			
Shanghai B&Y Brand Architects Co., Ltd.	1,418,458.04	116,762.71	1,535,220.75	64,505.74		64,505.74	1,334,482.69	332,395.18	1,666,877.87	286,966.87		286,966.87
上海鋼聯資訊科技有限公司(Shanghai Ganglian Information Technology Co., Ltd*)	10,807,262.94	2,342.82	10,809,605.76	705,873.93		705,873.93	5,479,467.48	3,391.52	5,482,859.00	392,588.97		392,588.97
上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*)												

Unit: RMB

Name of subsidiary	Amount incurred during the period: Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Amount incurred during the previous period: Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shanghai Gangyin E-Commerce Co., Ltd.	21,197,312,891.86	-439,826,422.86		-186,161,060.04	7,368,037,877.83	-17,925,435.02	-17,925,435.02	487,771,698.90
Shanghai B&Y Brand Architects Co., Ltd.	928,905.18	90,804.01		86,166.05	1,072,005.50	96,420.04	96,420.04	135,552.07
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)		-3,429,503.73		-2,847,590.82		-1,280,417.06	1,280,417.06	1,280,417.06
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	9,157,977.90	13,461.80		344,264.21	15,746,910.92	49,133.37		113,171.58
上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*)								

Other explanations:

(4) *Significant restrictions on using enterprise group's assets and settling enterprise group's debts*

–

(5) *Financial or other support providing for structural entities incorporated into the consolidated financial statements*

–

Other explanations:

2. Transactions that changing owners' equity in subsidiaries but not causing loss of control over subsidiaries

(1) *Explanations for changing of owners' equity in subsidiaries*

In 2015, the registered capital of the subsidiary Shanghai Gangyin E-commerce Holdings Co., Ltd. increased from RMB476,140,000 to RMB642,140,000, the shareholding percentage of the Company increased from 44.21% at the beginning of the year to 67.82%.

In 2015, the registered capital of the subsidiary上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*) increased from RMB5 million to RMB10 million, of which the Company contributed capital of RMB1 million,上海榮徽投資管理中心（有限合夥）(Shanghai Rongwei Investment Management Center (limited partnership)*) contributed capital of RMB4 million, and the shareholding percentage of the Company decreased from 100% at the beginning of the year to 60%.

(2) *Impact on minority shareholders' equity and equity attributable to the owners of the parent company*

Unit: RMB

–	–

Other explanations

3. Interest in joint venture arrangements or associates

(1) *Major joint ventures or associates*

Name of joint venture or associate	Principle place of business	Place of incorporation	Nature of business	Shareholding percentage Direct	Shareholding percentage Indirect	Accounting method of investment in joint ventures or associates
–	–	–	–	–	–	–

Explanations for the differences between the shareholding percentage in joint ventures or associates and voting right percentage:

The basis for holding less than 20% voting right but having significant impact, or holding more than 20% voting right but having no significant impact:

(2) *Key financial information of major joint ventures*

Unit: RMB

	Balance at the end of the period/ Amount incurred during the period	Balance at the beginning of the period/ Amount incurred during the previous period
	–	–

Other explanations

(3) *Key financial information of major associates*

Unit: RMB

	Balance at the end of the period/ Amount incurred during the period	Balance at the beginning of the period/ Amount incurred during the previous period
	–	–

Other explanations

(4) *Summary of financial information of insignificant joint ventures and associates*

Unit: RMB

	Balance at the end of the period/ Amount incurred during the period	Balance at the beginning of the period/ Amount incurred during the previous period
Joint ventures:		
Total amount of the following items calculated by shareholding percentage		
Associates:		
Total book value of the investment	45,214,692.64	22,555,892.83
Total amount of the following items calculated by shareholding percentage	–	–
– Net profit	-5,361,184.99	-1,426,961.12
– Total comprehensive income	-5,361,184.99	-1,426,961.12

Other explanations

Total book value of the investment of associates, balance at the end of the period/amount incurred during the period are RMB45,214,692.64/ RMB22,658,799.81,respectively; while balance at the beginning of the period /amount incurred during the previous period are RMB22,555,892.83/ RMB5,973,038.88, respectively.

(5) *Explanations for significant restrictions of the ability of joint ventures or associates to transfer funds to the Company*

–

(6) *Over losses incurred by joint ventures or associates*

Unit: RMB

Name of joint venture or associate	Accumulated unrecognized losses accumulated and recognized for the previous periods	Unrecognized losses (or net profit shared) for the period	Accumulated unrecognized losses at the end of the period
	–	–	–

Other explanations

(7) *Unrecognized commitments relating to the investments in joint ventures*

–

(8) *Contingent liabilities relating to the investments in joint ventures or associates*

–

4. Major joint operations

Name of joint operation	Principle place of business	Place of incorporation	Nature of business	Shareholding percentage/ Shares entitled Direct	Indirect
–	–	–	–	–	–

Explanations for the differences between the shareholding percentage or shares entitled in joint operations and the voting right percentage:

If the joint operation is an individual entity, the basis for its being classified as joint operation:

Other explanations

5. Interest in structural entities not incorporated into the consolidated financial statements

Explanations for structural entities not incorporated into the consolidated financial statements:

6. Others

–

X. RISKS RELATING TO FINANCIAL INSTRUMENTS

–

XI. DISCLOSURE OF FAIR VALUE

–

1. Fair value of assets and liabilities measured at fair value at the end of the period

Unit: RMB

Item	Fair value at the end of the period			
	Level 1	Level 2	Level 3	Total
I. Continuous measurement at fair value	–	–	–	–
(2) Investments in equity instruments	22,300,000.00			22,300,000.00
II. Non-continuous measurement at fair value	–	–	–	–

2. Determining basis for market prices of items using continuous and non-continuous measurement at Level 1 fair value

Based on the price announced on the National Equities Exchange and Quotations System.

3. For items using continuous and non-continuous measurement at Level 2 fair value, valuation techniques and qualitative and quantitative information used

–

4. For items using continuous and non-continuous measurement at Level 3 fair value, valuation techniques and qualitative and quantitative information used

–

5. For items using continuous measurement at Level 3 fair value, information on adjustment between opening and closing book value and sensitivity analysis of unobservable inputs

–

6. For items using continuous measurement at fair value, if any transfer between levels occurred during the period, reasons for the transfer and determining policies on the transfer time

–

7. Changes in valuation techniques during the period and reasons for the changes

–

8. Fair value of financial assets and financial liabilities not measured at fair value

–

9. Others

–

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. The parent company of the Company

Name of the parent company	Place of incorporation	Nature of business	Registered capital	Shareholding percentage in the Company	Voting right percentage in the Company
Shanghai Xingye Investment Development Co., Ltd.	Shanghai	Investment management	RMB790,000,000	24.69%	24.69%

Explanations for details of the parent company of the Company

The ultimate controlling party of the Company is Guo Guangchang.

Other explanations:

2. Subsidiaries of the Company

Please refer to Note IX for details of subsidiaries of the Company.

3. Joint ventures and associates of the Company

Please refer to Note IX for details of major joint ventures or associates of the Company.

Other joint ventures or associates that had related party transactions with the Company during the period or formed balances from the related party transactions with the Company in previous periods are as follows:

Names of associates or joint ventures	Relationship with the Company
–	–

Other explanations

4. Other related parties

Names of other related parties	Relationship with the Company
上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	Under common control of the ultimate controlling party
上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	Under common control of the ultimate controlling party
上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	Under common control of the ultimate controlling party
上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	Under common control of the ultimate controlling party
Shanghai Fosun High Technology (Group) Co., Ltd.	Under common control of the ultimate controlling party
Shanghai Fosun Industrial Technology Development Co., Ltd.	Under common control of the ultimate controlling party
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and Steel Co., Ltd.*)	Under significant impact of the ultimate controlling party
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	Under common control of the ultimate controlling party
南京鋼鐵有限公司 (Nanjing iron and Steel Co., Ltd.*)	Under common control of the ultimate controlling party
海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd*)	Under common control of the ultimate controlling party

Names of other related parties	Relationship with the Company
江蘇南鋼鋼材現貨貿易有限公司 (Jiangsu Nangang steel spot trading Co. Ltd.*)	Under common control of the ultimate controlling party
安徽金安礦業有限公司 (Anhui JinAn Mining Company Limited*)	Under common control of the ultimate controlling party
Nanjing Iron & Steel United Co., Ltd.	Under common control of the ultimate controlling party
杭州南鋼鋼材銷售有限公司 (Hangzhou Nangang Steel Sales Co., Ltd.*)	Under common control of the ultimate controlling party
Yaopharma Co., Ltd.	Under common control of the ultimate controlling party
Chongqing Fuxin Land Properties Co., Ltd.	Under common control of the ultimate controlling party
上海星頤投資有限公司 (Shanghai Star Investment Co. Ltd.*)	Under common control of the ultimate controlling party
上海智惠文化傳播有限公司 (Shanghai Zhihui Culture Communication Co., Ltd.*)	Under common control of the ultimate controlling party
上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)	Under common control of the ultimate controlling party
上海運鋼網絡科技有限公司 (Shanghai Steel Network Technology Co., Ltd.*)	Under common control of the ultimate controlling party
南京鋼鐵集團經銷有限公司 (Nanjing Iron and Steel Group Co., Ltd.*)	Under common control of the ultimate controlling party
Nanjing Iron and Steel Group International Trade Co., Ltd.	Under common control of the ultimate controlling party
Shanghai Fosun Capital Investment & Management Co., Ltd.	Under common control of the ultimate controlling party
鋼聯物聯網(杭州)有限公司 (Ganglian (Hangzhou) Co., Ltd.*)	Under common control of the ultimate controlling party
邁笛(上海)物聯網有限公司 (Maidi (Shanghai) Wulianwang Co., Ltd*)	Under common control of the ultimate controlling party
Zhu Junhong	Key management personnel
上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*)	Related director
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	Under common control of the ultimate controlling party

Other explanations

5. Related party transactions

(1) Related party transactions regarding purchase and sale of goods and provision and receipt of services

Statement of purchase of goods/receipt of services

Unit: RMB

Related party	Related party transactions	Amount incurred during the period	Approved trading limit	Whether exceed the trading limit	Amount incurred during the previous period
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*) and its related enterprises	Purchase of goods	564,902,064.90	3,000,000,000.00	No	37,846,017.33
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and Steel Co., Ltd.*)	Purchase of goods			No	64,990,960.24
上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*)	Purchase of goods	7,213,112.15		Yes	
上海運鋼網絡科技有限公司 (Shanghai Steel Network Technology Co., Ltd.*)	Freight charge	11,782,194.48		Yes	
鋼聯物聯網(杭州)有限公司 (Ganglian (Hangzhou) Co., Ltd.*)	Storage fee and freight charge	396,021.80	3,000,000,000.00	No	
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	Service charges	295,704.89		No	

Statement of sale of goods/provision of services

Unit: RMB

Related party	**Related party transactions**	**Amount incurred during the period**	**Amount incurred during the previous period**
Shanghai Fosun Industrial Technology Development Co., Ltd.	Information consultation services	1,163,522.01	2,023,440.19
Shanghai Fosun High Technology (Group) Co., Ltd.	Technical services	3,820.00	87,735.85
海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd*)	Information consultation, web page links etc.	37,389.66	49,056.58
江蘇南鋼鋼材現貨貿易有限公司 (Jiangsu Nangang steel spot trading Co. Ltd.*)	Information services	9,433.92	9,952.94
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	Conference affairs, web page links etc.	96,383.65	63,311.32
南京鋼鐵集團經銷有限公司 (Nanjing Iron and Steel Group Co., Ltd.*)	Conference affairs, information services	10,943.28	15,283.22
上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	Information consultation, web page links		9,157.21
上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	Information consultation, web page links		14,880.51
上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	Information consultation, web page links		12,591.17
上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	Information services		21,480.00
上海智惠文化傳播有限公司 (Shanghai Zhihui Culture Communication Co., Ltd.*)	Technical services		169,811.32
上海星頤投資有限公司 (Shanghai Star Investment Co. Ltd.*)	Technical services		23,584.90
Chongqing Fuxin Land Properties Co., Ltd.	Information services	943.40	3,000.00
Nanjing Iron & Steel United Co., Ltd.	Conference affairs, information services	1,061.31	2,830.19

Related party	Related party transactions	Amount incurred during the period	Amount incurred during the previous period
杭州南鋼鋼材銷售有限公司 (Hangzhou Nangang Steel Sales Co., Ltd.*)	Information services		2,700.00
Yaopharma Co., Ltd.	Information services	2,555.04	2,721.69
Shanghai Fosun Capital Investment & management Co., Ltd.	Technical services	11,792.45	
Nanjing Iron and Steel Group Trading Co., Ltd. (南京鋼鐵集團經銷有限公司)	Information services	18.87	
Nanjing Iron and Steel Group International Trade Co., Ltd.	Conference affairs, information services	2,452.53	
上海運鋼網絡科技有限公司 (Shanghai Steel Network Technology Co., Ltd.*)	Conference services	33,018.86	
邁笛(上海)物聯網有限公司 (Maidi (Shanghai) Wulianwang Co., Ltd*)	Others	1,353.01	

Explanations for purchase and sale of goods and provision and receipt of services

(2) *Associated trusteeship/contracting and trust management/contracting-out of the Company*

Statement of the trustee/contractor status of the Company:

Unit: RMB

Name of trustor/farmer	Name of trustee/contractor	Type of trusted/contracting asset	Beginning date of trusteeship/contracting	Ending date of trusteeship/contracting	Pricing basis for trusteeship/contracting revenue	Trusteeship/contracting revenue recognized for the period
–	–	–	–	–	–	–

Explanations for associated trusteeship/contracting

Statement of the trustor/farmer status of the Company:

Unit: RMB

Name of trustor/farmer	Name of trustee/ contractor	Type of trusting/ contracting-out asset	Beginning date of trusting/ contracting-out	Ending date of trusting/ contracting-out	Pricing basis for trusting/ contracting-out charge	Trusting/ contracting-out charge recognized for the period
–	–	–	–	–	–	–

Explanations for associated management/contracting-out

(3) *Associated lease*

The company as lessor:

Unit: RMB

Name of lessee	Type of leased asset	Rental income recognized for the period	Rental income recognized for the previous period
上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)	Property	2,313,250.00	2,120,479.17

The company as lessee:

Unit: RMB

Name of lessor	Type of leased asset	Rental charge recognized for the period	Rental charge recognized for the previous period
–	–	–	–

Explanations for the associated lease

(4) *Associated guarantee*

The company as the guarantor

Unit: RMB

Guaranteed party	Amount of guarantee	Beginning date of guarantee	Maturity date of guarantee	Whether performance of guarantee is completed
–	–	–	–	–

The company as the guaranteed party

Unit: RMB

Guarantor	Amount of guarantee	Beginning date of guarantee	Maturity date of guarantee	Whether performance of guarantee is completed
–	–	–	–	–

Explanations for associated guarantee

(5) *Related parties loans*

Unit: RMB

Related party	Loan amount	Beginning date	Maturity date	Explanation
Loans from				
Zhu Junhong	200,000,000.00	12 March 2015		Loan term expires at the date the Company repays the loan with raised fund
Shanghai Xingye Investment Development Co., Ltd.	450,000,000.00	22 May 2015		Loan term expires at the date the Company repays the loan with raised fund
Loans to				

(6) *Asset transfer and debt restructuring of related party*

Unit: RMB

Related party	Related party transaction	Amount incurred during the period	Amount incurred during the previous period
上海星商投資有限公司 (Shanghai Star Business Investment Co., Ltd.*)	Transfer of the equity of 山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co., Ltd.*)	12,000,000.00	
Shanghai Xingye Investment Development Co., Ltd.	Receipt of the equity of Shanghai Gangyin E-Commerce Co., Ltd.	450,000,000.00	

(7) *Remuneration of key management personnel*

Unit: RMB

Item	Amount incurred during the period	Amount incurred during the previous period
Remuneration of key management personnel	4,791,800.00	5,056,000.00

(8) *Other related party transactions*

–

6. Accounts receivable from or payable to related parties

(1) *Accounts receivable*

Unit: RMB

Item	Related party	Balance at the end of the period		Balance at the beginning of the period	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	27,000.00			
Accounts receivable	Shanghai Fosun High Technology (group) Co., Ltd.			14,000.00	
Accounts receivable	上海星頤投資有限公司 (Shanghai Star Investment Co. Ltd.*)			12,500.00	
Prepayments	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	45,029,534.30		8,769,318.89	
Prepayments	上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*)	2,861,180.05			
Prepayments	南京鋼鐵有限公司 (Nanjing iron and Steel Co., Ltd.*)	468,304.78			
Prepayments	上海運鋼網絡科技有限公司 (Shanghai Steel Network Technology Co., Ltd.*)	142,642.32			
Other receivables	上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)			3,324.35	

(2) *Accounts payable*

Unit: RMB

Item	Related party	Book balance at the end of the period	Book balance at the beginning of the period
Other payables	Shanghai Xingye Investment Development Co., Ltd.	450,000,000.00	
Other payables	上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)	138,621,270.20	
Other payables	Zhu Junhong	128,000,000.00	
Other payables	上海運鋼網絡科技有限公司 (Shanghai Steel Network Technology Co., Ltd.*)	94,131.20	

7. Commitments of related parties

–

8. Others

–

XIII. SHARE-BASED PAYMENTS

1. General status of share-based payments

☐ Applicable √ Not applicable

2. Equity-settled share-based payments

☐ Applicable √ Not applicable

3. Cash-settled share-based payments

☐ Applicable √ Not applicable

4. Modification and termination of share-based payments

Nil.

5. Others

–

XIV. COMMITMENTS AND CONTINGENCIES

1. Major commitments

Major commitments as at the balance sheet date

2. Contingencies

(1) Major contingencies as at the balance sheet date

–

(2) The Company shall give explanation even if it has no major contingencies for disclosure

The Company has no major contingencies for disclosure.

3. Others

–

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Major non-adjusting events

Unit: RMB

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
Stocks and bonds issue	At the twenty-third meeting of the third session of the Board and the twentieth meeting of the third session of the Supervisory Committee convened by the Company on 24 December 2015, and the 2016 first interim shareholders' meeting convened on 11 January 2016, the Company considered and approved the Resolution on the Approval of Gangyin E-Commerce's Stocks Issue Plan and Waiving the Preemptive Rights (《關於同意鋼銀電商股票發行方案並放棄優先認購權的議案》) (Announcement No.: 2015-134). In order to supplement Gangyin E-Commerce's working capital for the development of its principal business, increase its stock trading activity, enhance the market influence of its brand and facilitate the sustainable development of its operation, Gangyin E-Commerce hereby proposes to make targeted stocks issuance of not more than 150,000,000 (inclusive) common stocks for an expected amount of facility up to RMB675,000,000 (inclusive). On 10 March 2016, the Company issued the Announcement on the Listing and Public Transfer of the New Stocks issued in the Stocks issue by Holding Subsidiary Gangyin E-Commerce on the National Equities Exchange and Quotations System (《關於控股子公司鋼銀電商股票發行新增股票將在全國股份轉讓系統掛牌並公開轉讓的公告》) (Announcement No.: 2016-023). The Company's holding subsidiary Shanghai Gangyin E-Commerce Co., Ltd. (hereinafter referred to as "Gangyin E-Commerce", stock code: 835092) issued 143,710,002 stocks in total and raised an aggregate amount of RMB646,695,010.50. Those stocks include 11,100,000 stocks with selling restrictions and 132,610,002 stocks without. Gangyin E-Commerce would list and transfer the stocks publicly on the National Equities Exchange and Quotations System on 16 March 2016. After completion of this stocks issue, Gangyin E-Commerce's registered capital would increase from RMB642,140,000 to RMB785,850,002 and the Company's shareholding percentage in Gangyin E-Commerce would decrease from 67.82% to 55.42%. Gangyin E-Commerce has completed the industrial and commercial alteration registration and obtained the Business License from Shanghai Municipal Administration for Industry and Commerce on 5 April 2016.	646,695,010.50	

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
Major external investments	1. At the twenty-third meeting of the third session of the Board and the twentieth meeting of the third session of the Supervisory Committee convened by the Company on 24 December 2015, and the 2016 first interim shareholders' meeting convened on 11 January 2016, the Company considered and approved the Announcement on the Investee Company 鋼聯物聯網's (Ganglian Wulianwang*) Subscription for the Issued Targeted Stocks of Gangyin E-Commerce and the Related Party Transactions (《關於參股公司鋼聯物聯網認購鋼銀電商定向發行股份暨關聯交易的公告》) (Announcement No.: 2015-136). On 10 March 2016, the Company issued the Announcement on the Listing and Public Transfer of the New Stocks Issued in the Stocks Issue by Holding Subsidiary Gangyin E-Commerce on the National Equities Exchange and Quotations System (《關於控股子公司鋼銀電商股票發行新增股票將在全國股份轉讓系統掛牌並公開轉讓的公告》) (Announcement No.: 2016-023). 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*) actually subscribed 60,000,000 stocks in cash with a subscription amount of RMB270,000,000. After completion of the subscription, its shareholding percentage in Gangyin E-Commerce was 7.64%.		
	2. On 4 January 2016, the Company's holding subsidiary Gangyin E-Commerce convened the President Executive Meeting and considered and approved the Resolution on the Company's (as the transferee) Proposed Receipt of the Equity in 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) (《公司擬受讓內蒙古鋼銀信息科技有限公司股權的議案》). Gangyin E-Commerce (as the transferee) proposed to receive the equity of RMB2,000,000 from Sun Jian Jun (as the transferor), who was a former shareholder of 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) ("內蒙鋼銀" ("Inner Mongolia Ganglian*")) and held the equity of RMB3,000,000 in 內蒙鋼銀 (Inner Mongolia Ganglian*), at a consideration of RMB2,000,000. After the transfer, Gangyin E-commerce would hold 20% of 內蒙鋼銀's (Inner Mongolia Ganglian*) total shares. 內蒙鋼銀 (Inner Mongolia Ganglian*) has completed the industrial and commercial registration and obtained the Business License from Kundulun District Branch of Baotou Municipal Administration for Industry and Commerce on 1 February 2016.		

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
	3. On 18 January 2016, the Company convened the twenty-fourth meeting of the third session of the Board and considered and approved the Resolution on Establishing a Partnership Enterprise by External Investment from a Holding Subsidiary (《關於控股子公司對外投資設立合夥企業的議案》) (Announcement No.: 2016-002). On 18 January 2016, the Company's holding subsidiary Shanghai Gangyin E-Commerce Co., Ltd. (hereinafter referred to as "Gangyin E-Commerce"), 深圳市集成一號股權投資基金中心(有限合夥) (Shenzhen city integrated equity investment fund center (limited partnership)*) (hereinafter referred to as "集成一號基金" ("integrated fund*")), Mr. Chen Xiangbo and Mr. Zhang Bing signed the Partnership Agreement of 廣州成匯金投資管理合夥企業(有限合夥) (Guangzhou Huijin Investment management partnership (limited partnership)*) (《廣州成匯金投資管理合夥企業(有限合夥) 合夥協議》, hereinafter referred to as the "Partnership Agreement") and proposed to jointly establish 廣州成匯金投資管理合夥企業(有限合夥) (Guangzhou Huijin Investment management partnership (limited partnership)*) (provisional, subject to the industrial and commercial registration and hereinafter referred to as the "Partnership Enterprise"). The total subscripted capital contribution of the Partnership Enterprise was RMB10,000,000 and its main investment business was investment management and consultation. As a limited partner, Gangyin E-Commerce proposed to contribute RMB1,500,000 out of its own funds for subscription of the capital contribution, representing 15% of the total capital contribution of the Partnership Enterprise. On 3 February 2016, the Company issued the Announcement on the Progress of the Establishment of a Partnership Enterprise by External Investment from a Holding Subsidiary (《關於控股子公司對外投資設立合夥企業的進展公告》). The Partnership Enterprise has obtained the Business License from Guangzhou Municipal Administrative Bureau for Industry and Commerce on 1 February 2016 and the name of the Partnership Enterprise was 廣州成匯金投資管理合夥企業(有限合夥) (Guangzhou Huijin Investment management partnership (limited partnership)*). Meanwhile, the company 廣州成匯金 (Guangzhou Huijin*), Guangzhou Kingbo Logistics and Trade Group Co., Ltd. and 廣州大宗資匯投資管理合夥企業（有限合夥）(Guangzhou Dazongshihui investment management partnership (limited partnership)*) proposed to jointly make a capital contribution to establish 廣州博匯大宗電子商務有限公司 (Guangzhou Bo large Ecommerce Co., Ltd.*) (hereinafter referred to as "博匯大宗" ("Bo large*")) and build it as a comprehensive platform for full-cycle supply chain services to steel bulk trade. The registered capital of 博匯大宗 (Bo large*) was RMB30,000,000, of which 廣州成匯金 (Guangzhou Huijin*) proposed to subscribe RMB10,000,000, representing 33.33% of the contribution of the registered capital. 博匯大宗 (Bo large*) has completed the industrial and commercial alteration registration and obtained the Business License from Guangzhou Municipal Administrative Bureau for Industry and Commerce on 18 February 2016.		

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
	4. At the twenty-fourth meeting of the third session of the Board and the twenty-first meeting of the third session of the Supervisory Committee convened by the Company on 18 January 2016, and the 2016 second interim shareholders' meeting convened on 4 February 2016, the Company considered and approved the Resolution on the Capital Increase of 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*) and Related Party Transactions (《關於上海金意電子商務有限公司增資擴股暨關聯交易的議案》). The Company's investee company 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*) (hereinafter referred to as "金意電子" ("Jinyi Ecommerce*")) proposed to increase its registered capital and shares by an additional amount of RMB80,000,000. Huaibei Mining Co., Ltd. proposed to contribute RMB26,668,200 for subscription of RMB26,300,000 of the additional registered capital; 江蘇中能電力燃料有限公司 (Jiangsu Electric Power Fuel Co., Ltd.*) proposed to contribute RMB24,031,800 for subscription of RMB23,700,000 of the additional registered capital; 唐山潤茂通實業有限公司 (Tangshan Runmaotong Industrial Co., Ltd.*) proposed to contribute RMB20,280,000 for subscription of RMB20,000,000 of the additional registered capital; 滄州渤海新區天潤投資有限責任公司 (Cangzhou Bohai District Tianrun investment limited liability company*) proposed to contribute RMB10,140,000 for subscription of RMB10,000,000 of the additional registered capital. The Company waived its preemptive rights for the capital and shares increase of 金意電子 (Jinyi Ecommerce*). After the capital increase, the registered capital of 金意電子 (Jinyi Ecommerce*) would increase from RMB20,000,000 to RMB100,000,000 and the Company's shareholding percentage in 金意電子 (Jinyi Ecommerce*) would decrease from 49.00% to 9.80%. 金意電子 (Jinyi Ecommerce*) has completed the industrial and commercial alteration registration and obtained the Business License replaced by the Market Supervision Administration of Shanghai Municipality (Baoshan District) (上海市寶山區市場監督管理局) on 3 March 2016.		

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
Major debt restructuring	Due to the preparation for major acquisitions, the Company applied to the Shenzhen Stock Exchange for suspension of the trading of its stocks (stock short name: Shanghai Ganglian, stock code: 300226) since the commencement of trading on 25 February 2016. Given that the major acquisition prepared by the Company constituted the major asset restructuring, the Company applied for the continuous suspension of the trading of its stocks since 10 March 2016. The Company issued the Announcement on the Preparation of Major Assets Restructuring and Continuous Suspension (《關於籌劃重大資產重組及繼續停牌的公告》) (Announcement No.: 2016-022) on 10 March 2016. For this major asset restructuring, the Company proposed to acquire the assets and raise supporting funds through share issuance and cash payments. The Company's intended acquisition subject matter was the entire equity interest of Beijing Zhixing Ruijing Technology Co., Ltd. (北京知行銳景科技有限公司), a wholly owned subsidiary of HC International, INC. (a company listed on the main board of Hong Kong Stock Exchange, stock code: 02280), to acquire certain assets held and operated by it such as the domain name www.zol.com.cn (中關村在線) and the website www.zol.com (中關村商城).		

2. Distribution of profits

Unit: RMB

Profit or dividend proposed to be distributed	0.00
Profit or dividend declared after being considered and approved	0.00

3. Sales returns

–

4. Explanation for other events after the balance sheet date

(I) Major targeted issuances

According to the shareholders' resolution of the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. on 11 January 2016, the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. proceeded non-public issuance of shares to specific target investors to issue 143,710,002 additional shares of RMB1 each at the price of RMB4.50 per share, and made the capital contribution by monetary funds. The funds raised in total was RMB646,695,010.50. After the alteration, the accumulated paid-in capital of the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. would be RMB785,850,002, representing 100% of the registered capital after alteration. Of those shares, 132,610,002 shares were without selling restrictions, representing 16.86% of the additional shares and 653,240,000 shares were with selling restrictions, representing 83.14% of the additional shares. Ruihua Certified Public Accountants (Special General Partnership) has verified the above capital contribution and issued the Capital Verification Report (Ruihua Yan Zi [2016] No. 31010004). The Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. has completed the industrial and commercial alteration registration on 5 April 2016.

(II) Major investments

1. According to the regulations of the Rules Governing the Listing of Stocks on the Growth Enterprise Market of the Shenzhen Stock Exchange (《深圳證券交易所創業板股票上市規則》) and the Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Growth Enterprise Market (《深圳證券交易所創業板上市公司規範運作指引》), the Company applied to the Shenzhen Stock Exchange for suspension of the trading of its stocks since the commencement of trading on 25 February 2016 due to the preparation for major acquisitions.

Given that the major acquisition prepared by the Company constituted the major asset restructuring, the Company applied for the continuous suspension of the trading of its stocks since 10 March 2016. The Company issued the Announcement on the Preparation of Major Assets Restructuring and Continuous Suspension (《關於籌劃重大資產重組及繼續停牌的公告》) on 10 March 2016. The Company proposed to acquire the assets and raise supporting funds through share issuance and cash payments. The Company's intended acquisition subject matter was the entire equity interest of Beijing Zhixing Ruijing Technology Co., Ltd. (北京知行鋭景科技有限公司), a wholly owned subsidiary of HC International, INC. (a company listed on the main board of Hong Kong Stock Exchange, stock code: 02280), to acquire certain assets held and operated by it such as the domain name www.zol.com.cn (中關村在線) and the website www.zol.com (中關村商城).

2. At the twenty-fourth meeting of the third session of the Board and the twenty-first meeting of the third session of the Supervisory Committee convened by the Company on 18 January 2016, and the 2016 second interim shareholders' meeting convened on 4 February 2016, the Company considered and approved the Resolution on the Capital Increase of 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*) and Related Party Transactions (《關於上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd*) 增資擴股暨關聯交易的議案》). The Company's investee company 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*) (hereinafter referred to as " 金意電子" ("Jinyi Ecommerce*")) proposed to increase its capital and shares by an additional amount of RMB80,000,000. The Company waived its preemptive rights for the capital and shares increase of 金意電子 (Jinyi Ecommerce*). After the capital increase, the registered capital of 金意電子 (Jinyi Ecommerce*) would increase from RMB20,000,000 to RMB100,000,000 and the Company's shareholding percentage in 金意電子 (Jinyi Ecommerce*) would decrease from 49.00% to 9.80%. 金意電子 (Jinyi Ecommerce*) has completed the industrial and commercial alteration registration for this capital increase on 3 March 2016.

3. On 13 October 2015, the Company and 上海重衡投資發展有限公司 (Shanghai Zhongheng Investment Development Co., Ltd.*) made capital contribution to establish 上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*), the registered capital of which was RMB20,000,000. The Company subscribed for RMB10,200,000, representing 51% of the registered capital; 上海重衡 (Shanghai Zhongheng*) contributed capital of RMB9,800,000 in currency, representing 49% of the registered

capital. The company obtained the Business License from the Market Supervision Administration of Shanghai Municipality (Baoshan District) (上海市寶山區市場監督管理局) on 15 October 2015. As of the reporting date, none of the shareholders have made the capital contribution and 上海優誠客電子商務有限公司 (Shanghai Youchengke Ecommerce Co., Ltd*) hasn't commenced any operation activities yet.

4. On 4 January 2016, the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. and Sun Jianjun entered into the equity transfer agreement to receive RMB2,000,000 or 20% of the equity of 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) as the transferee at a consideration of RMB2,000,000. On 25 January 2016, the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. paid the equity transfer consideration in full according to the equity transfer agreement.

5. On 19 January 2016, at the twenty-fourth meeting of the third session of the Board of the Company, the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. considered and approved the Resolution on Establishing a Partnership Enterprise by External Investment from a Holding Subsidiary (《關於控股子公司對外投資設立合夥企業的議案》) in relation to the establishment of 廣州成匯金投資管理合夥企業(有限合夥) (Guangzhou Huijin Investment management partnership (limited partnership)*) by the joint capital contribution from the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd., 深圳市集成一號股權投資基金中心(有限合夥) (Shenzhen city integrated equity investment fund center (limited partnership)*) (hereinafter referred to as "集成一號基金" ("integrated fund*")), Mr. Chen Xiangbo and Mr. Zhang Bing. The Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. as the limited partner proposed to contribute RMB1,500,000, representing 15.00% of the aggregate subscribed capital contribution.

6. According to the Articles of Association of 上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*), an associate of the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd., after the actual capital contribution of RMB4,000,000 in 2015, the Company contributed capital of RMB4,000,000 and RMB12,000,000 to 上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*) on 29 January 2016 and 4 March 2016, respectively. Thus, the capital contribution of RMB20,000,000 subscribed by the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. was fully paid.

XVI. OTHER MAJOR MATTERS

1. Correction of previous accounting errors

(1) *Retrospective restatement method*

Unit: RMB

Accounting errors corrected	Correction procedures	Statement item(s) affected in each comparative period	Cumulative effects
	–	–	–

(2) *Prospective application method*

Accounting errors corrected	Approval procedures	Reasons for using prospective application method
	–	–

2. Debt restructuring

–

3. Assets exchange

(1) *Non-monetary assets exchange*

–

(2) *Other assets exchange*

–

4. Annuity plan

–

5. Discontinued operations

Unit: RMB

Item	Income	Charge	Total profit	Income tax	Net profit	Profit from discontinued operations attributable to owners of the parent company
	–	–	–	–	–	–

Other explanations

6. Segment information

(1) Basis for determination and accounting policies of reporting segments

–

(2) Financial information of reporting segments

Unit: RMB

Item	Inter-segment offset	Total
	–	–

(3) The Company shall explain the reasons if it has no reporting segment or cannot give disclosures on the total assets and liabilities of each reporting segment.

–

(4) Other explanations

–

7. Other material transactions and matters affecting investors' decisions

–

8. Others

As at 10 August 2015, the Company's subsidiary Shanghai Gangyin E-Commerce Co., Ltd. convened the second meeting of the first session of the Board on 26 July 2015 and considered and approved the Stock Option Incentive Plan of Shanghai Gangyin E-Commerce Co., Ltd. (《上海鋼銀電子商務股份有限公司股票期權激勵計劃》) (hereinafter referred to as the "Plan") and considered and approved the Plan at the second interim shareholders' meeting convened on 10 August 2015. As of 31 December 2015, none of the implementation conditions of the Plan were satisfied.

XVII. NOTES TO MAIN FINANCIAL STATEMENT ITEMS OF THE PARENT COMPANY

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	Percentage of provision	Book value	Amount	Percentage	Amount	Percentage of provision	Book value
Accounts receivable that are provided for bad debts based on credit risk feature portfolio	736,850.00		224,342.50	30.45%	512,507.50	1,103,230.00	100.00%	175,536.50	15.91%	927,693.50
Total	736,850.00		224,342.50		512,507.50	1,103,230.00	100.00%	175,536.50	15.91%	927,693.50

Accounts receivable that are individually significant and are provided for bad debt separately at the end of the period:

□ Applicable √ Not applicable

Accounts receivable using aging analysis for making bad debt provision in the portfolio:

√ Applicable □ Not applicable

Unit: RMB

	Balance at the end of the period		
Aging	**Accounts receivable**	**Bad debt provision**	**Percentage of provision**
Sub-item within 1 year			
Sub-total within 1 year	486,850.00	24,342.50	5.00%
2-3 years	250,000.00	200,000.00	80.00%
Total	736,850.00	224,342.50	

Explanations for basis for determining such portfolio:

Accounts receivable using balance percentage method for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Accounts receivable using other methods for making bad debt provision in the portfolio:

(2) *Bad debt provision made, recovered or reversed during the period*

RMB218,806.00 of bad debt provision has been made and RMB0.00 of the same has been recovered or reversed during the period.

Of such amounts recovered or reversed during the period, major amounts included:

Unit: RMB

Name of entity	**Reversal or recovery amount**	**Recovery method**
–	–	–

(3) Accounts receivable actually written off during the period

Unit: RMB

Item	Write-off amount
Account receivable actually written off	170,000.00

Major accounts receivable written off:

Unit: RMB

Name of entity	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount is arising from related party transaction
–	–	–	–	–	–

Explanations for accounts receivable written off:

(4) Top five accounts receivable according to closing balance of debtors

The total top five accounts receivable according to closing balance of debtors of the Company during the year was RMB569,000.00, accounting for 77.22% of the closing balance of the accounts receivable of the year, and the closing balance of the bad debt provision correspondingly made during the year was RMB215,950.00 in total.

(5) Accounts receivable derecognized due to transfer of financial assets

–

(6) Assets and liabilities formed by transfer of financial assets with continuous involvement

–

Other explanations:

2. Other receivables

(1) Disclosure of other receivables by category

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	Percentage of provision	Book value	Amount	Percentage	Amounts	Percentage of provision	Book value
Other receivables that are provided for bad debts based on credit risk feature portfolio	2,232,145.60	100.00%			2,232,145.60	4,866,312.67	100.00%			4,866,312.67
Total	2,232,145.60	100.00%			2,232,145.60	4,866,312.67	100.00%			4,866,312.67

Other receivables that are individually significant and provided for bad debts separately at the end of the period:

□ Applicable √ Not applicable

Other receivables using aging analysis method for making bad debt provision in the portfolio:

√ Applicable □ Not applicable

Unit: RMB

Aging	Balance at the end of the period		
	Other receivables	Bad debt provision	Percentage of provision
Sub-item within 1 year			
Subtotal within 1 year	82,145.60		
2-3 years	300,000.00		
Over 3 years	1,850,000.00		
Total	2,232,145.60		

Explanations for basis for determining such portfolio:

Other receivables using balance percentage method for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

(2) Bad debt provision made, recovered or reversed during the period

RMB0.00 of bad debt provision has been made and RMB0.00 of the same has been recovered or reversed during the period.

Of such amounts reversed or recovered during the period, major amounts included:

Unit: RMB

Name of entity	Reversal or recovery amount	Recovery method
	–	–

(3) Other receivables actually written off during the period

Unit: RMB

Item	Write-off amount
–	–

Major other receivables written off:

Unit: RMB

Name of entity	Nature of other receivables	Write-off amount	Reason for write-off	Write-off procedure performed	Whether the amount is arising from related party transaction
–	–	–	–	–	–

Explanations for other receivables written off:

(4) *Other receivables by nature*

Unit: RMB

Nature of amounts	Book balance at the end of the period	Book balance at the beginning of the period
Deposit and reserve fund combination	232,145.60	1,866,312.67
Related party combination	2,000,000.00	3,000,000.00
Total	2,232,145.60	4,866,312.67

(5) *Top five other receivables according to closing balance of debtors*

Unit: RMB

Name of entity	Nature of amounts	Balance at the end of the period	Aging	Proportion of balance of total other receivables at the end of the period	Balance of bad debt provision at the end of the period
–	–	–	–	–	–

(6) *Receivables involving government grant*

Unit: RMB

Name of entity	Name of government grant	Balance at the end of the period	Aging at the end of the period	Expected time, amount and basis of receipt
–	–	–	–	–

(7) *Other receivables derecognized due to transfer of financial assets*

–

(8) *Amount of assets and liabilities formed by transfer of other receivables with continuous involvement*

–

Other explanations:

3. Long-term equity investments

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	836,775,500.00		836,775,500.00	335,775,500.00		335,775,500.00
Investment in associates and joint ventures	40,925,445.68		40,925,445.68	20,589,713.43		20,589,713.43
Total	877,700,945.68		877,700,945.68	356,365,213.43		356,365,213.43

(1) Investment in subsidiaries

Unit: RMB

Investee	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Impairment provision provided for the period	Balance of impairment provision at the end of the period
Beijing Ganglian Maidi E-Commerce. Co., Ltd.	500,000.00			500,000.00		
Wuxi Ganglian E-Commerce Co., Ltd.	2,000,000.00			2,000,000.00		
Shanghai Gangyin E-Commerce Co., Ltd.	266,455,500.00	450,000,000.00		716,455,500.00		
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	5,000,000.00	1,000,000.00		6,000,000.00		
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao NetworkTechnology Co., Ltd*)	60,800,000.00			60,800,000.00		
Shanghai B&Y Brand Architects Co., Ltd.	1,020,000.00			1,020,000.00		
上海鋼聯金屬礦產國際交易中心有限責任公司 (Shanghai Ganglian Metal mineral International Trading Center Co., Ltd*)		50,000,000.00		50,000,000.00		
天津鋼銀電子商務有限公司 (Tianjin Gangyin Ecommerce Co., Ltd.*)		5,000,000.00	5,000,000.00			
Total	335,775,500.00	506,000,000.00	5,000,000.00	836,775,500.00		

(2) Investment in associates and joint ventures

Unit: RMB

Investee	Balance at the beginning of the period	Increase/decrease during the period: Increase in investment	Decrease in investment	Gain or loss on investment recognized under equity method	Adjustment in other comprehensive income	Change in other equity	Declared for distribution of cash dividend or profit	Provided for impairment provision	Others	Balance at the end of the period	Balance of impairment provision at the end of the period
I. Joint ventures											
II. Associates											
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co., Ltd.*)	8,702,075.76		8,702,075.76								
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	2,633,417.95	4,800,000.00		-4,377,259.32		2,888,239.96				5,944,398.59	
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	9,254,219.72			86,794.29						9,341,014.01	
誠融(上海)動產信息服務有限公司 (Cheng Rong (Shanghai) Real Estate Information Service Co., Ltd*)		27,000,000.00		-1,359,966.92						25,640,033.08	
Subtotal	20,589,713.43	31,800,000.00	8,702,075.76	-5,650,431.95						40,925,445.68	
Total	20,589,713.43	31,800,000.00	8,702,075.76	-5,650,431.95		2,888,239.96				40,925,445.68	

(3) Other explanations

4. Operating income and operating costs

Unit: RMB

Item	Amount incurred during the period: Income	Cost	Amount incurred during the previous period: Income	Cost
Principle business	140,559,679.94	42,473,702.81	156,226,975.18	25,652,768.73
Other business	8,096,380.00	449,349.15	7,993,442.50	438,650.30
Total	148,656,059.94	42,923,051.96	164,220,417.68	26,091,419.03

Other explanations:

5. Investment income

Unit: RMB

Item	**Amount incurred during the period**	**Amount incurred during the previous period**
Gains on long-term equity investment under equity method	-5,650,431.95	-1,432,424.37
Investment income arising from disposal of long-term equity investment	3,297,924.24	
Total	-2,352,507.71	-1,432,424.37

6. Others

–

XVIII. SUPPLEMENTARY INFORMATION

1. Schedule of non-recurring gain or loss for the current period

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Remark
Gain or loss from disposal of non-current assets	-110,309.27	
Government grants (except for the government grants closely related to the business of the corporate and granted at a fixed amount or quantity in accordance with unanimous national standard) accounted for in gain or loss for the current period	6,160,041.27	
Other operating income and expense except the above	-182,379.63	
Less: Effect of income tax	869,791.57	
Effect of minority interest	-35,391.82	
Total	5,032,952.62	

Explanations are required for the Company's non-recurring gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Non-recurring Gain or Loss (《公開發行證券的公司信息披露解釋性公告第1號－非經常性損益》) and the non-recurring gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-recurring Gain or Loss defined as its recurring gain or loss items.

□ Applicable √ Not applicable

2. Yield on net assets and earnings per share

Profit for the reporting period	Weighted average yield on net assets	Earnings per share Basic (RMB/share)	Diluted (RMB/share)
Net profit attributable to ordinary shareholders of the Company	-99.22%	-1.610	-1.610
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss	-101.21%	-1.64	-1.64

3. Difference in accounting data under domestic and overseas accounting standards

(1) Differences between the net profit and net assets disclosed in accordance with international accounting standards and Chinese accounting standards in the financial report

□ Applicable √ Not applicable

(2) Differences between the net profit and net assets disclosed in accordance with overseas accounting standards and Chinese accounting standards in the financial report

□ Applicable √ Not applicable

(3) Explanations for differences in accounting data under domestic and overseas accounting standards; if adjustment was made to data audited by overseas institutions, the names of overseas institutions should be indicated

–

4. Others

–

B. FINANCIAL INFORMATION OF SHANGHAI GANGLIAN FOR THE YEAR ENDED 31 DECEMBER 2014

I. AUDIT REPORT

Type of audit opinion	standard and unqualified audit opinions
The date when the audit report was signed	27 February 2015
Name of the auditor	Ruihua Certified Public Accountants (special general partnership)
Reference number of the audit report	Rui Hua Shen Zi [2015] No. 31010006
Name of certified public accountant	Lian Xiangyang (連向陽), Wang Chen (王晨)

The text of the audit report

To shareholders of Shanghai Ganglian E-Commerce Holdings Co., Ltd.:

We have audited the accompanying financial statements of Shanghai Ganglian E-Commerce Holdings Co., Ltd. (hereinafter to as the "Shanghai Ganglian"), which comprise the consolidated and company balance sheets as at 31 December 2014, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2014 and notes to the financial statements.

1. Management's responsibility for the financial statements

The management of Shanghai Ganglian is responsible for the preparation and fair presentation of the financial statements. This responsibility includes (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises so as to give a fair view; (2) designing, implementing and maintaining necessary internal control in order to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Responsibility of certified public accountants

Our responsibility is to express an opinion on the financial statements based on the audit we have conducted. We conducted our audit in accordance with the Chinese Certified Public Accountants Auditing Standards. Those standards require us to comply with ethical codes of Chinese certified public accountants and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. When conducting risk assessment, the auditor consider internal control relevant to the preparation and fair presentation of financial statements so as to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

3. Opinion

In our opinion, the financial statements above have been prepared in all material aspects in accordance with requirements of the Accounting Standards for Business Enterprises and have given a true and fair view of the consolidated and company financial position of Shanghai Ganglian E-Commerce Holdings Co., Ltd as at 31 December 2014 and of its consolidated and company operating results and cash flows for 2014.

Ruihua Certified Public Accountants (special general partnership)	PRC Certified Public Accountant: Lian Xiangyang (連向陽)
Beijing, China	PRC Certified Public Accountant: Wang Chen (王晨)
	27 February 2015

II. FINANCIAL STATEMENTS

Unless otherwise stated, the unit in the financial statements of the financial notes is: RMB

1. Consolidated Balance Sheet

Prepared by: Shanghai Ganglian E-Commerce Holdings Co., Ltd.

31 December 2014

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	158,064,334.06	194,412,598.47
Deposit Reservation for Balance		
Lending funds		
Financial assets at fair value through profit or loss for the period		
Derivative financial assets		
Bills receivable	15,204,511.00	696,629.04
Accounts receivable	1,012,243.50	2,101,149.00
Prepayments	655,452,660.09	246,686,131.05
Premiums receivable		
Receivables from reinsurers		
Reinsurance contract reserves receivable		
Interest receivable		
Dividend receivable		
Other receivables	146,510,030.24	662,343.05
Buy-back of financial assets sold		
Inventories	279,978,375.55	78,781,614.74
Assets held for sale		
Non-current assets due within one year		
Other current assets	17,302,895.20	9,500,911.34
Total current assets	1,273,525,049.64	532,841,376.69

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Provision of loans and advances		
Available-for-sale financial assets	24,000,000.00	14,000,000.00
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	22,555,892.83	16,582,853.95
Investment properties		
Fixed assets	231,143,260.54	232,365,058.45
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	23,595,240.00	24,108,180.00
Development expenditures		
Goodwill		
Long-term deferred expenses	773,078.10	913,478.70
Deferred income tax assets	5,786,880.26	191,832.81
Other non-current assets		
Total non-current assets	307,854,351.73	288,161,403.91
Total Assets	1,581,379,401.37	821,002,780.60

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	116,800,000.00	126,900,000.00
Borrowings from the Central Bank		
Deposit taking and interbank deposits		
Borrowed funds		
Financial liabilities at fair value through profit or loss for the period		
Derivative financial liabilities		
Bills payable		
Accounts payable	28,287,235.42	
Receipts in advance	310,485,196.36	114,665,486.54
Amounts from the sales of repurchased financial assets		
Handling fees and commissions payable		
Payroll payable	2,769,683.66	320,732.09
Taxes payable	4,850,756.63	3,137,148.59
Interest payable	75,619.95	1,597,333.30
Dividend payable		
Other payables	153,637,262.86	87,508,090.04
Reinsurance accounts payable		
Reserves for insurance contracts		
Brokerage for trading securities		
Brokerage for underwriting securities		
Liabilities held for sale		
Non-current liabilities due within one year	2,500,000.00	
Other current liabilities		
Total current liabilities	619,405,754.88	334,128,790.56
NON-CURRENT LIABILITIES:		
Long-term borrowings	77,000,000.00	
Bonds payable		31,984,000.00
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Accrued liabilities		
Deferred income	34,307,217.18	20,349,395.73
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	111,307,217.18	52,333,395.73
TOTAL LIABILITIES	730,712,972.06	386,462,186.29

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	156,000,000.00	120,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	161,548,141.83	146,173,380.10
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	17,868,177.70	14,981,306.01
General risk provisions		
Retained profit	107,968,232.14	98,079,379.18
Total equity attributable to owners of the parent company	443,384,551.67	379,234,065.29
Minority interest	407,281,877.64	55,306,529.02
Total owners' equity	850,666,429.31	434,540,594.31
TOTAL LIABILITIES AND OWNERS' EQUITY	1,581,379,401.37	821,002,780.60

Legal Representative: Zhu Junhong (朱軍紅)

Financial controller: Yu Dahai (俞大海)

Head of the financial department: Cheng Chao (成超)

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	45,570,555.39	176,142,372.01
Financial asset at fair value through profit or loss for the period		
Derivative financial assets		
Bills receivable		
Accounts receivable	927,693.50	1,788,204.00
Prepayments	1,134,472.90	2,481,298.98
Interest receivable		
Dividend receivable		
Other receivables	4,866,312.67	4,760,373.09
Inventories		
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,292,597.01	12,165,984.75
Total current assets	53,791,631.47	197,338,232.83
NON-CURRENT ASSETS:		
Available-for-sale financial assets	24,000,000.00	14,000,000.00
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	356,365,213.43	124,387,637.80
Investment properties		
Fixed assets	221,895,789.88	230,075,674.33
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	23,595,240.00	24,108,180.00
Development expenditures		
Goodwill		
Long-term deferred expenses	437,812.07	312,390.99
Deferred income tax assets	26,330.47	14,117.40
Other non-current assets		
Total non-current assets	626,320,385.85	392,898,000.52
TOTAL ASSETS	680,112,017.32	590,236,233.35

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	68,800,000.00	48,900,000.00
Financial liabilities at fair value through profit or loss for the period		
Derivative financial liabilities		
Bills payable		
Accounts payable		
Receipts in advance	68,883,987.49	72,381,526.58
Payroll payable		320,732.09
Taxes payable	3,787,224.15	2,049,747.61
Interest payable		1,597,333.30
Dividend payable		
Other payables	30,879,053.61	41,567,680.09
Liabilities held for sale		
Non-current Liabilities due within one year	2,500,000.00	
Other current liabilities		
Total current liabilities	174,850,265.25	166,817,019.67
NON-CURRENT LIABILITIES:		
Long-term borrowings	77,000,000.00	
Bonds payable		31,984,000.00
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Accrued liabilities		
Deferred income	34,307,217.18	20,349,395.73
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	111,307,217.18	52,333,395.73
TOTAL LIABILITIES	286,157,482.43	219,150,415.40

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	156,000,000.00	120,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	110,378,639.15	146,378,639.15
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	17,868,177.70	14,981,306.01
Retained profit	109,707,718.04	89,725,872.79
Total owners' equity	393,954,534.89	371,085,817.95
TOTAL LIABILITIES AND OWNERS' EQUITY	680,112,017.32	590,236,233.35

3. Consolidated Income Statement

Unit: RMB

Item		Amounts for the current period	Amounts for the prior period
I.	Total operating income	7,557,110,151.61	1,553,053,134.81
	Including: Operating income	7,557,110,151.61	1,553,053,134.81
	Interest income		
	Premium earned		
	Handling fees and commissions income		
II.	Total operating costs	7,553,895,151.22	1,530,583,795.77
	Including: Operating costs	7,355,490,503.37	1,396,635,259.42
	Interest expenses		
	Handling fees and commissions expenses		
	Surrender payment		
	Net expenditure for compensation payment		
	Net provision for insurance contract		
	Expenditure for insurance policy dividend		
	Reinsurance costs		
	Business taxes and surcharges	3,348,128.96	3,478,580.91
	Selling expenses	110,732,850.20	75,731,654.12
	Administration expenses	72,443,161.46	51,575,120.38
	Finance costs	11,579,875.68	2,969,873.34
	Loss on impairment of assets	300,631.55	193,307.60
	Plus: Gain on change in fair value ("-"denotes loss)		
	Investment income ("-"denotes loss)	-1,426,961.12	-1,521,060.32
	Including: Income from investment in associates and joint ventures	-1,426,961.12	-1,521,060.32
	Exchange gains ("-"denotes loss)		
III.	Operating profit ("-"denotes loss)	1,788,039.27	20,948,278.72
	Plus: Non-operating income	9,833,697.50	9,168,644.75
	Including: Gains on disposal of non-current assets		462.05
	Less: Non-operating expenses	28,238.25	18,059.50
	Including: Loss on disposal of non-current assets	11,809.82	14,829.07
IV.	Total profit ("-"denotes total loss)	11,593,498.52	30,098,863.97
	Less: Income tax expenses	-1,732,336.48	6,306,616.19

Item	Amounts for the current period	Amounts for the prior period
V. Net profit ("-"denotes net loss)	13,325,835.00	23,792,247.78
Net profit attributable to owners of the parent company	18,775,724.65	21,590,786.44
Minority interest	-5,449,889.65	2,201,461.34
VI. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to owners of the parent company		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
1. Change in remeasurement of net defined benefit scheme liabilities or assets		
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss under equity method		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Share of other comprehensive income of investees that will be reclassified to profit and loss under equity method in subsequent periods		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from reclassification from held-to-maturity investment to available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences on translation of foreign currency financial statements		
6. Others		
Net other comprehensive income after tax attributable to minority interest		

Item	Amounts for the current period	Amounts for the prior period
VII. Total comprehensive income	13,325,835.00	23,792,247.78
Total comprehensive income attributable to owner of the parent company	18,775,724.65	21,590,786.44
Total comprehensive income attributable to minority interest	-5,449,889.65	2,201,461.34
VIII. Earnings per share:		
(I) Basic earnings per share	0.1204	0.1384
(II) Diluted earnings per share	0.1204	0.1384

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0.00, and the net profit recognized by the merged party in the prior period was RMB0.00.

Legal Representative: Zhu Junhong (朱軍紅)

Financial controller: Yu Dahai (俞大海)

Head of the financial department: Cheng Chao (成超)

4. Income Statement of the Parent Company

Unit: RMB

Item		Amounts for the current period	Amounts for the prior period
I.	Operating income	164,220,417.68	153,619,367.44
	Less: Operating costs	26,091,419.03	35,345,171.02
	Business taxes and surcharges	2,380,475.16	2,823,484.76
	Selling expenses	51,671,156.90	62,420,889.64
	Administration expenses	49,556,098.67	41,064,256.30
	Finance costs	10,002,207.94	987,099.46
	Loss on impairment of assets	306,050.50	238,498.35
	Plus: Gain on change in fair value (“-” denotes loss)		
	Investment income (“-” denotes loss)	-1,432,424.37	-1,521,776.47
	Including: Income from investment in associates and joint ventures	-1,432,424.37	-1,521,776.47
II.	Operating profit (“-” denotes loss)	22,780,585.11	9,218,191.44
	Plus: Non-operating income	9,359,994.67	8,804,655.60
	Including: gains on disposal of non-current assets		
	Less: Non-operating expenses	10,542.61	18,059.50
	Including: Loss on disposal of non-current assets	10,456.10	14,829.07
III.	Total profit (“-” denotes total loss)	32,130,037.17	18,004,787.54
	Less: Income tax expenses	3,261,320.23	3,145,108.55
IV.	Net profit (“-”denotes net loss)	28,868,716.94	14,859,678.99

Item	Amounts for the current period	Amounts for the prior period
V. Net other comprehensive income after tax		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
1. Change in remeasurement of net defined benefit scheme liabilities or assets		
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss under equity method		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Share of other comprehensive income of investees that will be reclassified to profit and loss in subsequent periods under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from reclassification of held-to-maturity investment to available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences on translation of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	28,868,716.94	14,859,678.99
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	8,837,686,781.68	1,827,242,313.17
Net increase in customers'deposits and inter-bank deposits		
Net increase in borrowings from the central bank		
Net increase in borrowed funds from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of financial assets at fair value through profit or loss for the period		
Cash received on interest, handling fee and commission income		
Net increase in borrowed funds		
Net increase in returned business capital		
Tax refund received		
Cash received relating to other operating activities	90,695,755.80	16,772,703.28
Subtotal of cash inflows from operating activities	8,928,382,537.48	1,844,015,016.45
Cash paid for purchase of goods and services received	8,993,570,373.97	1,665,007,333.71
Net increase in customers' loans and advances		
Net increase in deposits with central bank and inter-banks		
Cash paid for compensation payments under original insurance contract		
Cash paid on interest, handling fee and commission income		
Cash paid for insurance policy dividend		
Cash paid to employees and for employees	133,342,731.96	99,939,921.87
Payments of taxes and surcharges	19,770,657.70	16,429,663.00
Cash paid relating to other operating activities	212,069,572.49	59,364,115.71
Subtotal of cash outflows from operating activities	9,358,753,336.12	1,840,741,034.29
Net cash flows from operating activities	-430,370,798.64	3,273,982.16

Item	Amounts for the current period	Amounts for the prior period
II. Cash flows from investing activities:		
Cash received from investments		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,302,074.79	4,929.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	2,302,074.79	4,929.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	24,982,991.78	50,200,819.74
Cash paid on investment	17,400,000.00	21,460,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	42,382,991.78	71,660,819.74
Net cash flows from investing activities	-40,080,916.99	-71,655,890.74
III. Cash flows from financing activities:		
Cash received from capital contribution	404,800,000.00	
Including: cash received from minority interest contribution to subsidiaries	404,800,000.00	
Cash received from borrowings	306,800,000.00	177,700,000.00
Cash received from bond issue		
Cash received relating to other financing activities	16,015,000.00	8,300,000.00
Subtotal of cash inflows from financing activities	727,615,000.00	186,000,000.00
Cash paid for repayment of debts	269,400,000.00	80,800,000.00
Cash paid for dividends and profit distribution or interest payment	22,411,548.78	8,973,850.20
Including: dividend and profit paid to minority interest by subsidiaries		
Cash paid relating to other financing activities	1,700,000.00	12,154,000.00
Subtotal of cash outflows from financing activities	293,511,548.78	101,927,850.20
Net cash flows from financing activities	434,103,451.22	84,072,149.80
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-36,348,264.41	15,690,241.22
Plus: Balance of cash and cash equivalents as at the beginning of the period	194,412,598.47	178,722,357.25
VI. Balance of cash and cash equivalents as at the end of the period	158,064,334.06	194,412,598.47

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	169,099,801.75	166,110,259.15
Tax refund received		
Cash received relating to other operating activities	10,113,662.53	17,452,732.30
Subtotal of cash inflows from operating activities	179,213,464.28	183,562,991.45
Cash paid for purchase of goods and services received		
Cash paid to employees and for employees	78,276,567.97	83,213,456.69
Payments of all types of taxes	12,095,116.06	11,061,141.41
Cash paid relating to other operating activities	35,829,051.25	41,724,300.24
Subtotal of cash outflows from operating activities	126,200,735.28	135,998,898.34
Net cash flows from operating activities	53,012,729.00	47,564,093.11
II. Cash flows from investing activities:		
Cash received from investments	10,000,000.00	40,000,000.00
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,300,474.79	4,929.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities	12,300,474.79	40,004,929.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	15,766,994.88	49,044,510.19
Cash paid on investments	243,410,000.00	62,554,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	259,176,994.88	111,598,510.19
Net cash flows from investing activities	-246,876,520.09	-71,593,581.19

Item	Amounts for the current period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from capital contribution		
Cash received from borrowings	178,800,000.00	48,900,000.00
Cash received from bond issue		
Cash received relating to other financing activities	16,015,000.00	8,300,000.00
Subtotal of cash inflows from financing activities	194,815,000.00	57,200,000.00
Cash paid for repayment of debts	111,400,000.00	
Cash paid for dividend and profit distribution or interest payment	18,423,025.53	6,770,216.67
Cash paid relating to other financing activities	1,700,000.00	
Subtotal of cash outflows from financing activities	131,523,025.53	6,770,216.67
Net cash flows from financing activities	63,291,974.47	50,429,783.33
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-130,571,816.62	26,400,295.25
Plus: Balance of cash and cash equivalents as at the beginning of the period	176,142,372.01	149,742,076.76
VI. Balance of cash and cash equivalents as at the end of the period	45,570,555.39	176,142,372.01

7. Consolidated Statement of Changes in Owners' Equity

Amounts for the current period

Unit: RMB

Item	For the current period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	120,000,000.00				146,173,380.10				14,981,306.01		98,079,379.18	55,306,529.02	434,540,594.31
Plus: accounting policy change													
Corrections of prior period errors													
Business combination under common control													
Others													
II. Balance as at the beginning of the current year	120,000,000.00				146,173,380.10				14,981,306.01		98,079,379.18	55,306,529.02	434,540,594.31
III. Changes in the current period ("-" denotes decrease)	36,000,000.00				15,374,761.73				2,886,871.69		9,888,852.96	351,975,348.62	416,125,835.00
(I) Total comprehensive income											18,775,724.65	-5,449,889.65	13,325,835.00
(II) Capital paid in and reduced by owners					51,374,761.73							357,425,238.27	408,800,000.00
1. Ordinary shares paid by shareholders												404,800,000.00	404,800,000.00
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity												4,000,000.00	4,000,000.00
4. Others					51,374,761.73							-51,374,761.73	

Item	For the current period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	Total owners' equity
(III) Profit distribution									2,886,871.69		-8,886,871.69		-6,000,000.00
1. Transfer to surplus reserves									2,886,871.69		-2,886,871.69		
2. Transfer to general risk provision													
3. Distribution to owners (or shareholders)											-6,000,000.00		-6,000,000.00
4. Others													
(IV) Transfer within owners' equity	36,000,000.00				-36,000,000.00								
1. Transfer from capital reserves to capital (or share capital)	36,000,000.00				-36,000,000.00								
2. Transfer from surplus reserves to capital (or share capital)													
3. Transfer from surplus reserves to make up for losses													
4. Others													
(V) Special reserves													
1. Amount Withdrawn in the current period													
2. Amount utilized in the current period													
(VI) Others													
IV. Balance as at the end of the current period	156,000,000.00				161,548,141.83				17,868,177.70		107,968,232.14	407,281,877.64	850,666,429.31

Amounts for the prior period

Unit: RMB

	For the prior period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	80,000,000.00				170,247,194.60				13,495,338.11		97,974,560.64	65,185,253.18	426,902,346.53
Plus: accounting policy change													
Corrections of prior period errors													
Business combination under common control													
Others													
II. Balance as at the beginning of the current year	80,000,000.00				170,247,194.60				13,495,338.11		97,974,560.64	65,185,253.18	426,902,346.53
III. Changes in the current period ("-" denotes decrease)	40,000,000.00				-24,073,814.50				1,485,967.90		104,818.54	-9,878,724.16	7,638,247.78
(I) Total comprehensive income											21,590,786.44	2,201,461.34	23,792,247.78
(II) Capital paid in and reduced by owners					-73,814.50							-12,080,185.50	-12,154,000.00
1. Ordinary shares paid by shareholders													
2. Capital paid by holders of other equity instruments													
3. Amounts of share-based payments recognised in owners' equity													
4. Others					-73,814.50							-12,080,185.50	-12,154,000.00

Item	For the prior period												
	Equity attributable to owners of the parent company												
		Other equity instruments											
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk provisions	Retained profit	Minority interest	Total owners' equity
(III) Profit distribution	16,000,000.00								1,485,967.90		-21,485,967.90		-4,000,000.00
1. Transfer to surplus reserves									1,485,967.90		-1,485,967.90		
2. Transfer to general risk provision													
3. Distribution to owners (or shareholders)	16,000,000.00											-20,000,000.00	-4,000,000.00
4. Others													
(IV) Transfer within owners' equity	24,000,000.00				-24,000,000.00								
1. Transfer from capital reserves to capital (or share capital)	24,000,000.00				-24,000,000.00								
2. Transfer from surplus reserves to capital (or share capital)													
3. Transfer from surplus reserves to make up for losses													
4. Others													
(V) Special reserves													
1. Amount withdrawn in the current period													
2. Amount utilized in the current period													
(VI) Others													
IV. Balance as at the end of the current period	120,000,000.00				146,173,380.10				14,981,306.01		98,079,379.18	55,306,529.02	434,540,594.31

8. Statement of Changes in Owners' Equity of the Parent Company

Amounts for the current period

Unit: RMB

Item	Current period										
		Other equity instruments									
	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
I. Balance as at the end of the prior year	120,000,000.00				146,378,639.15				14,981,306.01	89,725,872.79	371,085,817.95
Plus: accounting policy change											
Corrections for error in previous period											
Others											
II. Balance as at the beginning of the current year	120,000,000.00				146,378,639.15				14,981,306.01	89,725,872.79	371,085,817.95
III. Changes in the current period ("-" denotes decrease)	36,000,000.00				-36,000,000.00				2,886,871.69	19,981,845.25	22,868,716.94
(I) Total comprehensive income										28,868,716.94	28,868,716.94
(II) Capital paid in and reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution									2,886,871.69	-8,886,871.69	-6,000,000.00
1. Transfer to surplus reserves									2,886,871.69	-2,886,871.69	
2. Distribution to owners (or shareholders)										-6,000,000.00	-6,000,000.00
3. Others											

Item	Current period										
		Other equity instruments									
	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
(IV) Transfer within owners' equity	36,000,000.00				-36,000,000.00						
1. Transfer from capital reserves to capital (or share capital)	36,000,000.00				-36,000,000.00						
2. Transfer from surplus reserves to capital (or share capital)											
3. Transfer from surplus reserves to make up for losses											
4. Others											
(V) Special reserve											
1. Amount withdrawn in the current period											
2. Amount utilized in the current period											
(VI) Others											
IV. Balance as at the end of the current period	156,000,000.00				110,378,639.15				17,868,177.70	109,707,718.04	393,954,534.89

Amounts for the prior period

Unit: RMB

	Prior period										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
I. Balance as at the end of the prior year	80,000,000.00				170,378,639.15				13,495,338.11	96,352,161.70	360,226,138.96
Plus: accounting policy change											
Corrections for error in previous period											
Others											
II. Balance as at the beginning of the current year	80,000,000.00				170,378,639.15				13,495,338.11	96,352,161.70	360,226,138.96
III. Changes in the current period ("-" denotes decrease)	40,000,000.00				–24,000,000.00				1,485,967.90	-6,626,288.91	10,859,678.99
(I) Total comprehensive income										14,859,678.99	14,859,678.99
(II) Capital paid in and reduced by owners											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Amounts of share-based payments recognised in owners' equity											
4. Others											
(III) Profit distribution	16,000,000.00								1,485,967.90	-21,485,967.90	-4,000,000.00
1. Transfer to surplus reserves									1,485,967.90	-1,485,967.90	
2. Distribution to owners (or shareholders)	16,000,000.00									-20,000,000.00	-4,000,000.00
3. Others											

Item	Prior period										
		Other equity instruments									
	Share capital	Preference shares	Perpetual shares	Others	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Retained profit	Total owners' equity
(IV) Transfer within owners' equity	24,000,000.00				-24,000,000.00						
1. Transfer from capital reserves to capital (or share capital)	24,000,000.00				-24,000,000.00						
2. Transfer from surplus reserves to capital (or share capital)											
3. Transfer from surplus reserves to make up for losses											
4. Others											
(V) Special reserve											
1. Amount withdrawn in the current period											
2. Amount utilized in the current period											
(VI) Others											
IV. Balance as at the end of the current period	120,000,000.00				146,378,639.15				14,981,306.01	89,725,872.79	371,085,817.95

III. GENERAL INFORMATION OF THE COMPANY

上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co.,Ltd.) (hereinafter in this appendix referred to as the "Company", the Company and its subsidiaries collectively referred to as the "Group"), formerly known as 上海鋼聯電子商務有限公司, was established as a company with limited liability jointly by上海閩冶鋼鐵工貿有限公司 (Shanghai Hui Sheng Asset Management Co., Ltd.*) and 11 natural person shareholders such as You Zhenwu (游振武). The Company obtained the business license for enterprise legal person from Pudong New District Branch of Shanghai Administration for Industry and Commerce on 30 April 2000 (registration No.: 3101152001770). After several times of equity transfer and capital increase, the current registered capital is RMB156.00 million. The Company obtained the renewed business license for enterprise legal person from Shanghai Administration for Industry and Commerce on 8 July 2014 (registration No.: 310115000562504). The Company's headquarter is now located at No.68, Yuanfeng Road, Baoshan District, Shanghai, and Zhu Junhong (朱軍紅) acts as its legal representative.

The original registered capital and the paid-in capital of the Company were RMB9.00 million and RMB9.00 million, respectively. On 22 January 2008, the Company resolved its transformation into a joint-stock limited company as a whole at the general meeting. The net assets of the Company of RMB17,726,073.15, which was evaluated by Beijing Liu He Zheng Xu Assets Appraisal Co., Ltd. (北京六合正旭資產評估有限責任公司) (Liu He Zheng Xu Ping Bao Zi [2008] No. 002, the assessed value of net assets: RMB18,543,478.85) and audited by RSM China Certified Public Accountants (中瑞岳華會計師事務所有限公司) (RSM Shen Zi [2008] No. 11374) at the base date of 31 December 2007, was converted into a total number of 15.00 million shares with a par value of RMB1 each, and the remaining RMB2,726,073.15 was included into the capital reserve. Upon such change, the registered (share) capital was RMB15.00 million, of which: RMB9.00 million was contributed by Shanghai Xingye Investment Development Co., Ltd., (上海興業投資發展有限公司), representing 60.00% of the registered capital; RMB2.875 million was contributed by Zhu Junhong (朱軍紅), representing 19.17% of the registered capital; RMB0.8 million was contributed by Jia Liangqun (賈良群), representing 5.33% of the registered capital; RMB0.8 million was contributed by Liu Yuewu (劉躍武), representing 5.33% of the registered capital; RMB0.75 million was contributed by Xiao Guoshu (肖國樹), representing 5.00% of the registered capital; RMB0.45 million was contributed by Yu Ruitai (虞瑞泰), representing 3.00% of the registered capital; RMB0.325 million was contributed by Mao Jie (毛杰), representing 2.17% of the registered capital. The above alteration was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2008] No. 2006). In March 2008, the Company changed its name into "Shanghai Ganglian E-Commerce Holdings Co.,Ltd.".

On 10 August 2008, pursuant to the resolutions of the Second Extraordinary General Meeting and the amended constitution of the Company, the Company increased its registered (share) capital by RMB12.875 million by monetary capital. Such capital increase was contributed by Shanghai Xingye Investment Development Co., Ltd. and 62 natural persons such as Zhu Junhong, and the registered (share) capital was RMB27.875 million upon such change. Such capital contribution was verified by RSM China Certified Public

Accountants Co., Ltd., and a capital verification report was issued in this regard (RSM Yanzi [2008] No. 2183).

On 1 September 2008, pursuant to the resolutions of the Third Extraordinary General Meeting and the amended constitution of the Company, the Company applied for an increase of RMB2.125 million in its registered (share) capital by monetary capital, and the registered (share) capital was RMB30.00 million upon such change. The registered (share) capital increased was contributed by 36 natural persons such as Yu Liangui (俞連貴), the original shareholder, and by 77 natural persons such as Huang He (黃河), a new shareholder. Such contribution was made as premium contribution and the capital reserve increased by RMB2.125 million. Such capital contribution was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2008] No. 2208).

Pursuant to the resolutions of 2011 First Extraordinary General Meeting of the Company and the "Approval of Initial Public Offering of Shares and Listing on the GEM of Shanghai Ganglian E-Commerce Holdings Co.,Ltd." (《關於上海鋼聯電子商務股份有限公司首次公開發行股票並在創業板上市的批覆》) (Zheng Jian Xu Ke [2011] No. 734) from the China Securities Regulatory Commission, on 30 May 2011, the Company made a public offering of 2.00 million RMB ordinary shares (A shares) to price consultation participants by offline placing, and 8.00 million RMB ordinary shares (A shares) by online pricing respectively, representing an aggregate amount of 10.00 million RMB ordinary shares(A shares) with a par value of RMB1 each being issued at an issue price of RMB23.00 per share. After receipt by the Company of the capital of RMB230,000,000.00 contributed by public shareholders and a deduction of the securities underwriting fees and sponsor fees of RMB28,000,000.00 and other issuance costs of RMB6,472,434.00, the net proceeds was RMB195,527,566.00, of which RMB10,000,000.00 was converted into share capital, and the remaining RMB185,527,566.00 was converted into capital reserve. After the issuance, the public float of the Company was 10.00 million shares, all of which were contributed by monetary capital. The registered capital of the Company was RMB40.00 million upon such issuance. Such capital contribution was verified by RSM China Certified Public Accountants and a capital verification report was issued in this regard (RSM Yanzi [2011] No. 107).

Pursuant to the resolutions of 2011 Annual General Meeting convened by the Company in 2012 and the amended constitution, the Company applied for an increase of RMB40,000,000.00 in its registered capital by a transfer of retained profit and capital reserves into share capital with 31 December 2011 being the base date for transfer, and its registered capital was RMB80,000,000.00 upon such change. The Company increased its share capital by RMB20,000,000.00 by way of converting its retained profits into 20,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 5 additional shares for every 10 shares. Meanwhile, the Company increased its share capital by RMB20,000,000.00 by way of converting its capital reserve into 20,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 5 additional shares for every 10 shares. The registered capital of the Company was RMB80.00 million upon such capital increase. Such capital contribution was verified by RSM China Certified Public Accountants (special general partnership) (中瑞岳華會計師事務所(特殊普通合夥)), and a capital verification report was issued in this regard (Zhongrui Yuehua Yanzi [2012] No. 0122).

Pursuant to the resolutions of 2012 Annual General Meeting convened by the Company in 2013 and the amended constitution, the Company applied for an increase of RMB40,000,000.00 in its registered capital by a transfer of retained profit and capital reserves into share capital with 31 December 2012 being the base date for transfer, and its registered capital was RMB120,000,000.00 upon such change. The Company increased its share capital by RMB16,000,000.00 by way of converting its retained profits into 16,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 2 additional shares for every 10 shares. Meanwhile, the Company increased its share capital by RMB24,000,000.00 by way of converting its capital reserve into 24,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 3 additional shares for every 10 shares. The registered capital of the Company was RMB120.00 million upon such capital increase. Such capital contribution was verified by RSM China Certified Public Accountants (special general partnership) (中瑞岳華會計師事務所(特殊普通合夥)), and a capital verification report was issued in this regard (RSM Yanzi [2013] No. 0154).

Pursuant to the resolutions of 2013 Annual General Meeting convened by the Company in 2014 and amended constitution, the Company applied for an increase of RMB36,000,000.00 in its registered capital by a transfer of capital reserves into share capital with 31 December 2013 being the base date for transfer, and its registered capital was RMB156,000,000.00 upon such change. The Company increased its share capital by RMB36,000,000.00 by way of converting its capital reserves into 36,000,000.00 shares with a par value of RMB1 each for all shareholders on the basis of 3 additional shares for every 10 shares.

Scope of operations of the Company: computer software, development and sales of network technology, network systems integration, sales of metallic materials, refractory materials, building materials, chemical raw material (except for hazardous material), mechanical and electrical equipment, rubber products, wood, ferrous metal ores and hardware and electrical equipment, advertising design, advertisement release by own media, exhibition services, consulting and investigation about market information(not allowed to engage in social research, social survey, public opinion survey, and poll), establishment of branches, import and export business of goods and technology, corporate management consulting, investment consulting, corporate image planning and marketing planning; call center business under the second catalogue of value-added telecom services (see the license attachment for details of the business scope) and information service business under the second catalogue of value-added telecom services (excluding fixed network telephone information services, and internet information services limited to Shanghai). (Business operation is subject to permit if administrative licensing is required)

These financial statements have been approved for issue by the Board of the Group on 27 February 2015.

In 2014, there were a total of 6 subsidiaries consolidated into the Group. See note VIII "Interest in other entities" for more details. In the current year, there was an increase of 1 subsidiary consolidated into the Group as compared to last year. See note VII "Changes in scope of business combination" for more details.

The Group is primarily engaged in the third-party e-commerce services and trading services via internet platform.

The Company established a new subsidiary 上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*) in February 2014 with a registered capital of RMB100 million. At of 31 December 2014, the Company was interested in 60.8% of shares, and 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary of the Company, was interested in 29.4% of shares.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group's financial statements are prepared on a going concern basis and based on transactions and events actually occurred, in accordance with the Accounting Standards for Business Enterprises – Basic Standard promulgated by the Ministry of Finance (Order of Ministry of Finance No. 33 Issue and Order of Ministry of Finance No. 76 Amendment) and 41 specific accounting standards as promulgated and amended on and after 15 February 2006, guidelines on application of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Requirements for Financial Reports" (revised in 2014) of China Securities Regulatory Commission.

The Group's financial statements have been prepared on an accrual basis in accordance with the ASBEs. Except for certain financial instruments, these financial statements have been measured under the historical cost convention. If an asset is impaired, a provision for impairment shall be made accordingly in accordance with the relevant provisions.

2. Going concern

The Company will be able to continue its operation as a going concern.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Tips on specific accounting policies and accounting estimates:

The Company and each of its subsidiaries have formulated some specific accounting policies and accounting estimates in relation to the transactions and events such as revenue recognition at their actual business features and in accordance with the relevant provisions of the ASBEs. Please see 20 “Revenue”, 15 “Intangible Assets” under note IV for more details. Please refer to 25 “Critical Accounting Judgments and Estimates” under note IV for clarification of critical accounting judgments and estimates made by the management.

1. Statement of compliance with the accounting standards for business enterprises

The financial statements have been prepared by the Group in conformity with the ASBEs, which truly and fully reflect the financial position of the Group as at 31 December 2014 and relevant information such as the operating results and cash flows for 2014. In addition, the financial statements of the Group also comply with, in all material aspects, the disclosure requirements of the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Requirements for Financial Reports” revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

2. Accounting period

The accounting periods of the Group are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full accounting year. The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Operating cycle

Normal operating cycle refers to the period from acquisition of assets used for processing by the Group until their realisation in cash or cash equivalents. The operating cycle of the Group lasts for 12 months, and acts as an indicator for classification of liquidity of assets and liabilities.

4. Functional currency

Renminbi is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate, therefore, the Company and its domestic subsidiaries adopt RMB as their functional currency. The Group prepares its financial statements in RMB.

5. Accounting treatment of business combination under common control and not under common control

Business combinations refer to the transactions or events in which two or more separate enterprises merged as a single reporting entity. Business combinations are divided into business combination under common control and not under common control.

(1) Business combination under common control

A business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. For a business combination under common control, the party that, at the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while other enterprise participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period when incurred.

(2) Business combination not under common control

A business combination not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not under common control, the party that, at the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination not under common control, the cost of a business combination is the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, plus agency fees for business combination such as audit, legal service and evaluation consultation and other management fees, which is charged to the profit or loss for the period when incurred. As equity or debt securities are issued by the acquirer as consideration for business combination, any attributable transaction cost is included in their initially recognized amount. Involved contingent consideration is charged to the combination cost according to its fair value at the acquisition date, the combined goodwill will be adjusted if new or additional evidence existed about the condition at the acquisition date within 12 months after the acquisition date, which is required to adjust the contingent consideration. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets at the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the current period.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred income tax assets due to non-fulfilment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree at the acquisition date can be expected, the relevant deferred income tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred income tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the current period. Except for the above circumstances, deferred income tax assets in relation to business combination are recognised in the profit or loss of the current period.

For a business combination not under common control finished by a stage-up approach with several transactions, these several transactions will be judged whether they belong to "transactions in a basket" in accordance with the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and the judgement standards on "transactions in a basket" in Clause 51 as set out in

"Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements" (see Note IV. 5(2)). If they belong to "transactions in a basket", they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and 11 "Long-term equity investments" under Note IV, and if they do not belong to "transactions in a basket", they are accounted for in separate financial statements and consolidated financial statements:

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquire held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time of disposal of such investment (i.e. to be transferred to investment income for the current period, except for corresponding share of the changes arising from re-measuring net liabilities or net assets of defined benefit plan using the equity method by the acquiree).

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at its fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree (i.e. to be transferred to investment income at the acquisition date, except for the corresponding share of changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method by the acquiree).

6. Preparation of consolidated financial statements

(1) Principles for determining the scope of consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control refers to the fact that the Group has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all of its subsidiaries which are defined as those entities controlled by the Company.

Once any change in the facts and circumstances arises which leads to a change in the elements involved in the definition of control, the Company will conduct an assessment.

(2) Basis for preparation of the consolidated financial statements

Subsidiaries are consolidated from the date on which the Company obtains their net assets and actual control over their operating decisions, and are deconsolidated from the date when such control ceases. For those subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are properly included in the consolidated income statement and consolidated cash flow statement; for those subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For those subsidiaries acquired from a business combination not under common control, their operating results and cash flows subsequent to the acquisition date are properly included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures in the consolidated financial statements would not be restated. For those subsidiaries acquired from a business combination under common control and the combined party of absorbing consolidation, their operating results and cash flows from the beginning of combination period to the date of combination are properly included in the consolidated income statement and consolidated cash flow statement, and the comparative figures in the consolidated financial statements would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods adopted by the subsidiaries are inconsistent with those of the Company, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For those subsidiaries acquired from a business combination not under common control, their financial statements are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All intra-company significantly balances, transactions and unrealised profit are eliminated in the preparation of the consolidated financial statements.

The shareholders' equity and the portion of the net profit or loss for the period of the subsidiaries that is not attributable to the Company are presented separately under the shareholders' equity and net profit in the consolidated financial statements, as minority interests and profits or losses attributable to minority interests respectively. A subsidiary's net profit or loss for the period attributable to minority interests is recognized as "profit or loss of minority interests" under net profit in the consolidated income statement. When the amount of a subsidiary's loss attributable to the minority shareholders exceeds the minority shareholders' share of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against minority interests.

For the loss of control over former subsidiaries due to disposal of a portion of the equity investment or other reasons, the remaining equity interest is remeasured at fair value on the date when the control is ceased. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest less the share of net assets of the former subsidiaries calculated continuously since the purchase date based on the original shareholding percentage before disposal are recognized as investment income in the period when the control is ceased. Other comprehensive income related to equity investment in the former subsidiaries is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree when the control is ceased (i.e. the remaining is to be transferred to investment income for the period, except for the changes arising from re-measuring net liabilities or net assets of defined benefit plan of the subsidiaries). The remaining equity interests are measured subsequently according to relevant requirements of "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", etc. See Note IV. 11 "Long-term equity investments" or Note IV. 8 "Financial instruments" for details.

When the Company disposes of equity investment in a subsidiary in stage with several transactions until it loses its control over the subsidiary, it shall determine whether each transaction related to the disposal of equity investment in a subsidiary until the control over the subsidiary is ceased belong to "a package deal". Usually, each transaction related to the disposal of equity investment in a subsidiary is accounted for as a package deal when its terms, conditions and economic impacts meet the following one or more conditions: ① these transactions are entered into when or after considering their impacts on each other; ② complete business result can be reached only when these transactions are made as a whole; ③ the occurrence of a transaction depends on the occurrence of at least one of other transactions; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. For the transactions are not a package deal, each of them is accounted for in accordance with applicable principles under "partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary" (see Note IV, 12, (2) ④) and "the control over a former subsidiary is ceased due to partial disposal of equity investment or other reasons" (see the preceding paragraph) separately. When each transaction related to the disposal of equity investment in a subsidiary until the control over the subsidiary is ceased belong to a package deal, each of them is accounted for as a transaction for disposing of a subsidiary with loss of control; however, the different between the disposal price prior to loss of control and the share of net assets in a subsidiary on the disposal investment shall be recognized as other comprehensive income in consolidated financial statements and transferred to profit or loss when the control is ceased.

7. Classification of joint arrangements and accounting treatment for joint ventures

–

8. Standards for recognizing cash and cash equivalents

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held by the Company which are readily convertible into known amounts of cash and with an insignificant risk of changes in value.

9. Foreign currency operations and translation of statements denominated in foreign currency

(1) Translation of foreign currency transactions

The foreign currency transactions of the Group, when initially recognized, are translated into functional currency at the spot exchange rate on the date of exchange. However, the foreign currency exchange operations or transactions in connection with foreign currency exchange of the Company shall be translated into functional currency at the exchange rate actually adopted.

(2) Translation of foreign currency monetary items and foreign currency non-monetary items

Foreign currency monetary items on the balance sheet date shall be translated at the spot exchange rate on the balance sheet date, all exchange differences arising from which are included in the profit or loss for the period, except for: ① the exchange differences arising from specific foreign currency borrowings related to the acquisition or construction of assets which are qualified for capitalisation are treated in accordance with the principles of capitalisation of borrowings; and ② the exchange differences arising from changes in other book balance of, the foreign currency items available for sale (apart from the amortisation costs) are included in other consolidated income.

The foreign currency non-monetary items measured at historical cost shall still be measured by the amount of the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of functional currency before and after the translation will be treated as changes in fair value (including changes in exchange rates) and recognized in profit or loss for the period or recognized as other comprehensive income.

10. Financial instruments

Financial asset or financial liability will be recognized when the Group become one of the parties under a financial instrument contract. Financial assets and financial liabilities are measured at fair value when initially recognized. For financial assets and financial liabilities measured at fair value and whose changes are included in profit or loss for the period, relevant transaction costs are directly included in profit or loss. For financial assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount when initially recognized.

(1) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. If financial instruments exist in an active market, the Group determined their fair value based on the quoted price in such market. Quotation in an active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organisations and price fixing service organisations, representing the actual market price in a fair transaction. While financial instruments do not exist in an active market, the Group used valuation techniques to determine the fair value. Valuation technologies include reference to prices of recent market transactions between knowledgeable and willing parties, reference to current fair values of other financial instruments that is substantially the same with this instrument, cash flow discounting method and option pricing models, etc.

(2) Classification, recognition and measurement of financial assets

The financial assets traded conventionally shall be recognized and derecognized at the trading date. Upon initial recognition, financial assets shall be classified into financial assets measured at fair value and its changes included in profit or loss for the period, held-to-maturity investment, loans and accounts receivable as well as available-for-sale financial assets.

① Financial assets measured at fair value with changes included in profit or loss for the period

Including financial assets held for trading and those designated at fair value with changes included in profit or loss for the period.

A financial asset is classified into held for trading if one of the following conditions is satisfied: A. it has been acquired principally for the purpose of selling in the near term; B. it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group recently manages such portfolio by a pattern of short-term profit taking; C. it is a derivative but except for derivatives that are designated and effective hedging instrument, derivatives under a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as financial assets measured at fair value with changes included in profit or loss for the period upon initial recognition only when one of the following conditions is satisfied: A. Such designation can eliminate or significantly reduce inconsistency of measurement or recognition of gains or losses of such financial asset that due to different measurement bases of such financial asset; B. The formal documents of the Group's risk management or investment strategy has stated that, the group of financial assets or the group of financial assets and financial liabilities of which such financial asset forms part is managed, evaluated and reported to key management personnel on a fair value basis.

Financial assets measured at fair value with changes included in profit or loss for the period are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and relevant dividends or interest income earned on the financial assets are included in profit or loss for the period.

② Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, their gains or losses arising from derecognition, impairment or amortisation are recognized in profit or loss for the period.

The effective interest method is a method for the purpose of a financial asset or a financial liability (or a group of financial assets or financial liabilities) to calculate the amortised cost and the interest income or interest expense over the relevant period by using its effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, an appropriate shorter period to the net book value for the period of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows on the basis of considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and all fees paid or received between the parties to the contract of the financial asset or financial liability that are an integral part of the effective interest rate, transaction costs, and discounts or premiums, etc.

③ Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables, etc.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, the gain or loss arising from derecognition, impairment or amortisation is recognized in profit or loss for the period.

④ Available-for-sale financial assets

Including non-derivative financial assets that are designated as available-for-sale upon initial recognition, and financial assets that are not classified as financial assets measured at fair value with changes included in profit or loss for the period, loans and receivables, held-to-maturity investments.

The closing cost of the investment on available-for-sale debt instrument is measured by amortized cost method, which is the initial recognized amount after deduction of the principle payment, addition or deduction of the accumulated amortization after amortizing the differences of the initially recognized amount and the amount at maturity date by using effective interest method, and after deduction of the impairment loss incurred. Closing cost of the available-for-sale equity instrumental investment is the initial cost.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income (except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss in the period) and are transferred to profit or loss for the period when such financial assets are derecognized. However, for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such equity instruments, they are measured at cost subsequently.

Interests obtained and the dividends distribution in cash declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

(3) *Impairment of financial assets*

The Group reviews the book value of other financial assets other than those measured at fair value with change included in profit or loss for the period at each balance sheet date, and provide for impairment if there is objective evidence that a financial asset is impaired.

For a financial asset that is individually significant, the Group tests the asset individually for impairment. For a financial asset that is not individually significant, the Group tests the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. If there is no impairment exists for an individually tested financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively tested for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective test for impairment.

① Impairment of held-to-maturity investments, loans and receivables

The book value of the financial assets measured at cost or amortised cost is written down to the present value of the estimated future cash flow and the written-down amount is recognized as the impairment loss in the profit or loss for the period. The originally recognized impairment loss is reversed if there is objective evidence showing that the value of the financial assets has been recovered and the recovery can be linked objectively to an event occurring after the impairment loss of the financial assets was recognized. The book value of the financial assets upon the reversal of the impairment loss will not exceed the amortised cost of the financial assets on the reversal date as if no impairment loss provision had been made.

② Impairment of available-for-sale financial assets

In the event that decline in fair value of the available-for-sale equity instrument investment is regarded as severe or non-temporary decline on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument. In which, "severe decline" refers to accumulative decline in fair value which is more than 20%; and "non-temporary decline" refers to the fair value that decreased continuously for more than 12 months.

When the available-for-sale financial assets impair, the accumulated loss originally included in the other comprehensive income arising from the decrease in fair value will be transferred out and included in the profit or loss for the period. The accumulated loss that will be transferred out is the balance of the acquired initial cost of the assets, after deduction of the principal recovered and the amounts amortised, current fair value and the impairment loss originally included in the profit or loss.

The originally recognized impairment loss is reversed if there is objective evidence showing that the value of the financial assets has been recovered and the recovery can be linked objectively to an event occurring after the impairment loss of the financial assets was recognized. The impairment loss reversal of the available-for-sale equity instrument investment will be recognized as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

Equity instrument investment (that is not quoted in an active market and its fair value cannot be measured reliably) or the impairment loss of a derivative financial asset (which links to must be settled by delivery of such equity instrument) will not be reversed.

(4) Recognition basis and measurement methods of transfer of financial assets

The financial assets are derecognized if they satisfy any of the following conditions: ① The contractual right to receive the cash flow of the financial assets is terminated; ② The financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets have been transferred to the transferee; ③ The financial assets have been transferred and the enterprise waives the control over the financial assets although it has neither transferred nor reserved substantially all the risks and rewards of ownership of the financial assets.

Where the enterprise has neither transferred nor reserved substantially all the risks and rewards of ownership of the financial assets and not waived the control over the financial assets, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the enterprise's continuing involvement in the transferred financial asset is the extent to which it is exposed to changes in the value of the transferred financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the book value of the transferred financial asset and the consideration received from the transfer and the sum of accumulated changes in the fair value of the originally recognized other comprehensive income are included in the profit or loss for the period.

Where the partial transfer of the financial assets satisfies the conditions of derecognition, the book value of the transferred financial assets is allocated between the derecognized portion and the recognized portion at the corresponding fair value, and the difference between the sum of the consideration received from the transfer and the accumulated changes in the fair value originally recognized in other comprehensive income which should be allocated to the de-recognized portion and the above mentioned allocated book value are included in the profit or loss for the period.

For the financial assets sold with the right of recourse or the financial assets held and transferred by endorsement by the Group, the Group shall determine that whether substantially all the risks and rewards of ownership of the financial assets have been transferred. Where substantially all the risks and rewards of ownership of the financial assets have been transferred to the transferee, the financial assets are de-recognized; where substantially all the risks and rewards of ownership of the financial assets have been reserved, the financial assets are not de-recognized; where substantially all the risks and rewards of ownership of the financial assets have been neither transferred nor reserved, it shall still be determined whether the enterprise reserves control over the assets and the accounting treatment will be carried out based on the principles mentioned in the above paragraphs.

(5) Classification and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified into financial liabilities measured at fair value with whose change included in profit or loss for the period and other financial liabilities. Upon initial recognition, financial liabilities are measured at fair value. For the financial liabilities measured at fair value with whose change included in profit or loss for the period, the relevant transaction costs are directly included in profit or loss for the period; and for the other financial liabilities, the relevant transactions are included in the amount of initial recognition.

① Financial liabilities measured at fair value with change included in profit or loss for the period

Classification condition of financial liability held for trading and designated as a financial liability measured at fair value with change included in profit or loss for the period upon initial recognition is the same as that of financial asset held for trading and designated as financial asset measured at fair value with change included in profit or loss for the period upon initial recognition.

The financial liabilities measured at fair value with change included in profit or loss for the period are subsequently measured at the fair value. The gains or losses arising from the change in fair value and the dividends and interests expenses related to those financial liabilities are included in the profit or loss for the period.

② Other financial liabilities

The derivative financial liabilities linked to the equity instruments that are not quoted in an active market and of which the fair value cannot be reliably measured and to be settled through delivery of such equity instruments are subsequently measured at cost. The other financial liabilities are subsequently measured at amortised cost using the effective interest rate method and the gains or losses arising from derecognition or amortisation are included in profit or loss for the period.

③ Financial guarantee contracts

The financial guarantee contracts other than the designated financial liabilities measured at fair value with change included in profit or loss for the period are recognized initially at fair value. After initial recognization, those financial guarantee contracts subsequently measured at the amount determined in accordance with the Accounting Standards for Business Enterprises No. 13 – Contingencies and the balance of the initially recognized amount less the accumulated amortisation amount determined in accordance with principles under the Accounting Standards for Business Enterprises No. 14 – Income, whichever is the higher.

(6) Derecognition of financial liabilities

No financial liability is derecognized in whole or in part unless and until its present obligations are discharged in whole or in part. Where the Group (the debtor) concludes agreements with the creditors to replace the existing financial liabilities with the new financial liabilities and the contractual terms for the new financial liabilities and the existing financial liabilities are different in substance, the existing financial liabilities are derecognized and the new financial liabilities are recognized at the same time.

Where the financial liabilities are derecognized in whole or in part, the difference between the book value of the derecognized portion and the consideration paid (including the non-monetary assets transferred-out or the new financial liabilities assumed) is recognized in profit or loss for the period.

(7) Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the relevant contracts are signed and are subsequently measured at fair value. Other than the gains or losses arising from changes in the fair value of the derivatives designated as hedging instruments with highly hedging efficiency are recognized in profit or loss for the period in accordance with the requirements of hedging accounting based on the nature of hedging relation, the changes in fair value of remaining derivatives are included in the profit or loss for the period.

For combined instruments contain embedded derivatives which are not designated as financial assets or financial liabilities measured at fair value with changes included in profit or loss for the period, the embedded derivative shall be separated from the combined instrument and treated as an individual derivative, if the embedded derivative and the main contract does not have a close relation in terms of economic characteristics and risks, and an individual instrument with the same terms as the embedded derivative can be defined as a derivative. If the embedded derivative cannot be separately measured at acquisition or subsequent balance sheet date, the combined instrument shall be entirely designated as financial assets or financial liabilities measured at fair value with changes included in profit or loss for the period.

(8) Offset between financial assets and financial liabilities

Where the Group is legally entitled to offset the recognized financial assets and financial liabilities and may exercise this right currently and plans to settle on a net basis, or realise the financial assets and repay the financial liabilities simultaneously, the amount upon the offset between the financial assets and the financial liabilities is presented in the balance sheet. In other cases, the financial assets and the financial liabilities are separately presented in the balance sheet and not offset against each other.

(9) Equity instruments

Equity instruments refer to the contracts proving the ownership of the remaining equities in the assets of the Group upon the deduction of all the liabilities. For chances arising from issuance (including refinance), buyback, sell or cancellation of equity instruments by the Group are accounted for changes in equity when the Group issues (including refinance), buybacks, sells or cancels equity instruments. The Group does not recognize the changes in fair value of the equity instruments. The transaction costs related to the transactions of equity instruments are deducted from equity.

The allocations made by the Group to the holders of equity instruments (excluding stock dividends) decrease shareholders' equity. The Group does not recognize the amounts of the changes in the fair value of equity instruments.

11. Receivables

(1) Receivables that are individually significant and provided for bad debts on individually basis

–

(2) Receivables that are provided for bad debts on credit risk group basis

Name of group	Method for providing for bad debts
	Aging Analysis

Use of aging analysis for providing for bad debts in the groups:

√ Applicable □ Not applicable

Aging	Provision ratio for accounts receivable	Provision ratio for other receivables
Within 1 year (inclusive)	5.00%	5.00%
1-2 years	50.00%	50.00%
2-3 years	80.00%	80.00%
Over 3 years	100.00%	100.00%

The provisions for bad debt are made in the groups based on percentage of balance:

□ Applicable √ Not applicable

The provisions for bad debt are made in the groups using other methods:

□ Applicable √ Not applicable

(3) Receivables that are individually insignificant but provided for bad debts on individual basis

–

12. Inventories

(1) Classification of inventories

Inventories primarily include commodities in stock, etc..

(2) Pricing of inventories received and dispatched

Inventories are measured at actual acquired cost. Cost of inventory consists of purchase costs, processing costs and other costs. Inventories will be measured using individual determination method before usage and dispatch.

(3) Recognition of net realisable value of inventories and provision for inventories impairment

Net realisable value refers to the amount of the estimated selling price of inventories less the estimated cost incurred upon completion, estimated sales expenses and relevant taxes in ordinary course of business. The realisable value of inventories shall be determined on the basis of definite evidence received, and the purpose of holding the inventories and effect of after-balance-sheet-date events are also to be considered.

As at the balance sheet date, inventories are measured at the lower of cost and net realisable value. Provision for inventories impairment is made when the net realisable value is lower than the cost. Provisions for impairment of inventory shall be made according to the excess of the cost of an individual item over its net realisable value.

After making the provision for inventory impairment, in case the affect factors causing inventory impairment to write down no longer exists, which resulted in the net realisable value of an inventory is higher than its book value, the original provision for inventory impairment shall be reversed and included in the profit or loss for the period.

(4) Stock taking system is permanent inventory system.

13. Classification of assets held-for sale

–

14. Long-term equity investments

Long-term equity investments under this section refer to long-term equity investments in which the Group has control, joint control or significant influence over the investee. Long-term equity investments without control or joint control or significant influence by the Group are accounted for as available-for-sale financial assets or financial assets measured at fair value with changes included in profit or loss for the period. For details on their accounting policy, please refer to Note IV. 8 "Financial instruments".

Joint control refers to the Group's contractually agreed sharing of control over an arrangement, and relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Group to participate in the financial and operating policy decisions of an investee, but cannot control the formulation of such policies or joint control together with other parties.

(1) Determination of investment costs

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment costs of the long-term equity investment shall be the absorbed party's share of the book value of the shareholder's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment costs of the long-term equity investments and the cash paid, non-cash assets transferred as well as the book value of the debts assumed shall be charged to the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. If the consideration of the combination is satisfied by issue of equity securities, the initial investment costs of the long-term equity investments shall be the absorbed party's share of the book value of the shareholder's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total book value of the shares issued as share capital, the difference between the initial investment costs of the long-term equity investments and total book value of the shares issued shall be charged to the capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against the retained earnings. Where equity interests in an absorbed party under common control are acquired in stages through multiple transactions ultimately constituting a business combination involving enterprises under common control, the initial investment cost should be determined by confirming if such transactions belong to "a package deal". If such transactions belong to "a package deal", each of the transactions will be accounted for as a transaction obtaining control. If such transaction does not belong to "a package deal", the initial investment costs of the long-term equity investments shall be the absorbed party's share of the book value of the shareholder's equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial investment costs of the long-term equity investments and the aggregate book value of the long-term equity investments before combination and the book value of the additional consideration paid for further share acquisition on the date of combination shall be charged to the capital reserve.

If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against the retained earnings. For the other comprehensive income of equity investments previously held recognized due to accounted for using equity methods on the date of combination or recognized for available-for-sale financial assets, they will not be accounted for temporarily.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or assumed and equity securities issued. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving enterprises under common control, the initial investment cost is determined by confirming if such transactions belong to "a package deal". If such transactions belong to "a package deal", each of the transactions will be accounted for as a transaction obtaining control. If such transaction does not belong to "a package deal ", the initial investment cost of the long term equity investment is accounted for using cost method according to the sum of the book value of equity investment previously held by the acquiree and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be temporarily accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and book value, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the period.

Agent fees such as audit fee, legal service fee and valuation and consultation fee and other relevant administration costs incurred by the absorbing party or acquirer for business combination, are charged to profit or loss in the period incurred.

For other equity investments than long-term equity investments acquired through a business combination, the investment shall be initially recognized at cost, the cost of investment varies between different ways of acquisition, which is recognized based on the actual amount of cash purchase price paid by the Group, fair value of equity instruments issued by the Group, such value agreed in investment contracts or agreements, fair value or original book value of transferred-out assets in a transaction of transferring non-monetary assets or the fair value of the long-term equity investments, etc. The costs, taxes and other necessary expenses, which are directly attributable to the acquisition of the long-term equity investments, are also included in the investment cost. For additional equity investment made for exercising significant influence or common control over investee without resulting in control, the relevant cost for long-term equity investment shall be the sum of fair value of previously held equity investment and additional investment cost determined according to "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments".

(2) Subsequent measurement and recognition for profit or loss

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence over the investee are accounted for using equity method. In addition, long-term equity investments with control over the investee are accounted for using cost method in the Company's financial statements.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the share of the net profits or losses and other comprehensive income made by the investee, respectively, and the book value of long-term equity investment shall be adjusted. The book value of long-term equity investment shall be reduced accordingly based on the Group's share of profit or cash dividend distributions declared by the investee. In respect of the other movement in owner's equity of investee other than net profit or loss, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making adjustments on the net profits of the investee. In the event of inconformity between the accounting policies and accounting periods of the investee and those of the Group, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Group and investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold do not form an operation, the unrealised gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Group, and investment gain or loss shall be recognized accordingly. However, any unrealised loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that an asset disposed by the Group to its joint ventures or associates forms an operation, and therefore the investor acquires the long-term equity investment but without the right of control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between the initial investment cost and the book value of disposed operation will be fully included in profit or loss for the period. In the event that an asset sold by the Group to its associates or joint ventures forms an operation, the difference between the consideration received and the book value of operation shall be fully included in profit or loss for the period. In the event that an asset acquired by the Group from its associates or joint ventures form an operation, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 – Business Combination". All profit or loss related to the transaction shall be recognized.

The Group's share of net losses of the investee shall be recognized, to the extent that the book value of the long-term equity investment together with other long-term interests that in substance form a part of net investment in the investee are reduced to zero. In addition, if the Group is obliged to assume additional losses for investee, the estimated liabilities shall be recognized based on estimated obligation assumed and included in investment loss for the period. Where the investee makes profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

If there is debit variation in relation to the long-term equity investments in associates and joint venture held prior to first adoption of the new Accounting Standards by the Group, the amounts amortised over the original residual term using the straight-line method is included in the profit or loss for the period.

③ Acquisition of minority interest

In the preparation of the consolidated financial statements, the difference between the additional cost of long-term equity investment due to acquisition of minority interests and the share of the subsidiary's net assets continuously calculated by new share percentage since acquisition date (or combination date) shall be charged to the capital reserve. If capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained profit.

④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary by the parent without loss of control, the difference between disposal cost and the corresponding share of net assets in the subsidiary due to the disposal of long-term equity investments is charged to the shareholder equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent results in loss of control over the subsidiary, it shall be accounted for in accordance with the relevant accounting policies as described in Note IV.5. (2) "Preparation Method of the Consolidated Financial Statements".

On disposal of a long-term equity investment otherwise, the difference between the book value of the equity interest disposed and the actual price paid is charged to profit or loss in the period.

In respect of long-term equity investment accounted for using equity method, if the remaining equity interest is also accounted for using equity method after disposal, other comprehensive income previously under shareholder equity shall be accounted for in accordance with the same bases as for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognized for the movement of other owners' equity of investee (excluding net profit or loss, other comprehensive income and profit distribution) shall be carried forward to profit or loss for the period on pro rata basis.

In respect of long-term equity investment accounted for using cost method, if the remaining equity interest is also accounted for using cost method after disposal, other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before obtaining control over the investee shall be accounted for in accordance with the same base as for direct disposal of relevant asset or liability by investee, and carried forward to profit or loss for the period on pro rata basis. Movement of other owners' equity of investee's net asset (excluding net profit or loss, other comprehensive income and profit distribution) accounted for and recognized using equity method shall be carried forward to profit or loss for the period on pro rata basis.

In the event of loss of control over investee due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and book value as at the date of losing control shall be included in profit or loss for the period. In respect of other comprehensive income recognized using equity method or the recognition and measurement standard of financial instruments before the Group obtained control over the investee, it shall be accounted for in accordance with the same accounting treatment as for direct disposal of relevant asset or liability by investee when the control over investee ceases. Movement of other owners' equity of investee's net asset (excluding net profit or loss, other comprehensive income and profit distribution) accounted for and recognized using equity method shall be carried forward to profit or loss for the period at the time when the control over investee ceases. Of which, if the remaining equity interest is accounted for using equity method after disposal, other comprehensive income and other owners' equity shall be carried forward on pro rata basis. If the remaining equity interest is accounted for using the recognition and measurement standard of financial instruments after disposal, other comprehensive income and other owners' equity shall be fully carried forward.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and book value as at the date of losing common control or significant influence shall be included in profit or loss for the period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment as for direct disposal of relevant asset or liability by investee when equity method is ceased to be used. Owners' equity, which is recognized due to movement of other owners' equity of investee (excluding net profit or loss, other comprehensive income and profit distribution), shall be fully transferred to investment income for the period when equity method is ceased to be used.

The Group disposes its equity investment in subsidiary in stages with several transactions until it loses its control over the subsidiary. If the said transactions belong to a package deal, each transaction shall be accounted for as a single transaction for disposing equity investment of subsidiary and losing of control. The difference between the disposal price for each transaction and the book value of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognized as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the period upon loss of control.

15. Investment Property

Measurement model for investment property

Not applicable

16. Fixed assets

(1) Conditions for recognition

Fixed asset refers to tangible assets with useful life exceeding one accounting year held for purpose of goods production, service provision, leasing or operation and management. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. A fixed asset is initially measured at cost, with consideration on the impact of disposition cost.

(2) Method for depreciation

Category	Method for depreciation	Useful lives of depreciation	Residual value	Annual depreciation rate
	Straight-line method			

Fixed assets are depreciated on straight-line basis over their useful lives from the month after they are brought to working condition for the intended use. The useful lives, estimated net residual values and annual depreciation rates of each category of fixed assets are as follows:

Category	Useful lives of depreciation	Residual value	Annual depreciation rate
	(Year)	*(%)*	*(%)*
Building and structure	20-30	5.00	3.17-4.75
Office equipment	3-5	4.00-5.00	19.00-32.00
Electronic equipment	3-5	4.00-5.00	19.00-32.00
Transportation equipment	5-8	4.00-5.00	11.88-19.20

(3) *The recognition standards, measurements and method for depreciation of fixed assets under finance lease*

–

17. Construction in progress

Construction in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalised borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period. A construction in progress is reclassified to fixed assets when it has reached the working condition for its intended use.

The method for impaired test of construction in progress and measurement of impairment provision are detailed in Note IV. 17 "Impairment of long-term asset".

18. Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums related to borrowings, ancillary costs and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of an asset qualified for capitalisation, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalised; and capitalisation shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognized as expense in the period in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalised shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalisation rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalisation of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and the interruption lasts for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

19. Biological assets

–

20. Oil and gas assets

–

21. Intangible assets

(1) Valuation method, useful life and impairment test

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Group.

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognized as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow into the Group and the cost of the asset can be measured reliably. Expenditures on other items shall be charged to profit or loss when incurred.

Land use rights acquired shall normally be recognized as an intangible asset. For buildings constructed by the Group including plants, expenditures of related land use rights and the building costs shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use rights and the buildings. In case there is difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortised using the straight-line method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortised.

The Group shall review the useful life of intangible asset with a finite useful life and the amortisation method applied at the end of the period. A change in the useful life or amortisation method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset. If there is evidence indicating that the useful life of that intangible asset is finite, the useful life of that asset should be estimated and amortised applying the accounting policies for intangible asset with a finite useful life.

(2) Accounting policies concerning internal research and development expenditure

(2) Research and development expenditure

Research and development expenditure of the Group was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenditure on the research phase is recognized in profit or loss in the period in which it is incurred.

Expenditure on the development phase is recognized as an intangible asset only when the Group can demonstrate all of the followings as below. Otherwise, it is charged to profit or loss in the period:

① it is technically feasible that the intangible asset can be used or sold upon completion;

② there is intention to complete the intangible asset for use or sale;

③ the intangible asset can produce economic benefits, including evidence indicating that there is a market for the products produced by the intangible asset or for the intangible asset itself; if the intangible asset is for internal use, there is evidence indicating the existence of the usage for the intangible asset;

④ there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

⑤ the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenditures on the research and development phases cannot be identified, the expenditures incurred should be fully recognized in profit or loss for the period.

(3) Impairment test and measurement of impairment provision for intangible assets

The method for impaired test of intangible assets and measurement of impairment provision are detailed in Note IV. 17 “Impairment of long-term assets”.

22. Impairment of long-term asset

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of noncurrent non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, and long-term equity investments in subsidiaries, joint ventures and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its book value, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset’s fair value is the price in a sales agreement in an arm’s length transaction. If there is no sales agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sales agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset is determined by discounting the future cash flows expected occurs over the course of continued use and final disposal with an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

23. Long-term prepaid expenses

Long-term prepaid expenses are expenditures and other expenses which have incurred but that shall be amortised over the current period and subsequent periods of more than one year. Long-term prepaid expenses are amortised over the estimated benefit period using the straight-line method.

24. Remuneration of employees

(1) Accounting of short-term remuneration

Short-term remuneration mainly includes salaries, bonuses, allowance and subsides, staff welfare, medical insurance premium, maternity insurance premium, work-related injury insurance premium, housing provident funds, union operation costs and employee education costs, non-monetary welfare, etc. Short-term remuneration incurred during the accounting period in which the employee renders services to the Group is recognized as liability and included in profit or loss for the period or related asset costs. Of which, non-monetary welfare is measured at fair value.

(2) Accounting of post-employment benefits

Post-employment benefits mainly include defined contribution plan. Defined contribution plan mainly includes pension insurance premium and unemployment insurance premium. Relevant contribution amount is included in related asset costs or profit or loss for the period during which the expenses incurred.

(3) Accounting of termination benefits

–

(4) Accounting of other long-term employees remuneration

–

25. Estimated Liability

–

26. Share-based payment

(1) Accounting of share-based payment

The term "share-based payment" refers to a transaction in which an enterprise grants equity instruments or assumes equity-instrument-based liabilities in return for services from employees or other parties. Share-based payment is classified into equity-settled share-based payment and cash-settled share-based payment.

① Equity-settled share-based payment

The equity-settled share-based payment in return for employees' services shall be measured based on the fair value of equity instruments granted to the employees on the grant date. If the equity-settled share-based payment cannot be vested until the services are completed in vesting period or until the prescribed performance conditions are met, then within the vesting period, the amount of fair value should, based on the best estimate of the number of vested equity instruments, be included in relevant costs or expenses according to the straight-line method/included in relevant costs or expenses on the grant date, and the capital reserves should be increased accordingly when the equity instruments can be vested upon grant.

On each balance sheet date within the vesting period, the Group shall make the best available estimate based on the subsequent information such as the change of the number of equity instruments expected to vest and revises that estimate. The effect of the above estimate is included in relevant costs or expenses for the period and the capital reserve is adjusted accordingly.

Equity-settled share-based payments in return for services rendered by other parties are measured at the fair value of the services rendered by other parties on the receiving date if such fair value can be reliably measured. If the fair value of the services rendered by other parties cannot be reliably measured, equity-settled share-based payments in exchange for services rendered by other parties are measured at the fair value of equity instruments on the date of receiving services and relevant costs or expenses are included and shareholders' equity is credited accordingly, provided that the fair value of equity instruments can be reliably measured.

② Cash-settled share-based payment

Cash-settled share-based payment should be measured in accordance with the fair value of liability recognized based on the shares or other equity instruments assumed by the Group. If being vested immediately after the grant, on the date of grant, the relevant costs or expenses shall be included in, and the liabilities shall be increased accordingly; if being vested until the services are completed in vesting period or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services received in the current period shall, based on the best estimate of the information about vesting conditions, be included in relevant costs or expenses at the fair value of the liability assumed by the Group, and the liabilities shall be increased accordingly.

On each balance sheet date and on each account date prior to the settlement of the relevant liabilities, the fair values of the liabilities shall be re-measured and the changes shall be included in profits and losses for the period.

(2) Accounting of modification and termination of share-based payment plan

When there is changes in Group's share-based payment plans, if the modification increases the fair value of the equity instruments granted, corresponding recognition of service increase in accordance with the increase in the fair value of the equity instruments. Increase in the fair value of equity instruments refers to the differences between the fair values of the date of modification. If the modification reduces the total fair value of shares paid or is not conductive to the use of other employees' share-based payment plans, it will continue to be accounted for, as if the change had not occurred, unless the Group cancelled some or all of the equity instruments granted.

During the vesting period, if the equity instruments granted is cancelled, the Group would treat the cancelled equity instruments granted as accelerated vesting, and the amount within the remaining period should be recognized immediately in profit or loss while recognizing the capital reverses. If employees or other parties can meet non-vesting conditions but do not meet within the vesting period, the Group will treat it as cancelled equity instruments granted.

(3) Accounting for share-based payment transactions involving the Group and the shareholders of the Group or the actual controller

For share-based payment transactions involving the Group and the shareholders of the Group or the actual controller, the settlement enterprise and the enterprise receiving services (one under the Group while the other external to the Group) shall follow the requirements below to conduct accounting treatment in the Group's consolidated financial statements:

① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognized as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognized.

② Where an enterprise receiving services has no settlement obligations or grants its own equity instruments to employees, such share-based payment transaction will be treated as equity-settled share-based payment; where an enterprise receiving services has settlement obligations and grants equity instruments (other than its own) to employees, such share-based payment transaction will be treated as cash-settled share-based payment.

For a share-based payment transaction occurring between enterprises under the Group, where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognized and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise (as compared with the above principles).

27. Other financial instruments such as preference shares and perpetual bonds

–

28. Revenue

(1) Revenue from sales of goods

Revenue from sales of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained, the amount of revenue could be measured reliably, the relevant economic benefits will likely inflow, and related costs incurred or to be incurred could be measured reliably.

(2) Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognize the revenue from the rendering of services employing the percentage-of completion method. The completion schedule of transaction concerning the rendering of services shall be ascertained according to the proportion of service costs incurred to the estimated total costs.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the enterprise; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognize the revenue from the rendering of services based on the cost of services already incurred and expected to be compensated, and the cost of services incurred shall be recognized as an expense for the current period. If the cost of services is not expected to be compensated, it shall be recognized as an expense.

When a contract or agreement signed by the Group includes sales of goods and rendering of services, if sales of goods and rendering of services can be differentiated and separately measured, they will be recognized respectively. If sales of goods and rendering of services cannot be differentiated or cannot be separately measured, they will be recognized as sales of goods in full.

(3) Revenue from transfer of assets use rights

Revenue from transfer of assets use rights includes interest income, charge for use, etc. Revenue from transfer of assets use rights is recognized when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably.

Methods for recognition of revenue from rendering service and commodity trading activities by the Company are as follows:

① Revenue from information service and website link service

Revenue is deferred equally within the agreed service period in accordance with contracts when the amount of revenue could be measured reliably, the relevant economic benefits will likely to inflow and the related costs incurred or to be incurred could be measured reliably.

② Revenue from meeting affairs service, consultancy, promotion and advertising service and other services

Revenue from meeting affairs service, consultancy, promotion and advertising service and other services is recognized when services are provided, the amount of revenue could be measured reliably, the relevant economic benefits will likely to inflow and the related costs incurred or to be incurred could be measured reliably. If the number of the services provided cannot be determined, the revenue shall be deferred equally within the agreed service period in accordance with contracts, unless there are evidences proving that the stage of completion can be better reflected by other methods.

③ Revenue from trade service

Revenue from trade service is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained, the amount of revenue could be measured reliably, the relevant economic benefits will likely to inflow, and related costs incurred or to be incurred could be measured reliably.

29. Government grants

(1) Basis for determination and accounting of government grant related to an asset

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are classified into government grants related to assets and government grants related to income. Government grants obtained for acquisition or construction of long-term assets or other forms of long-term asset formation are classified as related to assets. Other government grants are classified as related to income. If related government documents do not specify the objective of the grants, the grants are classified as related to assets or income as follows: (1) in case the grants are specified for a project in such documents, the grants are classified as related to assets and income based on the budgeted ratio of the expenditure on asset formation and the expenditure recorded as expenses, where such ratio should be reviewed on each balance sheet date and change when necessary; and (2) in case of general description without specifying any project in such documents, the grants are classified as related to income.

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the period.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the Requirements for Disclosure of Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment is specified in related documents and the payment thereof will be covered by corresponding budget to ensure such grants will be paid on time as specified; (4) pursuant to the specific situation between the Group and such grants, other relevant conditions (if any) should be satisfied.

A government grant related to an asset shall be recognized as deferred income, and evenly amortised to profit or loss over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant shall be recognized immediately in profit or loss for the period.

For the repayment of a government grant already recognized, if there is any balance of related deferred income, the repayment shall be setoff against the book value of the balance of deferred income, and any excess shall be recognized in profit or loss for the period; if there is no related deferred income, the repayment shall be recognized immediately in profit or loss for the period.

(2) Basis of judgment and accounting methods for income-related government grant

For government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and charged to profit or loss over the period in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, it is charged to profit or loss directly for the period.

30. Deferred tax assets/deferred tax liabilities

(1) Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirement of tax laws. The taxable profits for which the current income tax expense shall be paid is calculated pursuant to the related tax laws by making respective adjustments for the accounting profits before tax of the year.

(2) Deferred tax assets and deferred tax liabilities

Differences arising from the difference between the book value of an asset or liability and its tax base, and the temporary difference between the tax base and the book value of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognized for taxable temporary differences related to the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group shall not recognize the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes all deferred income tax liabilities arise from taxable temporary differences but for the exception mentioned above.

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognizes the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that the temporary difference will reverse in the foreseeable future or it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The Group recognizes other deferred income tax assets arise from deductible temporary differences but for the exception mentioned above, to the extent that it is probable that taxable profits will be available in the future against which the temporary difference can be utilized.

As for deductible loss or tax deduction that can be carried forward, the corresponding deferred tax assets shall be recognized to the extent that it is probable that taxable profits will be available in the future against which the deductible loss or tax deduction can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws.

The book value of deferred tax assets shall be reviewed at the balance sheet date. If it is unlikely that the Group can obtain sufficient taxable profit to offset the benefit of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is probable that the Group can obtain sufficient taxable profit, the amount written down previously shall be subsequently reversed.

(3) Income tax expenses

The income tax expenses include current income tax expense and deferred income tax expense.

Current income tax expense (current income tax income) and deferred income tax expense (deferred income tax income) are included in profit or loss for the current period, except for those recognized as other comprehensive income or current income tax and deferred income tax related to transactions or events that are directly recognized in owners' equity, which are recognized in other comprehensive income or owners' equity, and deferred income tax arising from a business combination, which is adjusted against the book value of goodwill.

(4) Offsetting of income taxes

If the Group has the legal rights to settle on a net base and has an intention to use net settlement or acquire assets and repay debts simultaneously, current income tax assets and current income tax liabilities of the Group are presented on a net base after offsetting.

If the Group has the legal rights to settle current income tax assets and current income tax liabilities on a net base and deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or acquire assets and repay debts simultaneously in the period during which every deferred income tax assets and liabilities with importance would be reversed in the future, current income tax assets and current income tax liabilities of the Group are presented on a net base after offsetting.

31. Leases

(1) Accounting treatment on operating leases

–

(2) Accounting treatment on finance leases

Finance leases are the leases in which substantially all the risks and rewards of asset ownership are transferred, the ownership will be transferred or may not be transferred eventually. All other leases are classified as operating leases.

(1) The Group as lessee under operating leases

Lease payment for operating lease is recognized as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is accounted in profit or loss for the current period. Contingent rent is recognized as profit or loss for the current period upon occurrence.

(2) The Group as lessor under operating leases

Rental income is recognized in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is significant is capitalized when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period; the initial direct cost where the amount is less significant is included in the profit or loss for the period when incurred. Contingent rental is accounted for as profit or loss for the period in which it is incurred.

32. Other significant accounting policies and estimates

(1) Changes in accounting policies

The Group adopted the following new standards and revised standards issued by the Ministry of Finance in 2014:

Accounting Standards for Business Enterprises – Basic Standard (Revised), Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment (Revised),

Accounting Standards for Business Enterprises No. 9 – Employee Benefits (Revised),

Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements (Revised),

Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements (Revised),

Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instrument (Revised),

Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement,

Accounting Standards for Business Enterprises No. 40 – Joint Arrangements,

Accounting Standards for Business Enterprises No. 41 – Disclosure of Equity in Other Entity.

Prior to the implement of Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment (Revised in 2014), equity investments where the Company does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured, are recognized as other long-term equity investments. Such investments are then accounted for using the cost method. After the implement of Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment (Revised in 2014), equity investments where the Company does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured, are recognized as available-for-sale financial assets. Retrospective adjustment is made based on the above changes in accounting policies.

The main influences that the Group implement the above mentioned accounting standards for business enterprises are as follow:

Contents and reasons for the change of accounting policies	**Names of the affected items in the statements**	**2014**	**2013**
Pursuant to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment revised by the Ministry of Finance in 2014	Long-term equity investment	-24,000,000.00	-14,000,000.00
	Available-for-sale financial assets	24,000,000.00	14,000,000.00

The other principal accounting policies did not have any change except for the above changes in accounting policies of the Group during the reporting period.

(2) The Group did not have any change in accounting estimates required to be disclosed in 2014.

33. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

√ Applicable ☐ Not applicable

Contents and reasons for the changes for accounting policies	**Approval processes**	**Remark**
–	–	–

According to eight accounting standards such as the Accounting Standards for Business Enterprise No.2 –Long-term Equity Investment issued by the Ministry of Finance in 2014, the Company changed relevant accounting policies and made retroactive restatement to the comparative financial statements, the restated balance sheets as at 1 January 2013 and 31 December 2013 are shown in Page 75-76.

(2) Changes in significant accounting estimates

☐ Applicable √ Not Applicable

34. Others

–

VI. TAXATION

1. Main Tax Types and Tax Rates

Tax Types	Taxation Basis	Tax Rates
Value added tax		The output VAT rate of domestic sales is 6%, 17%. VAT payable is the net difference between output VAT and the deductible input VAT or pursuant to the 3% tax rate.
Business tax		5% of taxable revenue
Urban maintenance and construction tax		5%, 7% of actual payment of turnover tax

Disclosure on the different enterprise income tax rate for entity subject to taxation

Entity subject to taxation	Income tax rate
Shanghai Ganglian E-Commerce Holdings Co., Ltd	15% of taxable income
Beijing Ganglian Maidi E-commerce Co., Ltd	25% of taxable income
Wuxi Ganglian E-commerce Co., Ltd	25% of taxable income
上海鋼銀電子商務股份有限公司	25% of taxable income
Shanghai B&Y Brand Architects Co., Ltd	25% of taxable income
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	25% of taxable income
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	25% of taxable income

2. Tax Incentives

Pursuant to the relevant regulations of the Administrative Methods for the Confirmation of New and High Technology Enterprises (Guo Ke Fa Huo [2008] No. 172) (《高新技術企業認定管理辦法》 (國科發火[2008]172號)), Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2008] No. 362) (《高新技術企業認定管理工作指引》(國科發火[2008]362號)), Notice on the Relevant Matters Concerning the Change of Name and Review of New and High Technology Enterprises (Guo Ke Huo Zi (2011) No. 123) (《關於高新技術企業更名和複審等有關事項的通知》 (國科火字(2011)123號)) and

Administrative Measures for the Accreditation of High-Tech Enterprises in Shanghai (Hu Ke He (2008) No. 025) (《上海高新科技企業認定管理實施辦法》(滬科合(2008)第025號)), parent company of the Group Shanghai Ganglian E-Commerce Holdings Co., Ltd were entitled to enjoy a reduced 15% enterprise income tax rate from 1 January 2014 to 30 September 2017.

3. Others

–

VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Treasury cash	31,494.55	66,159.91
Bank deposit	158,032,839.51	194,346,438.56
Total	158,064,334.06	194,412,598.47

Other explanation

2. Financial assets measured at fair value with changes included in profit or loss for the period

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanation:

3. Derivative financial assets

□ Applicable √ Not Applicable

4. Bills receivable

(1) Classification of bills receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	15,204,511.00	696,629.04
Total	15,204,511.00	696,629.04

(2) Bills receivable of the Company pledged at the end of the period

Unit: RMB

Item	Pledged amount at the end of the period
–	–

(3) Outstanding bills receivable endorsed or discounted by the Company at the end of the period

Unit: RMB

Item	Derecognized amount at the end of the period	Recognized amount at the end of the period
–	–	–

(4) Trade receivables transferred from bills receivable because of the drawers' inability to pay at the end of the period

Unit: RMB

Item	Transferred trade receivables amount
–	–

Other explanation

5. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	*Proportion*	*Amount*	*Provision proportion*		*Amount*	*Proportion*	*Amount*	*Provision proportion*	
Accounts receivable that are provided for bad debts on the base of credit risk features portfolio	1,192,230.00	100.00%	179,986.50	15.10%	1,012,243.50	2,223,670.00	100.00%	122,521.00	5.51%	2,101,149.00
Total	1,192,230.00	100.00%	179,986.50	15.10%	1,012,243.50	2,223,670.00	100.00%	122,521.00	5.51%	2,101,149.00

Accounts receivable that are individually significant and provided for bad debts separately at the end of the period:

□ Applicable √ Not Applicable

Accounts receivable of which provision for bad debts is made based on aging analysis method in the portfolio:

√ Applicable □ Not Applicable

Unit: RMB

Aging	Closing balance Accounts receivable	Provision for bad debts	Provision proportion
Segments for accounts receivable within 1 year			
Sub-total for accounts receivable within 1 year	924,730.00	46,236.50	5.00%
1-2 years	267,500.00	133,750.00	50.00%
Total	1,192,230.00	179,986.50	

Explanation on the basis of recognition of the portfolio:

Accounts receivable using percentage of balance for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Accounts receivables using other methods for making bad debt provision in the portfolio:

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB57,465.50. The amount for bad debt provision recovered or reversed during the current period was RMB nil.

Of which significant recovered or reversed bad debt provision:

Unit: RMB

Unit name	Recovered or reversed amount	Recovered method
–	–	–

(3) *Particulars of accounts receivable actually written off during the period*

Unit: RMB

Item	Amount written off
–	–

Particulars of significant accounts receivable written off:

Unit: RMB

Unit name	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedure performed	Whether the amount arose from connected transaction
–	–	–	–	–	–

Explanation on accounts receivable written off:

(4) *Balance of accounts receivable due from top five debtors at the end of the period*

(5) *Accounts receivable derecognized due to the transfer of financial assets*

(6) *Transferred accounts receivable which continued to involve relevant assets and liabilities formed*

Other explanation:

6. Prepayments

(1) *Presentation of prepayments stated according to aging analysis*

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	*Proportion*	*Amount*	*Proportion*
Within 1 year	655,447,860.09	100.00%	246,686,131.05	100.00%
1-2 years	4,800.00	0.00%		
Total	655,452,660.09	–	246,686,131.05	–

Reason for unsettlement of significant prepayments overdue for more than 1 year:

(2) Balance of prepayment of top five payees at the end of the period

Other explanation:

7. Interest receivable

(1) Classification of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

(2) Significant overdue interest

Borrowing unit	Closing balance	Overdue time	Overdue reasons	Whether there is impairment and the basis of impairment
–	–	–	–	–

Other explanation:

8. Dividends receivable

(1) Dividends receivable

Unit: RMB

Item (or invested unit)	Closing balance	Opening balance
–	–	–

(2) Significant dividends receivable with aging more than 1 year

Unit: RMB

Item (or invested unit)	Closing balance	Aging	Reasons for not being recovered	Whether there is impairment and the basis of impairment
–	–	–	–	–

Other explanation:

9. Other receivables

(1) Disclosure of other receivables by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	*Proportion*	*Amount*	*Provision proportion*		*Amount*	*Proportion*	*Amount*	*Provision proportion*	
Other receivables that are provided for bad debts on the base of credit risk features portfolio	146,518,793.04	100.00%	8,762.80	0.01%	146,510,030.24	667,819.80	100.00%	5,476.75	0.82%	662,343.05
Total	146,518,793.04	100.00%	8,762.80	0.01%	146,510,030.24	667,819.80	100.00%	5,476.75	0.82%	662,343.05

Other receivables that are individually significant and are provided for bad debts separately at the end of the period:

☐ Applicable √ Not applicable

Other receivables of which provision for bad debts is made based on aging analysis method in the portfolio:

√ Applicable ☐ Not Applicable

Unit: RMB

	Closing balance		
Aging	**Other receivables**	**Provision for bad debts**	**Provision proportion**
Segments for other receivables within 1 year			
Sub-total for other receivables within 1 year			
1-2 years			
2-3 years	10,953.50	8,762.80	80.00%
Over 3 years			
3-4 years			
4-5 years			
Over 5 years			
Total	10,953.50	8,762.80	80.00%

Explanation on the basis of recognition of the portfolio:

Other receivables using percentage of balance for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

(2) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the current period amounted to RMB nil. The amount for bad debt provision recovered or reversed during the current period was RMB nil.

Of which significant recovered or reversed bad debt provision:

Unit: RMB

Unit name	Recovered or reversed amount	Recovered method
–	–	–

(3) *Particulars of other receivables actually written off during the period*

Unit: RMB

Item	Amount written off
–	–

Of which significant other receivables written off:

Unit: RMB

Unit name	Nature of other receivables	Amount written off	Reasons for write-off	Write-off procedure performed	Whether the amount arose from connected transactions
–	–	–	–	–	–

Explanation on other receivables written off:

(4) *Other receivables by nature*

Unit: RMB

Nature	Closing book balance	Opening book balance
Guarantee deposits for services and deposits	142,833,911.13	290,047.00
Advances to staff	1,468,685.61	216,533.43
Others	2,216,196.30	161,239.37
Total	146,518,793.04	667,819.80

(5) *Balance of other receivables due from top five debtors at the end of the period*

Unit: RMB

Unit name	Nature	Closing balance	Aging	Proportion of closing balance of total other receivables	Closing balance of bad debt provision
–	–	–	–	–	–

(6) *Receivables related to government grant*

Unit: RMB

Unit name	Project name of government grant	Closing balance	Aging at the end of the period	Expected grant time, amount and basis
–	–	–	–	–

(7) *Other receivables derecognized due to the transfer of financial assets*

(8) *Transferred other receivables which continued to involve relevant assets and liabilities formed*

Other explanation:

10. Inventories

(1) *Categories of inventories*

Unit: RMB

	Closing balance			Opening balance		
Item	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Goods in stock	279,978,375.55		279,978,375.55	78,781,614.74		78,781,614.74
Total	279,978,375.55		279,978,375.55	78,781,614.74		78,781,614.74

(2) Provision for inventory impairment

Unit: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
–	–	–	–	–	–	–

(3) Particulars of capitalised borrowing costs included in closing balance of inventory

(4) Particulars of completed but unsettled assets as at the end of the period as per construction contracts

Unit: RMB

Item	Amount
–	–

Other explanations:

11. Classified as assets held for sale

Unit: RMB

Item	Closing book value	Fair value	Estimated disposal costs	Estimated disposal time
–	–	–	–	–

Other explanations:

12. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

13. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax	1,384,845.09	2,428,733.15
Tax to be deducted	14,810,050.11	6,012,178.19
Others	1,108,000.00	1,060,000.00
Total	17,302,895.20	9,500,911.34

Other explanations:

Notes: deferred tax arises mainly because the Company's information services and webpage-link services for customers are provided in future periods with the relevant turnover tax paid upon issuing invoice, while the corresponding income defers evenly during the agreed period. The breakdown of the turnover tax invoiced but not yet recognised accounted for as deferred tax under other current assets is as follows:

Item	Amount at the end of the year	Amount at the beginning of the year
Business tax	295,407.59	1,230,759.94
Urban construction tax	16,821.71	86,153.20
Educational surcharges	14,770.48	61,538.09
Watercourse management fee	2,638.52	10,698.79
Cultural undertakings construction fee	1,054,336.38	1,038,359.05
Others	870.41	1,224.08
Total	1,384,845.09	2,428,733.15

14. Available-for-sale financial assets

(1) Particulars of available-for-sale financial assets

Unit: RMB

	Closing balance			Opening balance		
Item	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments:	24,000,000.00		24,000,000.00	14,000,000.00		14,000,000.00
At cost	24,000,000.00		24,000,000.00	14,000,000.00		14,000,000.00
Total	24,000,000.00		24,000,000.00	14,000,000.00		14,000,000.00

(2) Available-for-sale financial assets measured at fair value as at the end of the period

Unit: RMB

Classification of available-for-sale financial assets	Costs of equity instruments/ amortised costs of debt instruments	Fair value	Changes in fair value accumulated in other comprehensive income	Amount provided for impairment
–	–	–	–	–

(3) *Available-for-sale financial assets measured at cost as at the end of the period*

Unit: RMB

Investee	Book balance: Opening balance	Book balance: Increase for the period	Book balance: Decrease for the period	Book balance: Closing balance	Provision for impairment: Opening balance	Provision for impairment: Increase for the period	Provision for impairment: Decrease for the period	Provision for impairment: Closing balance	Shareholding in the investee	Cash dividend for the period
山東鋼聯電子商務有限公司 (Shandong Ganglian Ecommerce Co., Ltd*)	2,000,000.00			2,000,000.00					2.86%	
杭州高達軟件系統股份有限公司 (Hangzhou Gaoda Software System Co., Ltd*)	12,000,000.00			12,000,000.00					10.00%	
上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)		10,000,000.00		10,000,000.00					10.00%	
Total	14,000,000.00	10,000,000.00		24,000,000.00						

(4) *Changes in impairment of available-for-sale assets during the reporting period*

Unit: RMB

Classification of available-for-sale financial assets	Opening balance of provision for impairment	Provision for the period	Including: transferred from other comprehensive income	Decrease for the period	Including: Reversals of increase in fair value after the end of period	Closing balance of provision for impairment
–	–	–	–	–	–	–

(5) *Particulars of fair value of available-for-sale equity instruments as at the end of the period experiencing severe decline or non-temporary decline but not yet provided for impairment*

Unit: RMB

Item of available-for-sale equity instruments	Investment costs	Fair value as at the end of the period	Decline of fair value as compared with cost	Duration of continuous decline (months)	Amount provided for impairment	Reason for not making impairment provision
–	–	–	–	–	–	–

Other explanations

15. Held-to-maturity investment

(1) Particulars of held-to-maturity investment

Unit: RMB

	Closing balance			Opening balance		
		Provision for			Provision for	
Item	Book balance	impairment	Book value	Book balance	impairment	Book value
–	–	–	–	–	–	–

(2) Significant held-to-maturity investment as at the end of the period

Unit: RMB

Item of bonds	Par value	Nominal interest rate	Effective interest rate	Maturity date
–	–	–	–	–

(3) Reclassification of held-to-maturity investment during the period

Other explanations

16. Long-term receivables

(1) Particulars of long-term receivables

Unit: RMB

	Closing balance			Opening balance			
Item	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value	Range of discount rate
–	–	–	–	–	–	–	–

(2) Long-term receivables derecognised due to the transfer of financial assets

(3) The transfer of long-term receivables and the amount of continuous involvement with resulting assets and liabilities

Other explanations

17. Long-term equity investments

Unit: RMB

Investee	Opening balance	Investment addition	Investment reduction	Increase/decrease for the period: Profit or loss of investment recognised under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividend or profit	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
II. Associates											
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co. Ltd.*)	9,144,778.64			-442,702.88					8,702,075.76		
上海領建網絡有限公司 (Shanghai Lingjian Network Co., Ltd.*)	3,634,423.58			-1,001,005.63					2,633,417.95		
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	1,842,935.58	7,400,000.00		11,284.14					9,254,219.72		
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	1,960,716.10			5,463.25					1,966,179.40		
Subtotal	16,582,853.90	7,400,000.00		-1,426,961.12					22,555,892.83		
Total	16,582,853.90	7,400,000.00							22,555,892.83		

Other explanations

18. Investment properties

(1) Investment properties measured at cost

☐ Applicable √ Not applicable

(2) Investment properties measured at fair value

☐ Applicable √ Not applicable

(3) Particulars of investment properties not yet obtaining property right certificates

Unit: RMB

Item	Book value	Reason for not yet obtaining property right certificates
–	–	–

Other explanations:

19. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Property	Machinery and equipment	Electronic equipment	Vehicles	Others	Total
1. Opening balance	231,772,115.85		28,644,455.49	6,960,106.71	3,661,227.52	271,037,905.57
2. Increase for the period			11,630,461.19	1,806,893.65	2,047,421.68	15,484,776.52
(1) Purchase			11,630,461.19	1,806,893.65	2,047,421.68	15,484,776.52
3. Decrease for the period			2,588,302.26		6,420.00	2,594,722.26
(1) Disposal or retirement			2,588,302.26		6,420.00	2,594,722.26
4. Closing balance	231,772,115.85		37,686,614.42	8,767,000.36	5,702,229.20	283,927,959.83
1. Opening balance	15,548,805.20		17,264,949.89	3,929,107.92	1,929,984.11	38,672,847.12
2. Increase for the period	8,042,221.32		4,717,346.65	1,252,420.25	714,813.22	14,726,801.44
(1) Provision	8,042,221.32		4,717,346.65	1,252,420.25	714,813.22	14,726,801.44
3. Decrease for the period			608,850.27		6,099.00	614,949.27
(1) Disposal or retirement			608,850.27		6,099.00	614,949.27
4. Closing balance	23,591,026.52		21,373,446.27	5,181,528.17	2,638,698.33	52,784,699.29
1. Closing book value	208,181,089.33		16,313,168.15	3,585,472.19	3,063,530.87	231,143,260.54
2. Opening book value	216,223,310.65		11,379,505.60	3,030,998.79	1,731,243.41	232,365,058.45

(2) Particulars of temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
–	–	–	–	–	–

(3) Fixed assets leased under finance lease

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value
–	–	–	–	–

(4) *Fixed assets rent out under operating lease*

Unit: RMB

Item	Book value as at the end of the period
–	–

(5) *Particulars of fixed assets not yet obtaining property right certificates*

Unit: RMB

Items	Book value	Reason for not yet obtaining property right certificates
–	–	–

Other explanations

20. Construction in progress

(1) *Particulars of construction in progress*

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
–	–	–	–	–	–	–

(2) *Changes in material construction in progress projects for the period*

Unit: RMB

Item name	Budget	Opening balance	Increase for the period	Transfer to fixed assets for the period	Other deductions for the period	Closing balance	Accumulated investment to budget	Construction in progress	Accumulated capitalised interest	Of which: capitalised interest for the period	Capitalisation rate of the interest for the period	Source of fund
–	–	–	–	–	–	–	–	–	–	–	–	–

(3) Particulars of provision for impairment of construction in progress for the period

Unit: RMB

Item	Provision for the period	Reason for provision
–	–	–

Other explanations

21. Construction materials

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

22. Disposal of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

23. Productive biological assets

(1) Productive biological assets measured at cost

□ Applicable √ Not applicable

(2) Productive biological assets measured at fair value

□ Applicable √ Not applicable

24. Oil and gas assets

□ Applicable √ Not applicable

25. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-patented technology	Others	Total
1. Opening balance	25,647,000.00				25,647,000.00
4. Closing balance	25,647,000.00				25,647,000.00
1. Opening balance	1,538,820.00				1,538,820.00
2. Increase for the period	512,940.00				512,940.00
(1) Provision	512,940.00				512,940.00
4. Closing balance	2,051,760.00				2,051,760.00
1. Closing carrying amount	23,595,240.00				23,595,240.00
2. Opening carrying amount	24,108,180.00				24,108,180.00

The proportion in the intangible assets balance represented by the intangible assets generated from the internal research and development of the Company at the end of the period.

(2) Particulars of land use rights without obtaining property right certificates

Unit: RMB

Item	Book value	Reason for not yet obtaining property right certificates
–	–	–

Other explanations:

26. Development expenditure

Unit: RMB

Item	Opening balance	Increase for the period: Internal development spending	Increase for the period: Others	Decrease for the period: Recognized as intangible asset	Decrease for the period: Transferred into current profit or loss	Decrease for the period: Others	Closing balance
–	–	–	–	–	–	–	–

Other explanations

27. Goodwill

(1) *Original carrying amount of goodwill*

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period: Arising from business combination	Increase for the period: Others	Decrease for the period: Disposal	Decrease for the period: Others	Closing balance
–	–	–	–	–	–	–

(2) *Provision for impairment of goodwill*

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period: Provision	Increase for the period: Others	Decrease for the period: Disposal	Decrease for the period: Others	Closing balance
–	–	–	–	–	–	–

Explanation on the process of goodwill impairment test, the inputs and the recognition method for the goodwill impairment loss:

Other explanations

28. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortisation for the period	Other deductions	Closing balance
House renovation expenses	344,680.00	741,119.20	571,137.77		514,661.43
Advertising lamp box, outdoor billboard, etc.	568,798.70		310,382.03		258,416.67
Total	913,478.70	741,119.20	881,519.80		773,078.10

Other explanations

29. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets before offsetting

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	188,049.30	29,458.67	126,417.75	22,192.84
Deductible loss	19,987,429.86	4,996,857.47		
Effect of deferred income	272,572.82	68,143.21	678,559.87	169,639.97
Staff remuneration payable	2,769,683.66	692,420.91		
Total	23,217,735.64	5,786,880.26	804,977.62	191,832.81

(2) *Deferred income tax liabilities before offsetting*

Unit: RMB

	Closing balance		Opening balance	
Item	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
–	–	–	–	–

(3) *Deferred income tax assets or liabilities presented with the net amount after offsetting*

Unit: RMB

Item	Ending set-off amount between deferred income tax assets and liabilities	Closing balance of the deferred income tax assets or liabilities after offsetting	Beginning set-off amount between the deferred income tax assets and liabilities	Opening balance of the deferred income tax assets or liabilities after offsetting
Deferred income tax assets		5,786,880.26		191,832.81

(4) *Breakdown of unrecognized deferred income tax assets*

Unit: RMB

Item	Closing balance	Opening balance
Deductible loss	2,052,741.75	2,620,483.40
Provision for impairment of assets	700.00	1,580.00
Total	2,053,441.75	2,622,063.40

(5) Expiry of deductible loss of unrecognized deferred income tax assets falls in the years as follows

Unit: RMB

Year	Closing amount	Opening amount	Remark
2014		350,826.44	
2015	772,324.69	2,269,656.96	
2019	1,280,417.06		
Total	2,052,741.75	2,620,483.40	–

Other explanations:

30. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

31. Short-term borrowings

(1) By categories

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed borrowings	68,000,000.00	98,000,000.00
Credit borrowings	48,800,000.00	28,900,000.00
Total	116,800,000.00	126,900,000.00

Explanations on the categories of short-term borrowings:

Note: By the end of this year, the balance of guaranteed borrowings totalled RMB68 million, of which the parent company Shanghai Ganglian E-commerce Holdings Co., Ltd. had bank borrowing of RMB20 million, guaranteed by shareholder Zhu Junhong (朱軍紅); and the subsidiary 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.) had bank borrowing of RMB48 million, guaranteed by its parent company Shanghai Ganglian E-commerce Holdings Co., Ltd. with maximum guarantee amount.

(2) *Short-term borrowings due and outstanding*

Short-term borrowings due and outstanding at the end of the period is RMB nil, and the particulars of significant short-term borrowings due and outstanding are as follows:

Unit: RMB

Borrowing unit	Closing balance	Lending rate	Overdue period	Overdue Rate
–	–	–	–	–

Other explanations:

32. Financial liabilities at fair value through profit or loss

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

33. Derivative financial liabilities

□ Applicable √ Not applicable

34. Bills payable

Unit: RMB

Type	Closing balance	Opening balance
–	–	–

Unpaid bills payable due as at the end of the period amounted to RMB nil.

35. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Loans	28,287,235.42	
Total	28,287,235.42	

(2) Significant accounts payable for over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
–	–	–

Other explanations:

36. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Advance receipts from deferred income	72,976,012.09	76,396,022.53
Other advance receipts	237,509,184.27	38,269,464.01
Total	310,485,196.36	114,665,486.54

(2) *Significant advance receipts for over 1 year*

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
–	–	–

(3) *Construction contract settled but not yet completed at the end of the period*

Unit: RMB

Item	Amounts
–	–

Other explanations:

37. Staff remuneration payables

(1) *Particulars of staff remuneration payables*

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	320,732.09	122,650,393.10	120,706,677.24	2,264,447.95
II. Post-employment benefit plan-defined contribution scheme		13,141,290.43	12,636,054.72	505,235.71
Total	320,732.09	135,791,683.53	133,342,731.96	2,769,683.66

(2) *Particulars of short-term remuneration*

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Salaries, bonuses, allowance and subsidies		104,690,658.77	102,865,621.83	1,825,036.94
2. Staff welfare		3,679,073.40	3,679,073.40	
3. Social insurance premium		8,150,912.70	7,895,284.49	255,628.21
Of which: Medical insurance premium		6,874,475.70	6,649,879.93	224,595.77
Work-related injury insurance premium		334,039.69	319,803.25	14,236.44
Maternity insurance premium		503,301.21	486,505.21	16,796.00
Disable subsistence allowance		439,096.10	439,096.10	
4. Housing provident funds		6,038,677.09	5,854,894.29	183,782.80
5. Labor union funds and staff education funds	320,732.09	91,071.14	411,803.23	
Total	320,732.09	122,650,393.10	120,706,677.24	2,264,447.95

(3) *Particulars of defined contribution scheme*

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension insurance		12,365,705.23	11,888,007.99	477,697.24
2. Unemployment insurance expense		775,585.20	748,046.73	27,538.47
Total		13,141,290.43	12,636,054.72	505,235.71

Other explanations:

Note: The Company participates the pension insurance and unemployment insurance plans established by the government authorities as required, except for the monthly contribution as above-mentioned, the Company shall not assume any further payment obligation. The corresponding expenses are recorded in profit or loss for the period or as costs of related assets when occurred.

38. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	1,377,428.86	651,498.30
Business tax	391,936.81	245,904.27
Enterprise income tax	2,071,404.53	1,804,301.08
Individual income tax	454,455.91	12,938.90
Urban maintenance and construction tax	89,887.07	60,092.98
Educational surcharges	41,388.87	44,870.15
Others	424,254.58	317,542.91
Total	4,850,756.63	3,137,148.59

Other explanations:

39. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds		1,597,333.30
Interest payable for short-term borrowings	75,619.95	
Total	75,619.95	1,597,333.30

Particulars of significant overdue unpaid interest:

Unit: RMB

Borrowing units	Overdue amounts	Overdue reason
–	–	–

Other explanations:

40. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanation, including significant unpaid dividends payable for over 1 year, the reasons for unpaid shall be disclosed:

41. Other payables

(1) *Particulars of other payables by nature*

Unit: RMB

Item	Closing balance	Opening balance
Loan guarantees	128,066,059.65	49,018,654.74
Temporary estimated amount of projects	23,370,610.11	31,452,692.26
Intercourse funds	1,077,873.19	4,843,460.17
Property expenses		805,248.00
Others	1,122,719.91	1,388,034.87
Total	153,637,262.86	87,508,090.04

(2) *Significant other payables for over 1 year*

Unit: RMB

Item	Closing balance	Reasons for outstanding or not carried forward
Temporary estimated amount of projects	23,370,610.11	Not settled
Total	23,370,610.11	–

Other explanations

42. Liabilities classified as held for sale

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

43. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,500,000.00	
Total	2,500,000.00	

Other explanations:

44. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Increase/decrease of short-term bonds payable:

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/ discount	Repayment during the period	Others	Closing balance
-	-	-	-	-	-	-	-	-	-	-	-

Other explanations:

45. Long-term borrowings

(1) By categories

Unit: RMB

Item	Closing balance	Opening balance
Pledged borrowings	79,500,000.00	
Less: Long-term borrowings due within one year	-2,500,000.00	
Total	77,000,000.00	

Explanation on the categories of long-term borrowings:

Note: At the end of the year, the long-term borrowings was a fixed-asset pledged loan provided by Shanghai Branch of China Construction Bank Baoshan Branch, totaling RMB95 million with the borrowing term from 25 February 2014 to 24 February 2019 and bearing interest at floating rate (5% discount to the benchmark interest rate). At the end of the year, the outstanding borrowings balance was RMB79.5 million guaranteed by the company with buildings and land as mortgage. Details of the classes and amount of the mortgage assets of pledged borrowings are set out in Note 6, 10(2) in relation to fixed assets with restricted ownership.

Other explanation, including interest rate range:

46. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
The first tranche of 2010 "Zhang Jiang Science and Technology SMEs" collective notes, Pudong New Area, Shanghai (上海浦東新區2010年度第一期「張江科技型中小企業」集合票據)		31,984,000.00
Total		31,984,000.00

(2) Increase/decrease in bonds payable (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

Unit: RMB

Name of bond	Par value	Date of issue	Term	Amount	Opening balance	Issue during the period	Interest at par value	Amortisation of premium/ discount	Repayment during the period	Others	Closing balance
The first tranche of 2010 "Zhang Jiang Science and Technology SMEs" collective notes, Pudong New Area, Shanghai (上海浦東新區2010年度第一期「張江科技型中小企業」集合票據)		25 February 2011	24 February 2014	32,000,000.00	31,984,000.00				32,000,000.00		
Total				32,000,000.00	31,984,000.00				32,000,000.00		

(3) Particulars of the conversion conditions and conversion time of the convertible bonds

–

(4) *Particulars of other financial instruments classified as financial liabilities*

General information on financial instruments such as preference shares and perpetual bonds in issue at the end of the period

Table of changes on financial instruments such as preference shares and perpetual bonds in issue at the end of the period

Unit: RMB

Financial instrument in issue	At the beginning of the period		Increase for the period		Decrease for the period		At the end of the period	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
-	-	-	-	-	-	-	-	-

Explanation on the basis of other financial instruments classified as financial liabilities

Other explanations

47. Long-term payables

(1) *Particulars of long-term payables by nature*

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

48. Long-term staff remuneration payables

(1) *Table of long-term staff remuneration payables*

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

(2) Changes in defined benefit plan

Present value of obligations under the defined benefit plan:

Unit: RMB

Item	Amount for the period	Amount for the prior period
–	–	–

Assets under the plan:

Unit: RMB

Item	Amount for the period	Amount for the prior period
–	–	–

Net liabilities (net assets) under the defined benefit plans

Unit: RMB

Item	Amount for the period	Amount for the prior period
–	–	–

Explanation on content of the defined benefit plan, associated risks, and the impact on the time and uncertainty of the company's future cash flow:

Explanation on significant actuarial assumptions and sensitivity analysis of the defined benefit plan:

Other explanations:

49. Special accounts payable

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
–	–	–	–	–	–

Other explanations:

50. Estimated liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reason
–	–	–	–

Other explanations, including explanations on the relevant major assumptions and estimates of the significant estimated liabilities:

51. Deferred income

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government grant	20,349,395.73	16,015,000.00	2,057,178.55	34,307,217.18	Asset-related income has not been fully recognized
Total	20,349,395.73	16,015,000.00	2,057,178.55	34,307,217.18	–

Items in respect of government grant:

Unit: RMB

Liabilities item	Opening balance	New grants for the period	Amount included in non-operating income for the period	Other changes	Closing balance	Asset-related/ income-related
Special funds for modern service industry comprehensive pilots in Shanghai *(Note)*	19,293,555.56	16,015,000.00	1,412,652.79		33,895,902.77	Asset-related
Funds for guiding the service industry development in Shanghai	900,000.00		600,000.00		300,000.00	Asset-related
Special funds for SMEs development	155,840.17		44,525.76		111,314.41	Asset-related
Total	20,349,395.73	16,015,000.00	2,057,178.55		34,307,217.18	

Other explanations:

Note: Special funds for modern service industry comprehensive pilots in Shanghai: According to the Notice on the Written Reply regarding the Solution for Modern Service Industry Comprehensive Pilots in Shanghai Issued by Ministry of Finance and MOFCOM (Cai Jian Han [2011], No.74) (《財政部商務部關於批覆上海市現代服務業綜合試點方案的通知》(財建函[2011]74號)) and the Notice on Printing and Issuing the Utilization and Management Rules regarding the Special Funds for Modern Service Industry Comprehensive Pilots in Shanghai Issued by Shanghai Municipal Commission of Commerce and Shanghai Municipal Finance Bureau (Hu Shang Cai [2012], No.517) (《上海市商務委、上海市財政局關於印發上海現代服務業綜合試點專項資金使用和管理辦法的通知》(滬商財[2012]517號)), the "E-commerce Project for Bulk Commodity" (大宗商品電子商務項目) of the Company was included in the modern service industry comprehensive pilots project in Shanghai. According to the Letter on Application for Distribution of the 2011 Special Funds (First Batch) for Modern Service Industry Comprehensive Pilots in Shanghai (Hu Shang Cai [2012], No.585) 《上海市商務委關於商請撥付2011年上海現代服務業綜合試點項目專項資金(第一批)的函》(滬商財[2012]585號), the Company received the special funds RMB16.015 million in total from the municipal financial payment center in 2014. The funds for "E-commerce Project for Bulk Commodity" has applied to the construction of projects in progress and recognized as asset-related government grant, and amortised equally to the profit or loss over the useful lives of the related assets.

52. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

Other explanations:

53. Share capital

Unit: RMB

	Opening balance	Increase/decrease (+, -) Issue of new shares	Bonus shares	Shares converted from reserve fund	Others	Sub-total	Closing balance
Total shares	120,000,000.00			36,000,000.00		36,000,000.00	156,000,000.00

Other explanations:

54. Other equity instruments

(1) *General information on other financial instruments such as preference shares and perpetual bonds in issue at the end of the period*

(2) *Table of changes on financial instruments such as preference shares and perpetual bonds in issue at the end of the period*

Unit: RMB

Financial instrument in issue	At the beginning of the period Number	Book value	Increase for the period Number	Book value	Decrease for the period Number	Book value	At the end of period Number	Book value
-	-	-	-	-	-	-	-	-

The increase/decrease of other equity instruments for the period, reasons for such change and basis of the related accounting treatments:

Other explanations:

55. Capital reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (share premium)	146,173,380.10	51,374,761.73	36,000,000.00	161,548,141.83
Total	146,173,380.10	51,374,761.73	36,000,000.00	161,548,141.83

Other explanations, including explanations on the increase/decrease for the period and reasons for such changes:

Note:

(1) During the year, the capital reserve decreased due to the contribution to share capital. Please refer to the "General Information of the Company" in Note III for more details;

(2) During the year, the capital reserve increased due to the capital contributions made by the subsidiary 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.) for three times, which increased the capital reserves by RMB51,374,761.73.

56. Treasury shares

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Other explanations, including explanations on the increase/decrease for the period and reasons for such changes:

57. Other comprehensive income

Unit: RMB

		Amounts for the period					
Item	Opening balance	Amount incurred before income tax for the period	Less: Transferred from other comprehensive income in prior periods to profit or loss for the period	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Closing balance
–	–	–	–	–	–	–	–

Other explanations, including the adjustment on initial recognition upon transfer to hedged item from the effective portion of hedging gains and losses from cash flow:

58. Special reserves

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Other explanations, including explanations on the increase/decrease for the period and reasons for such changes:

59. Surplus reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	14,981,306.01	2,886,871.69		17,868,177.70
Total	14,981,306.01	2,886,871.69		17,868,177.70

Explanations on the surplus reserve, including explanations on the increase/decrease for the period and reasons for such changes:

Note: Pursuant to the Companies Law and the Articles of Association, the Company transferred 10% of the net profit to the statutory surplus reserves. There was no need to transfer if the accumulated amounts of the surplus reserves exceeded 50% of the Company's registered capital.

The Company can withdraw the discretionary surplus reserve upon the withdrawal of statutory surplus reserve. Once approved, the discretionary surplus reserve can be used to offset loss for prior years or increase the share capital.

60. Retained profit

Unit: RMB

Item	**The period**	**The prior period**
Retained profit as at the beginning of the period after adjustment	98,079,379.18	97,974,560.64
Plus: Net profit for the period attributable to the owners of the parent company	18,775,724.65	21,590,786.44
Less: withdrawal of the statutory surplus reserves	2,886,871.69	1,485,967.90
Ordinary dividend payable	6,000,000.00	4,000,000.00
Ordinary dividend transferred to capital		16,000,000.00
Retained profit at the end of the period	107,968,232.14	98,079,379.18

Breakdown of retained profit as at the beginning of the period when adjustment:

1) The effect of the retroactive adjustment made according to the Enterprise Accounting Standards and related new regulations on the retained profit at the beginning of the period amounted to RMB nil.

2) The effect of the change in accounting policy on the retained profit at the beginning of the period amounted to RMB nil.

3) The effect of the correction of significant accounting errors on the retained profit at the beginning of the period amounted to RMB nil.

4) The effect of the change of the scope of consolidation caused by common control on the retained profit at the beginning of the period amounted to RMB nil.

5) The effect of other adjustments on the retained profit at the beginning of the period amounted to RMB nil.

61. Revenue and operating costs

Unit: RMB

Item	Amount for the period		Amount for the prior period	
	Revenue	Operating costs	Revenue	Operating costs
Principal activities	7,554,989,672.44	7,355,051,853.07	1,553,053,134.81	1,396,635,259.42
Other activities	2,120,479.17	438,650.30		
Total	7,557,110,151.61	7,355,490,503.37	1,553,053,134.81	1,396,635,259.42

62. Business taxes and surcharges

Unit: RMB

Item	Amount for the period	Amount for the prior period
Business tax	1,995,470.07	2,708,446.11
Urban maintenance and construction tax	696,202.51	439,335.37
Educational surcharges	636,507.65	324,818.43
Others	19,948.73	5,981.00
Total	3,348,128.96	3,478,580.91

Other explanations:

63. Selling expenses

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Wages	64,157,362.24	37,165,348.53
Social insurance premium	13,208,140.31	9,439,027.11
Advertising printing production expenses	5,610,767.89	3,904,084.58
Consulting expenses	4,568,461.09	1,394,802.10
Housing provident fund	3,586,007.32	2,321,720.48
Office expenses	3,582,924.71	5,682,926.59
Travel expenses	3,574,935.23	3,148,758.72
Information expenses	2,815,742.15	1,659,144.36
Rental expenses	2,328,841.51	2,034,208.71
Business entertainment expenses	1,580,533.52	1,771,915.77
Others	5,719,134.23	7,209,717.17
Total	110,732,850.20	75,731,654.12

Other explanations:

64. Administrative expenses

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Technological development expenses	20,502,831.92	14,011,123.70
Wages	15,125,460.81	11,032,285.30
Depreciation expenses	13,894,672.61	10,042,465.88
Welfare expenses	3,976,537.26	4,452,044.66
Social insurance premiums	2,717,627.91	2,583,224.01
Office expenses	2,417,467.71	2,086,308.66
Cultural undertakings construction fee	2,028,721.30	2,059,345.97
Rentals and property management fees	850,922.86	1,315,699.13
Travel expenses	795,006.67	1,024,575.04
Business entertainment expenses	390,621.00	422,507.60
Equity incentives of subsidiaries	4,000,000.00	
Others	5,743,291.41	2,545,540.43
Total	72,443,161.46	51,575,120.38

Other explanations:

65. Financial expenses

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Interest expenses	14,905,835.43	4,917,383.93
Less: interest income	3,567,499.60	2,886,897.56
Foreign exchange gains or losses	-81,713.51	9,654.54
Others	323,253.36	929,732.43
Total	11,579,875.68	2,969,873.34

Other explanations:

66. Loss on impairment of assets

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
I. Loss on bad debts	300,631.55	193,307.60
Total	300,631.55	193,307.60

Other explanations:

67. Gain on changes in fair value

Unit: RMB

Source of gain on changes in fair value	**Amount for the period**	**Amount for the prior period**
–	–	–

Other explanations:

68. Investment income

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Income from long-term equity investments accounted for using the equity method	-1,426,961.12	-1,521,060.32
Total	-1,426,961.12	-1,521,060.32

Other explanations:

Income from long-term equity investments accounted for using the equity method

Name of investee	**Amount for the year**	**Amount for the prior year**
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co. Ltd.*)	-442,702.88	-599,135.63
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	-1,001,005.63	-365,576.42
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	11,284.14	-557,064.42
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	5,463.25	716.15
Total	-1,426,961.12	-1,521,060.32

69. Non-operating income

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in non-recurring gains or losses for the period
Total gain on disposal of non-current assets		462.05	–
Of which: gain on disposal of fixed assets		462.05	
Government grants	9,707,178.55	8,992,317.20	9,707,178.55
Others	126,518.95	175,865.50	126,518.95
Total	9,833,697.50	9,168,644.75	9,833,697.50

Government grants included in profit or loss for the period:

Unit: RMB

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Financial assistance for achievements transformation of high and new technology enterprises *(Note 1)*	2,020,000.00	2,200,000.00	Income-related
Support for Shanghai Zhangjiang Innopark operating platform enterprises *(Note 2)*	2,000,000.00	3,389,000.00	Income-related
Special financial fund for Shanghai Baoshan District *(Note 3)*	2,000,000.00		Income-related
Special fund for Shanghai modern service industry comprehensive pilot area *(Note 4)*	1,412,652.79	1,486,444.44	Asset-related

Grants item	Amount for the period	Amount for the prior period	Asset-related/ income-related
Development special fund for Shanghai Baoshan District advanced manufacturing industry *(Note 5)*	920,000.00		Income-related
Development fund for Shanghai service industry *(Note 4)*	600,000.00	600,000.00	Asset-related
Special fund for SME development *(Note 6)*	280,000.00		Income-related
Special fund for SME development *(Note 7)*	44,525.76	44,525.76	Asset-related
Financial subsidy for occupational training of workers in Shanghai Pudong New Area		82,347.00	Income-related
Special fund for informatisation development		714,000.00	Income-related
Others	430,000.00	476,000.00	Income-related
Total	9,707,178.55	8,992,317.20	–

Other explanations:

Notes:

(1) High and new technology achievements transformation: according to "Assessment Form for Financial Tax Preference for High and New Technology Achievements Transformation Projects in Shanghai" issued by State Administration of Taxation of Shanghai Pudong New Area (Hu Pu Shui Suo (2006) No. 76) (《上海市高新技術成果轉化項目享受財稅政策核定表》(滬浦稅所(2006)76號)), and based on the requirements of "Notice on Publishing of 'Special Financial Support for High and New Technology Achievements Transformation'" issued by Shanghai Municipal Finance Bureau (Hu Cai Qi [2006] No. 66) (《關於印發〈高新技術成果轉化專項資金扶持辦法〉的通知》(滬財企[2006]66號)), the Company is entitled to the financial support for high and new technology achievements transformation for five years, from September 2011 to August 2016, with the support reduced to 50% from September 2014 to August 2016.

(2) According to "Financial Support for the Development of Enterprises in Shanghai Zhangjiang Hi-Tech Park" (《上海市張江高科技園區企業發展扶持辦法》), the Company received RMB2 million as subsidy for Zhangjiang Hi-Tech Park platform economic enterprises from Zhangjiang Innopark Management Committee on 16 January 2014. Such subsidy was recognized as income-related government grant and included in profit or loss for the period.

(3) According to "Administration Measures of 'Facilitate Transformation by Modifying Structure' Special Fund for Financial Services in Shanghai Baoshan District" (《上海市寶山區金融服務「調結構、促轉型」專項資金使用管理辦法》), the Company has relocated its headquarter together with the industry and commerce and tax registration place to Baoshan District in 2014, therefore the Company has received RMB2 million as incentive from Shanghai Baoshan District Finance Bureau on 26 December 2014.

(4) See Note VI. 24 Deferred income for details of development fund for Shanghai service industry and special fund for Shanghai modern service industry comprehensive pilot area.

(5) The Company's trademark of "我的鋼鐵 Mysteel.com" was recognized as a "Well-Known Trademark" in 2013 by the Trademark Office of SAIC and was reassessed as a "Reputable Trademark". According to "Administration Measures of Special Fund for Advanced Manufacturing Industry Development in Shanghai Baoshan District" (Bao Fu Ban [2014] No. 33) (《上海市寶山區先進製造業發展專項資金使用管理辦法》(寶府辦[2014]33號)), the Company received RMB0.92 million as financial support in 2014.

(6) Special fund for SME development: according to "Notice on Publishing of 'Administration Measures of Special Fund for SME Development'" issued by Ministry of Finance and Ministry of Industry and Information Technology (Cai Qi [2012] No. 96) (《關於印發〈中小企業發展專項資金管理辦法〉的通知》(財企[2012]96號)), a brokerage subsidy was granted for the "First Tranche of the Collective Notes of Shanghai Pudong New Area 'Zhangjiang Hi-tech SMEs' in 2010" issued by the Company. The Company received a subsidy amounted to RMB0.28 million from Zhangjiang Innopark Management Committee on 4 May 2014. Such subsidy was recognized by the Company as income-related government grant and included in profit or loss for the period.

(7) Special fund for SME development: according to "Notice on Publishing of 'Administration Measures of Special Fund for SME Development'" issued by Ministry of Finance and Ministry of Industry and Information Technology (Cai Qi [2012] No. 96) (《關於印發〈中小企業發展專項資金管理辦法〉的通知》(財企[2012]96號)), the Company received RMB0.43 million from municipal collection and payment centre on 3 December 2012, of which RMB207,371.19 was recognized as income-related government grant and transferred to profit or loss for the year 2012, and RMB222,628.81 was recognized as asset-related government grant and equally distributed in profit or loss over the useful life of the relevant assets.

70. Non-operating expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period	Amount included in non-recurring gains or losses for the period
Total loss on disposal of non-current assets	11,809.82	14,829.07	
Of which: loss on disposal of fixed assets	11,809.82	14,829.07	11,809.82
Others	16,428.43	3,230.43	16,428.43
Total	28,238.25	18,059.50	28,238.25

Other explanations:

71. Income tax expenses

(1) Particulars of income tax expenses

Unit: RMB

Item	Amount for the period	Amount for the prior period
Income tax expenses for the period	4,417,006.67	6,354,543.77
Deferred income tax expenses	-5,595,047.45	-47,927.58
Income tax return for the prior period	-554,295.70	
Total	-1,732,336.48	6,306,616.19

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount for the period
Total profit	11,593,498.52
Income tax expenses calculated at statutory/applicable tax rates	1,739,024.78
Effect of different tax rates applicable to subsidiaries	-2,053,653.87
Effect of adjustments for income tax for prior periods	-554,295.70
Effect of income not subject to tax	
Effect of costs, expenses and loss not deductible for tax purposes	583,701.51
Effect of utilisation of previously unrecognised deductible loss on deferred income tax assets	-655,515.85
Effect of current unrecognised deductible temporary difference or deductible loss arising from deferred income tax assets	513,360.44
Effect of additional deductible expenses	-1,304,957.79
Income tax expenses	-1,732,336.48

Other explanations

72. Other comprehensive income

See notes for details.

73. Cash flow statement items

(1) Cash received relating to other operating activities

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Government grants	7,650,000.00	6,878,313.59
Receivables and payables		5,551,460.17
Interest income	3,568,513.94	2,873,820.12
Deposit and guarantee	79,350,722.91	1,269,090.38
Others	126,518.95	200,019.02
Total	90,695,755.80	16,772,703.28

Particulars of cash received relating to other operating activities:

(2) *Cash paid relating to other operating activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Deposit and guarantee	142,223,433.41	
Communication fee, consulting fee, rental expenses and other expenses	21,357,248.46	18,183,339.24
Conference expenses	14,998,070.74	18,191,187.14
Technology development expenses	7,859,309.35	6,628,531.46
Office expenses	6,000,392.42	9,603,684.75
Travel expenses	4,369,941.90	2,355,223.42
Printing expenses	5,610,767.89	2,913,620.00
Receivables and payables	5,099,804.18	
Others	4,550,604.14	1,488,529.70
Total	212,069,572.49	59,364,115.71

Particulars of cash paid relating to other operating activities:

(3) *Cash received relating to other investment activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
–	–	–

Particulars of cash received relating to other investment activities:

(4) *Cash paid relating to other investment activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
–	–	–

Particulars of cash paid relating to other investment activities:

(5) *Cash received relating to other financing activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Asset-related government grants received	16,015,000.00	8,300,000.00
Total	16,015,000.00	8,300,000.00

Particulars of cash received relating to other financing activities:

(6) *Cash paid relating to other financing activities*

Unit: RMB

Item	**Amount for the period**	**Amount for the prior period**
Acquisition of minority interests		12,154,000.00
Payment of issuance related cost	1,700,000.00	
Total	1,700,000.00	12,154,000.00

Particulars of cash paid relating to other financing activities:

74. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:	–	–
Net profit	13,325,835.00	23,792,247.78
Add: Provision for impairment of assets	300,631.55	193,307.60
Depreciation of fixed assets, consumption of oil and gas assets, depreciation of productive biological assets	14,726,801.44	10,803,850.33
Amortisation of intangible assets	512,940.00	512,940.00
Amortisation of long-term prepaid expenses	881,519.80	1,186,724.19
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-"denotes gain)	11,809.82	14,367.02
Finance costs ("-"denotes gain)	14,905,835.43	4,917,383.93
Investment loss ("-"denotes gain)	1,426,961.12	1,521,060.32
Decrease in deferred income tax assets ("-" denotes increase)	-5,595,047.45	-47,927.58
Decrease in inventories ("-"denotes increase)	-201,196,760.81	-21,856,180.51
Decrease in operating receivables ("-"denotes increase)	-556,971,430.35	-67,346,523.95
Increase in operating payables ("-"denotes decrease)	287,300,105.81	49,582,733.03
Net cash flows from operating activities	-430,370,798.64	3,273,982.16

Supplementary information	Amount for the period	Amount for the prior period
2. Major investment and financing activities not involving cash settlements:	–	–
3. Net change in cash and cash equivalents:	–	–
Closing balance of cash	158,064,334.06	194,412,598.47
Less: Opening balance of cash	194,412,598.47	178,722,357.25
Net increase in cash and cash equivalents	-36,348,264.41	15,690,241.22

(2) *Net cash paid for acquisition of subsidiaries during the period*

Unit: RMB

	Amount
Included:	–
Included:	–
Included:	–

Other explanations:

(3) *Net cash received from disposal of subsidiaries during the period*

Unit: RMB

	Amount
Included:	–
Included:	–
Included:	–

Other explanations:

(4) Cash and cash equivalents composition

Unit: RMB

Item		Balance at the end of the period	Balance at the beginning of the period
I.	Cash	158,064,334.06	194,412,598.47
	Included: Cash at hand	31,494.55	66,159.91
	Bank deposits that can be used for payment at any time	158,032,839.51	194,346,438.56
II.	Balance of cash and cash equivalents at the end of the period	158,064,334.06	194,412,598.47

Other explanations:

75. Notes to items of the statement of changes in owners' equity

Explanations for matters such as the name of "Others" item for the adjustment of the closing balance in the previous year and the adjustment amount:

76. Assets with restricted ownerships or right to use

Unit: RMB

Item	Book value at the end of the period	Reasons for such restrictions
–	–	–

Other explanations:

77. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Balance of foreign currency at the end of the period	Exchange rate	Balance of RMB translated at the end of the period
–	–	–	–

Other explanations:

(2) Explanations for overseas operating entities, as for significant overseas operating entities, including the disclosure of its principal place of business in overseas, its functional currency and selection basis, and reasons for the changes in its functional currency.

□ Applicable √ Not Applicable

78. Hedging

Disclosure of hedging items and related hedging instruments, the qualitative and quantitative information of the hedged risk by hedging category:

79. Others

–

VIII. CHANGE IN SCOPE OF COMBINATION

1. Business combination involving entities not under common control

(1) Business combination involving entities not under common control during the period

Unit: RMB

Name of acquiree	Time of acquisition of equity	Cost of acquisition of equity	Percentage of acquisition of equity	Way of acquisition of equity	Date of acquisition	Determining basis of date of acquisition	Income of the acquiree from date of acquisition to the end of the period	Net profit of the acquiree from date of acquisition to the end of the period
-	-	-	-	-	-	-	-	-

Other explanations:

(2) Combination costs and goodwill

Explanations for determination methods of the fair value of combination costs, contingent consideration and its changes:

Main reasons for the formation of goodwill with large amounts:

Other explanations:

(3) Identifiable assets and liabilities of the acquiree at the acquisition date

Determination methods of the fair value of identifiable assets and liabilities:

The contingent liabilities assumed by the acquiree in business combination:

Other explanations:

(4) *Gain or loss from remeasurement at fair value of the equity held before the acquisition date*

Whether there was transaction achieving business combination through several transactions that acquired control during the reporting period

□ Yes √ No

(5) *Relevant explanations for failing to reasonably determine the combination consideration or fair value of identifiable assets and liabilities of the acquiree on the acquisition date or at the end of the combination period*

(6) *Other explanations*

2. Business combination involving entities under common control

(1) *Business combination involving entities under common control during the period*

Unit: RMB

Name of the combined parties	Equity percentage acquired in business combination	Basis for constituting business combination involving entities under common control	Date of combination	Determining basis of the date of combination	Income of the combined parties from the beginning of the combination period to the date of combination	Net profit of the combined parties from the beginning of the combination period to the date of combination	Income of the combined parties during the comparative period	Net profit of the combined parties during the comparative period
-	-	-	-	-	-	-	-	-

Other explanations:

(2) *Combination costs*

Explanations for the contingent consideration and its changes:

Other explanations:

(3) Book value of assets and liabilities of the combined parties in the date of combination

Contingent liabilities assumed by the combined parties in the business combination:

Other explanations:

3. Counter purchase

Basic information on transaction, basis for counter purchase, whether the retained assets and liabilities of a listed company constitutes a business and its basis, determination of combination costs, adjustment amount of equity in accordance with equity transaction and its calculation:

4. Disposal of subsidiaries

Whether there is a loss of control over investment in subsidiaries in a single disposal

□ Yes √ No

Whether there was disposal of investment in subsidiaries through several transactions that led to loss of control during the period

□ Yes √ No

5. Other reasons for changes in scope of combination

Explanations for other reasons resulting in changes in the scope of combination (e.g. newly established subsidiary, liquidation of subsidiary) and relevant circumstances:

During the year, the Company newly established a subsidiary named 上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*), which was established in February 2014, with registered capital of RMB100 million, and as of 31 December 2014, 60.8% and 29.4% of its equity interests were held by the Company and 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.) (a subsidiary of the Company), respectively.

6. Others

–

IX. INTEREST IN OTHER ENTITIES

1. Interest in subsidiaries

(1) Composition of the enterprise group

Name of subsidiary	Principal place of business	Place of incorporation	Nature of business	Shareholding percentage Direct	Indirect	Mode of acquisition
Beijing Ganglian Maidi E-Commerce. Co., Ltd.	Beijing	Beijing	Services Sector	100.00%		Established with investment
Wuxi Ganglian E-Commerce Co., Ltd.	Wuxi	Wuxi	Services Sector	100.00%		Established with investment
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	Shanghai	Shanghai	Trading/ Services Sector	44.21%		Established with investment
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	Shanghai	Shanghai	Services Sector	51.00%		Established with investment
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	Shanghai	Shanghai	Services Sector	100.00%		Established with investment
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	Shanghai	Shanghai	Services Sector	60.80%	29.40%	Established with investment

Explanations for the differences between the shareholding percentage in subsidiaries and voting right percentage:

The basis for holding half or less voting rights but still control the investee and for holding over half of the voting rights but does not control the investee:

The basis for controlling the significant structural entities incorporated into the scope of combination:

The basis of determining whether the Company is an agent or a trustee:

Other explanations:

(2) Major non wholly-owned subsidiaries

Unit: RMB

Name of subsidiary	Shareholding percentage of minority shareholders	Profit or loss attributable to minority shareholders for the period	Dividends declared to distribute to the minority shareholders for the period	Balance of minority shareholders' equity at the end of the period
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	55.79%	-5,371,654.60		369,931,202.12
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	9.80%	-125,480.87		9,674,519.13
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	49.00%	47,245.82		676,156.39

Explanations for the differences between shareholding percentage of minority shareholders in subsidiaries and their voting right percentage:

Other explanations:

(3) Key financial information of major non wholly-owned subsidiaries

Unit: RMB

	Balance at the end of the period						Balance at the beginning of the period					
Name of subsidiary	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	1,114,468,274.79	42,981,474.52	1,157,449,749.31	445,976,004.72		445,976,004.72	339,579,551.41	3,304,175.53	342,883,726.94	177,694,547.33		177,694,547.33
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)	96,396,039.03	2,323,543.91	98,719,582.94									
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	1,334,482.69	332,395.18	1,666,877.87	286,966.87		286,966.87	1,314,966.67	750,871.89	2,065,838.56	782,347.60		782,347.60

Unit: RMB

Name of subsidiary	Amount incurred during the period				Amount incurred during the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	7,368,037,877.83	-17,925,435.02	-17,925,435.02	487,771,698.90	1,368,116,482.62	6,448,322.00	6,448,322.00	-41,204,586.04
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	1,072,005.50	96,420.04	96,420.04	135,552.07	1,260,072.64	-89,914.42	-89,914.42	1,264,423.92
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)		-1,280,417.06	-1,280,417.06	-1,248,876.18				

Other explanations:

(4) *Significant restrictions on using enterprise group's assets and settling enterprise group's debts*

(5) *Financial or other support providing for structural entities incorporated into the consolidated financial statements*

Other explanations:

2. Transactions that changing owners' equity in subsidiaries but not causing loss of control over subsidiaries

(1) *Explanations for changing of owners' equity in subsidiaries*

(2) *Impact of transaction on minority shareholders' equity and equity attributable to the owners of the parent company*

Other explanations

3. Interest in joint venture arrangements or associates

(1) Major joint ventures or associates

Name	Principal place of business	Place of incorporation	Nature of business	Shareholding percentage Direct	Shareholding percentage Indirect	Accounting method of investment in joint ventures or associates
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co, Ltd.*)	Zibo	Zibo	Services Sector	25.00%		Equity method
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	Shanghai	Shanghai	Services Sector	40.00%		Equity method
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	Shanghai	Shanghai	Services Sector	49.00%		Equity method

Explanations for the differences between the shareholding percentage in joint ventures or associates and voting right percentage:

The basis for holding less than 20% voting right but having significant impact, or holding more than 20% voting right but having no significant impact:

(2) Key financial information of major joint ventures

Other explanations

(3) Key financial information of major associates

Investee	Balance at the beginning of the year	Increase/decrease during the year: Increase in investment	Decrease in investment	Recognition of gain or loss on investment under equity method	Adjustment in other comprehensive income	Changes in other equity
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co, Ltd.*)	9,144,778.64			-442,702.88		
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	3,634,423.58			-1,001,005.63		
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	1,842,935.58	7,400,000.00		11,284.14		
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	1,960,716.15			5,463.25		

Other explanations

(4) *Summary of financial information of insignificant joint ventures and associates*

Unit: RMB

	Balance at the end of the period/ Amount incurred during the period	**Balance at the beginning of the period/ Amount incurred during the previous period**
Joint ventures:		
Total amount of the following items calculated by shareholding percentage	–	–
Associates:		
Total amount of the following items calculated by shareholding percentage	–	–

Other explanations

(5) *Explanations for significant restrictions on the ability of joint ventures or associates to transfer funds to the Company*

(6) *Over losses incurred by joint ventures or associates*

Unit: RMB

Name	**Accumulated unrecognized losses accumulated and recognized for the previous periods**	**Unrecognized losses (or net profit shared) for the period**	**Accumulated unrecognized losses at the end of the period**
–	–	–	–

Other explanations

(7) Unrecognized commitments relating to the investments in joint ventures

(8) Contingent liabilities relating to the investments in joint ventures or associates

4. Major joint operations

Name of joint operation	Principle place of business	Place of incorporation	Nature of business	Shareholding percentage/ Shares entitled Direct	Indirect
–	–	–	–	–	–

Explanations for the differences between the shareholding percentage or shares entitled in joint operations and the voting right percentage:

If the joint operation is an individual entity, the basis for its being classified as joint operation:

Other explanations

5. Interest in structural entities not incorporated into the consolidated financial statements

Explanations for structural entities not incorporated into the consolidated financial statements:

6. Others

–

X. RISKS RELATING TO FINANCIAL INSTRUMENTS

–

XI. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities measured at fair value at the end of the period

Unit: RMB

	Fair value at the end of the period			
Item	**Level 1**	**Level 2**	**Level 3**	**Total**
I. Continuous measurement at fair value	–	–	–	–
II. Non-continuous measurement at fair value	–	–	–	–

2. Determining basis for market prices of items using continuous and non-continuous measurement at Level 1 fair value

3. For items using continuous and non-continuous measurement at Level 2 fair value, valuation techniques and qualitative and quantitative information used

4. For items using continuous and non-continuous measurement at Level 3 fair value, valuation techniques and qualitative and quantitative information used

5. For items using continuous measurement at Level 3 fair value, information on adjustment between opening and closing book value and sensitivity analysis of unobservable inputs

6. For items using continuous measurement at fair value, if any transfer between levels occurred during the period, reasons for the transfer and determining policies on the transfer time

7. Changes in valuation techniques during the period and reasons for the changes

8. Fair value of financial assets and financial liabilities not measured at fair value

9. Others

XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. The parent company of the Company

Name of the parent company	Place of incorporation	Nature of business	Registered capital	Shareholding percentage in the Company	Voting right percentage in the Company
Shanghai Xingye Investment Development Co., Ltd.	Shanghai	Investment and management	RMB790,000,000	29.69%	29.69%

Explanations for details of the parent company of the Company

The ultimate controlling party of the Company is Guo Guangchang.

Other explanations:

2. Subsidiaries of the Company

Please refer to 1. Interest in subsidiaries in Note VIII for details of subsidiaries of the Company.

3. Joint ventures and associates of the Company

Please refer to 3. Interest in associates in Note VIII for details of major joint ventures or associates of the Company.

Other joint ventures or associates that had related party transactions with the Company during the period or formed balances from the related party transactions with the Company in previous periods are as follows:

Names of associates or joint ventures	Relationship with the Company
–	–

Other explanations

4. Other related parties

Names of other related parties	Relationship with the Company
上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	Under common control of the ultimate controlling party
上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	Under common control of the ultimate controlling party
上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	Under common control of the ultimate controlling party
上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	Under common control of the ultimate controlling party
Shanghai Fosun High Technology (Group) Co., Ltd.	Under common control of the ultimate controlling party
Shanghai Fosun Venture Capital Management Co., Ltd.	Under common control of the ultimate controlling party
Shanghai Fosun Industrial Technology Development Co., Ltd.	Under common control of the ultimate controlling party
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and Steel Co., Ltd.*)	Under significant impact of the ultimate controlling party
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	Under common control of the ultimate controlling party
南京鋼鐵有限公司 (Nanjing Iron and Steel Co., Ltd.*)	Under common control of the ultimate controlling party
海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd.*)	Under common control of the ultimate controlling party
江蘇南鋼鋼材現貨貿易有限公司 (Jiangsu Nangang steel spot trading Co. Ltd.*)	Under common control of the ultimate controlling party
安徽金安礦業有限公司 (Anhui JinAn Mining Company Limited*)	Under common control of the ultimate controlling party
Nanjing Iron & Steel United Co., Ltd.	Under common control of the ultimate controlling party
杭州南鋼鋼材銷售有限公司 (Hangzhou Nangang Steel Sales Co., Ltd.*)	Under common control of the ultimate controlling party
Yaopharma Co., Ltd.	Under common control of the ultimate controlling party
Chongqing Fuxin Land Properties Co., Ltd.	Under common control of the ultimate controlling party
上海星頤投資有限公司 (Shanghai Star Investment Co., Ltd.*)	Under common control of the ultimate controlling party
上海智惠文化傳播有限公司 (Shanghai Zhihui Culture Communication Co., Ltd.*)	Under common control of the ultimate controlling party
上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)	Under common control of the ultimate controlling party
Zhu Junhong	Key management personnel

Other explanations

5. Related party transactions

(1) Related party transactions regarding purchase and sale of goods and provision and receipt of services

Purchase of goods/receipt of services

Unit: RMB

Related party	Related party transactions	Amount incurred during the period	Amount incurred during the previous period
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	Purchase of goods	34,327,493.62	
南京鋼鐵有限公司 (Nanjing Iron and Steel Co., Ltd.*)	Purchase of goods	3,518,523.71	
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong Iron and Steel Co., Ltd.*)	Purchase of goods	64,990,960.24	

Sale of goods/provision of services

Unit: RMB

Related party	Related party transactions	Amount incurred during the period	Amount incurred during the previous period
Shanghai Fosun Industrial Technology Development Co., Ltd.	Information consultation services	2,023,440.19	640,383.65
Shanghai Fosun High Technology (Group) Co., Ltd.	Technical services	87,735.85	20,990.57
海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd*)	Information consultation, web page links etc.	49,056.58	13,712.04

Related party	Related party transactions	Amount incurred during the period	Amount incurred during the previous period
江蘇南鋼鋼材現貨貿易有限公司 (Jiangsu Nangang steel spot trading Co. Ltd.*)	Information services	9,952.94	9,166.63
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	Conference fees, information services	63,311.32	114,415.08
安徽金安礦業有限公司 (Anhui JinAn Mining Company Limited*)	Conference fees, information services	15,283.22	11,435.88
上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	Information consultation, web page links	9,157.21	100,597.99
上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	Information consultation, web page links	14,880.51	155,898.86
上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	Information consultation, web page links	12,591.17	140,749.41
上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	Information services	21,480.00	217,612.43
上海智惠文化傳播有限公司 (Shanghai Zhihui Culture Communication Co., Ltd.*)	Technical services	169,811.32	
上海星頤投資有限公司 (Shanghai Star Investment Co. Ltd.*)	Technical services	23,584.90	
Chongqing Fuxin Land Properties Co., Ltd.	Information services	3,000.00	
Nanjing Iron & Steel United Co., Ltd.	Conference fees	2,830.19	
杭州南鋼鋼材銷售有限公司 (Hangzhou Nangang Steel Sales Co., Ltd.*)	Information services	2,700.00	
Yaopharma Co., Ltd.	Information services	2,721.69	

Explanations for purchase and sale of goods and provision and receipt of services

(2) *Associated trusteeship/contracting and trust management/contracting-out*

Table of the trustee/contractor status of the Company:

Unit: RMB

Name of trustor/farmer	Name of trustee/ contractor	Type of trusted/ contracting asset	Beginning date of trusteeship/ contracting	Ending date of trusteeship/ contracting	Pricing basis for trusteeship/ contracting revenue	Trusteeship/ contracting revenue recognized for the period
–	–	–	–	–	–	–

Explanations for associated trusteeship/contracting

Table of the trustor/farmer status of the Company:

Unit: RMB

Name of trustor/farmer	Name of trustee/ contractor	Type of trusting/ contracting-out asset	Beginning date of trusting/ contracting-out	Ending date of trusting/ contracting-out	Pricing basis for trusting/ contracting-out charge	Trusting/ contracting-out charge recognized for the period
–	–	–	–	–	–	–

Explanations for associated management/contracting-out

(3) *Associated lease*

The company as lessor:

Unit: RMB

Name of lessee	Type of leased asset	Rental income recognized for the period	Rental income recognized for the previous period
上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*)	Real estate	2,120,479.17	

The company as lessee:

Unit: RMB

Name of lessor	Type of leased asset	Rental charge recognized for the period	Rental charge recognized for the previous period
–	–	–	–

Explanations for the associated lease

(4) *Associated guarantee*

The company as the guarantor

Unit: RMB

Guaranteed party	Amount of guarantee	Beginning date of guarantee	Maturity date of guarantee	Whether performance of guarantee is completed
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	48,000,000.00	18 November 2014	22 June 2015	No

The company as the guaranteed party

Unit: RMB

Guarantor	Amount of guarantee	Beginning date of guarantee	Maturity date of guarantee	Whether performance of guarantee is completed
Zhu Junhong	20,000,000.00	27 April 2013	10 April 2015	No

Explanations for associated guarantee

(5) *Related parties loans*

Unit: RMB

Related party	Loan amount	Beginning date	Maturity date	Explanation
Loans from				
Loans to				

(6) *Asset transfer and debt restructuring of related party*

Unit: RMB

Related party	Related party transaction	Amount incurred during the period	Amount incurred during the previous period
–	–	–	–

(7) *Remuneration of key management personnel*

Unit: RMB

Item	Amount incurred during the period	Amount incurred during the previous period
Remuneration of key management personnel	5,056,000.00	4,786,900.00

(8) *Other related party transactions*

6. Accounts receivable from or payable to related parties

(1) Accounts receivable

Unit: RMB

Item	Related party	Balance at the end of the period Book balance	 Bad debt provision	Balance at the beginning of the period Book balance	 Bad debt provision
Payment in advance	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	8,769,318.89			
Accounts receivable	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)			27,000.00	
Accounts receivable	Shanghai Fosun High Technology (group) Co., Ltd.	14,000.00			
Accounts receivable	上海星頤投資有限公司 (Shanghai Star Investment Co. Ltd.*)	12,500.00			

(2) Accounts payable

Unit: RMB

Item	Related party	Book balance at the end of the period	Book balance at the beginning of the period
–	–	–	–

7. Commitments of related parties

8. Others

XIII. SHARE-BASED PAYMENTS

1. General status of share-based payments

√ Applicable □ Not applicable

Unit: RMB

Total equity instruments granted by the Company during the period	4,000,000.00
Total equity instruments exercised by the Company during the period	4,000,000.00
Total equity instruments of the Company lapsed during the period	0.00

Other explanations

2. Equity-settled share-based payments

□ Applicable √ Not applicable

3. Cash-settled share-based payments

□ Applicable √ Not applicable

4. Modification and termination of share-based payments

Nil

5. Others

Nil

XIV. COMMITMENTS AND CONTINGENCIES

1. Major commitments

Major commitments as at the balance sheet date

2. Contingencies

(1) *Major Contingencies as at the balance sheet date*

(2) *The Company shall give explanation even if it has no major contingencies for disclosure.*

The Company has no major contingencies for disclosure.

3. Others

–

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Major non-adjusting events

Unit: RMB

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
Major external investments	1. On 27 January 2015, the Company convened the ninth meeting of the third session of the Board and considered and approved the Resolution on External Investments for Establishing a Holding Subsidiary Engaged in Iron Ore E-Commerce and Related Party Transactions (《關於對外投資設立鐵礦石電商控股子公司暨關聯交易的議案》), whereby the Company, 上海星商投資有限公司 (Shanghai Star Business Investment Co., Ltd.*) and 海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd*) would contribute RMB5,100,000, RMB2,900,000 and RMB2,000,000 respectively to establish an iron ore e-commerce company;		

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
	2. In January 2015, the Company was transferred the registered capital of RMB4,000,000 of 上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*) with a contribution of RMB4,800,000. On 16 February 2015, the Company convened the 2015 second interim shareholders' meeting and considered and approved the Resolution on the Capital Increase of 上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*) and Related Party Transactions (《關於上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd*) 增資擴股暨關聯交易的議案》), whereby 上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*) would increase its capital and shares by an additional amount of RMB8,000,000. The Company waived its preemptive rights for the capital and shares increase of 領建網絡 (Lijian Network*);		
	3. On 16 February 2015, the Company convened the eleventh meeting of the third session of the Board and considered and approved the Resolution on Transferring the Equity of an Investee Company and Related Party Transactions (《關於轉讓參股公司股權暨關聯交易的議案》), whereby the Company would transfer its 25% equity (equals to a registered capital of RMB2,500,000) in the investee company 山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co, Ltd.*) to 上海星商投資有限公司 (Shanghai Star Business Investment Co., Ltd.*) (as the transferee) at a proposed consideration of RMB12,000,000;		
	4. On 22 January 2015, the Company convened the eighth meeting of the third session of the Board and considered and approved the Resolution on External Investments for Establishing a Holding Subsidiary and Sub-subsidiary (《關於對外投資設立控股子公司及孫公司的議案》), whereby the Company and 俊安(天津)礦產能源管理有限公司 (hereinafter referred to as "俊安(天津)") would jointly contribute RMB1 billion to establish a finance holding company. The Company and 俊安（天津） proposed to contribute RMB0.6 billion and RMB0.4 billion, accounting for 60% and 40% of the joint contribution respectively;		

Item	Content	Effects to the financial position and operating results	Reasons for impossibility to estimate the effects
	5. On 22 January 2015, the Company convened the eighth meeting of the third session of the Board and considered and approved the Resolution on External Investments for Establishing a Wholly-owned Subsidiary in Tianjin (《關於對外投資設立天津全資子公司的議案》), whereby the Company would make an investment of RMB0.2 billion to establish a wholly-owned subsidiary which engaged in the e-commerce service in North China.		
	6. On 30 January 2015, the Company convened the tenth meeting of the third session of the Board and considered and approved the Resolution on Adjustment to the External Investment Plans (《關於對外投資方案調整的議案》), whereby the Company would adjust the investment plan concerning the establishment of 上海鋼聯大宗商品國際交易中心 (provisional), the registered capital of which remained to be RMB50,000,000 and the contribution of the Company changed to 100%. Other investment plans remained unchanged.		

2. Distribution of profits

Unit: RMB

Profit or dividend proposed to be distributed	3,120,000.00
Profit or dividend declared after being considered and approved	3,120,000.00

3. Sales returns

4. Explanations for other events after the balance sheet date

XVI. OTHER MAJOR MATTERS

1. Correction of previous accounting errors

(1) Retrospective restatement method

Unit: RMB

Accounting errors corrected	Correction procedures	Statement item(s) affected in each comparative period	Cumulative effects
–	–	–	–

(2) Prospective application method

Accounting errors corrected	Approval procedures	Reasons for using prospective application method
–	–	–

2. Debt restructuring

3. Assets exchange

(1) Non-monetary assets exchange

(2) Other assets exchange

4. Annuity plan

5. Discontinued operations

Unit: RMB

Item	Income	Charge	Total profit	Income tax	Net profit	Profit from discontinued operations attributable to owners of the parent company
–	–	–	–	–	–	–

Other explanations

6. Segment information

(1) *Basis for determination and accounting policies of reporting segments*

(2) *Financial information of reporting segments*

(3) *The Company shall explain the reasons if it has no reporting segment or cannot give disclosures on the total assets and liabilities of each reporting segment.*

(4) *Other explanations*

7. Other material transactions and matters affecting investors' decisions

8. Others

XVII. NOTES TO MAIN FINANCIAL STATEMENT ITEMS OF THE PARENT COMPANY

1. Accounts receivable

(1) Disclosure of accounts receivable by category

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of provision		Amount	Percentage	Amount	Percentage of provision	
Accounts receivable that are provided for bad debts based on credit risk feature portfolio	1,103,230.00	100.00%	175,536.50	15.91%	927,693.50	1,882,320.00	100.00%	94,116.00	5.00%	1,788,204.00
Total	1,103,230.00	100.00%	175,536.50	15.91%	927,693.50	1,882,320.00	100.00%	94,116.00	5.00%	1,788,204.00

Accounts receivable that are individually significant and provided for bad debt separately at the end of the period:

□ Applicable √ Not applicable

Accounts receivable using aging analysis method for making bad debt provision in the portfolio:

√ Applicable □ Not applicable

Unit: RMB

Aging	Balance at the end of the period		
	Accounts receivable	Bad debt provision	Percentage of provision
Sub-item within 1 year			
Sub-total within 1 year	835,730.00	41,786.50	5.00%
1-2 years	267,500.00	133,750.00	50.00%
Total	1,103,230.00	175,536.50	

Explanations for basis for determining such portfolio:

Accounts receivable using balance percentage method for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Accounts receivable using other methods for making bad debt provision in the portfolio:

(2) *Bad debt provision made, recovered or reversed during the period*

RMB81,420.50 of bad debt provision has been made and RMB nil of the same has been recovered or reversed during the period.

Of such amounts recovered or reversed during the period, major amounts included:

Unit: RMB

Name of entity	Reversal or recovery amount	Recovery method
–	–	–

(3) *Accounts receivable actually written off during the period*

Unit: RMB

Item	Write-off amount
Account receivable actually written off	224,630.00

Major accounts receivable written off:

Unit: RMB

Name of entity	Nature of accounts receivable	Write-off amount	Reason for write-off	Write-off procedures performed	Whether the amount is arising from related party transaction
–	–	–	–	–	–

Explanations for accounts receivable written off:

(4) *Top five accounts receivable according to closing balance of debtors*

(5) *Accounts receivable derecognized due to transfer of financial assets*

(6) *Amount of assets and liabilities formed by transfer of financial assets with continuous involvement*

Other explanations:

2. **Other receivables**

(1) *Disclosure of other receivables by category*

Unit: RMB

Category	Balance at the end of the period					Balance at the beginning of the period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Percentage of provision		Amount	Percentage	Amount	Percentage of provision	
Other receivables that are provided for bad debts based on credit risk feature portfolio	4,866,312.67	100.00%			4,866,312.67	4,760,373.09	100.00%			4,760,373.09
Total	4,866,312.67	100.00%			4,866,312.67	4,760,373.09	100.00%			4,760,373.09

Other receivables that are individually significant and provided for bad debts separately at the end of the period:

□ Applicable √ Not applicable

Other receivables using aging analysis method for making bad debt provision in the portfolio:

√ Applicable □ Not applicable

Unit: RMB

	Balance at the end of the period		
Aging	**Other receivables**	**Bad debt provision**	**Percentage of provision**
Sub-item within 1 year			
Sub-total within 1 year	1,716,312.67		
1-2 years	305,000.00		
Over 3 years	2,845,000.00		
Total	4,866,312.67		

Explanations for basis for determining such portfolio:

Other receivables using balance percentage method for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

Other receivables using other methods for making bad debt provision in the portfolio:

□ Applicable √ Not applicable

(2) Bad debt provision made, recovered or reversed during the period

RMB nil of bad debt provision has been made and RMB nil of the same has been recovered or reversed during the period.

Of such amounts reversed or recovered during the period, major amounts included:

Unit: RMB

Name of entity	**Reversal or recovery amount**	**Recovery method**
–	–	–

(3) Other receivables actually written off during the period

Unit: RMB

Item	**Write-off amount**
–	–

Major other receivables written off:

Unit: RMB

Name of entity	**Nature of other receivables**	**Write-off amount**	**Reason for write-off**	**Write-off procedure performed**	**Whether the amount is arising from related party transaction**
–	–	–	–	–	–

Explanations for other receivables written off:

(4) *Other receivables by nature*

Unit: RMB

Nature of amounts	**Book balance at the end of the period**	**Book balance at the beginning of the period**
Deposit and reserve fund combination	1,866,312.67	265,373.09
Related party combination	3,000,000.00	4,495,000.00
Total	4,866,312.67	4,760,373.09

(5) *Top five other receivables according to closing balance of debtors*

Unit: RMB

Name of entity	**Nature of amounts**	**Balance at the end of the period**	**Aging**	**Proportion of balance of total other receivables at the end of the period**	**Balance of bad debt provision at the end of the period**
–	–	–	–	–	–

(6) *Receivables involving government grant*

Unit: RMB

Name of entity	**Item**	**Balance at the end of the period**	**Aging at the end of the period**	**Expected time, amount and basis of receipt**
–	–	–	–	–

(7) Other receivables derecognized due to transfer of financial assets

(8) Amount of assets and liabilities formed by transfer of other receivables with continuous involvement

Other explanations:

3. Long-term equity investments

Unit: RMB

Item	Balance at the end of the period			Balance at the beginning of the period		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	335,775,500.00		335,775,500.00	109,765,500.00		109,765,500.00
Investment in associates and joint ventures	20,589,713.43		20,589,713.43	14,622,137.80		14,622,137.80
Total	356,365,213.43		356,365,213.43	124,387,637.80		124,387,637.80

(1) Investment in subsidiaries

Unit: RMB

Investee	Balance at the beginning of the period	Increase during the period	Decrease during the period	Balance at the end of the period	Impairment provision provided for the period	Balance of impairment provision at the end of the period
Beijing Ganglian Maidi E-Commerce Co., Ltd.	500,000.00			500,000.00		
Wuxi Ganglian E-Commerce Co., Ltd.	2,000,000.00			2,000,000.00		
上海鋼銀電子商務有限公司(Shanghai Gangyin E-Commerce Co., Ltd.)	101,245,500.00	165,210,000.00		266,455,500.00		
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	5,000,000.00			5,000,000.00		
上海鋼聯寶網絡科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd*)		60,800,000.00		60,800,000.00		
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	1,020,000.00			1,020,000.00		
Total	109,765,500.00	226,010,000.00		335,775,500.00		

(2) Investment in associates and joint ventures

Unit: RMB

		Increase/decrease during the period									
Investee	Balance at the beginning of the period	Increase in investment	Decrease in investment	Gain or loss on investment recognized under equity method	Adjustment in other comprehen-sive income	Change in other equity	Declared for distribution of cash dividend or profit	Provided for impairment provision	Others	Balance at the end of the period	Balance of impairment provision at the end of the period
I. Joint ventures											
II. Associates											
山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co., Ltd.*)	9,144,778.64			-442,702.88						8,702,075.76	
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	3,634,423.58			-1,001,005.63						2,633,417.95	
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	1,842,935.58	7,400,000.00		11,284.14						9,254,219.72	
Subtotal	14,622,137.80									20,589,713.43	
Total	14,622,137.80									20,589,713.43	

(3) Other explanations

4. Operating income and operating costs

Unit: RMB

Item	Amount incurred during the period Income	Amount incurred during the period Cost	Amount incurred during the previous period Income	Amount incurred during the previous period Cost
Principle business	156,226,975.18	25,652,768.73	152,576,690.47	35,345,171.02
Other business	7,993,442.50	438,650.30	1,042,676.97	
Total	164,220,417.68	26,091,419.03	153,619,367.44	35,345,171.02

Other explanations:

5. Investment income

Unit: RMB

Item	Amount incurred during the period	Amount incurred during the previous period
Gains on long-term equity investment under equity method	-1,432,424.37	-1,521,776.47
Total	-1,432,424.37	-1,521,776.47

6. Others

XVIII. SUPPLEMENTARY INFORMATION

1. Schedule of non-recurring gain or loss for the current period

√ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Remark
Gain or loss from disposal of non-current assets	-11,809.82	
Government grants (except for the government grants closely related to the business of the corporate and granted at a fixed amount or quantity in accordance with unanimous national standard) accounted for in gain or loss for the current period	9,707,178.55	
Other operating income and expense except the above	110,090.52	
Less: Effect of income tax	1,508,463.90	
Effect of minority interests	193,648.96	
Total	8,103,346.39	–

Explanations are required for the Company's non-recurring gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 – Non-recurring Gain or Loss (《公開發行證券的公司信息披露解釋性公告第1號–非經常性損益》) and the non-recurring gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No. 1 – Non-recurring Gain or Loss defined as its recurring gain or loss items.

□ Applicable √ Not applicable

2. Yield on net assets and earnings per share

Profit for the reporting period	Weighted average yield on net assets	Earnings per share Basic (RMB/share)	Diluted (RMB/share)
Net profit attributable to ordinary shareholders of the Company	4.69%	0.1204	0.1204
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss	2.67%	0.07	0.07

3. Difference in accounting data under domestic and overseas accounting standards

(1) *Differences between the net profit and net assets disclosed in accordance with international accounting standards and China accounting standards in the financial report*

□ Applicable √ Not applicable

(2) *Differences between the net profit and net assets disclosed in accordance with overseas accounting standards and China accounting standards in the financial report*

□ Applicable √ Not applicable

(3) *Explanations for differences in accounting data under domestic and overseas accounting standards; if adjustment was made to data audited by overseas audit institutions, the names of overseas institutions should be indicated*

4. Supplementary information of changes in accounting policies

√ Applicable □ Not applicable

According to eight accounting standards such as the Accounting Standards for Business Enterprise No. 2 – Long-term Equity Investments (《企業會計準則第 2 號 – 長期股權投資》) issued by the Ministry of Commerce in 2014, the Company changed relevant accounting policies and made retroactive restatement to the comparative financial statements, the restated combined balance sheets as at 1 January 2013 and 31 December 2013 are as below:

Unit: RMB

Item	1 January 2013	31 December 2013	31 December 2014
Current Assets:			
Monetary fund	181,122,357.25	194,412,598.47	158,064,334.06
Notes receivable	2,000,000.00	696,629.04	15,204,511.00
Accounts receivables	1,588,020.74	2,101,149.00	1,012,243.50
Prepayments	176,531,516.04	246,686,131.05	655,452,660.09
Other receivables	1,191,760.97	662,343.05	146,510,030.24
Inventories	56,925,434.23	78,781,614.74	279,978,375.55
Other current assets	11,681,803.79	9,500,911.34	17,302,895.20
Total current assets	431,040,893.02	532,841,376.69	1,273,525,049.64
Non-current assets:			
Available-for-sale financial assets		14,000,000.00	24,000,000.00
Long-term equity investments	11,703,914.27	16,582,853.95	22,555,892.83
Fixed assets	48,029,432.85	232,365,058.45	231,143,260.54
Construction in progress	122,999,244.22		
Intangible assets	24,621,120.00	24,108,180.00	23,595,240.00
Long-term deferred expenses	1,891,202.89	913,478.70	773,078.10
Deferred income tax assets	143,905.23	191,832.81	5,786,880.26
Other non-current assets	1,763,809.07		
Total non-current assets	211,152,628.53	288,161,403.91	307,854,351.73
Total assets	642,193,521.55	821,002,780.60	1,581,379,401.37

Item	1 January 2013	31 December 2013	31 December 2014
Current liabilities:			
Short-term borrowings	30,000,000.00	126,900,000.00	116,800,000.00
Notes payable	8,000,000.00		
Accounts payable			28,287,235.42
Receipt in advance	79,034,356.31	114,665,486.54	310,485,196.36
Employee remuneration payables	320,732.09	320,732.09	2,769,683.66
Tax payable	3,075,106.74	3,137,148.59	4,850,756.63
Interest payable	1,653,799.57	1,597,333.30	75,619.95
Other payables	47,138,814.38	87,508,090.04	153,637,262.86
Non-current liabilities maturing within one year			2,500,000.00
Total current liabilities	169,222,809.09	334,128,790.56	619,405,754.88
Non-current liabilities:			
Long-term borrowings			77,000,000.00
Bonds payable	31,888,000.00	31,984,000.00	
Deferred income	14,180,365.93	20,349,395.73	34,307,217.18
Total non-current liabilities	46,068,365.93	52,333,395.73	111,307,217.18
Total liabilities	215,291,175.02	386,462,186.29	730,712,972.06
Owners' equity:			
Share capital	80,000,000.00	120,000,000.00	156,000,000.00
Capital reserve	170,247,194.60	146,173,380.10	161,548,141.83
Surplus reserve	13,495,338.11	14,981,306.01	17,868,177.70
Undistributed profits	97,974,560.64	98,079,379.18	107,968,232.14
Total owners' equity attributable to the parent company	361,717,093.35	379,234,065.29	443,384,551.67
Minority interests	65,185,253.18	55,306,529.02	407,281,877.64
Total owners' equity	426,902,346.53	434,540,594.31	850,666,429.31
Total liabilities and owners' equity	642,193,521.55	821,002,780.60	1,581,379,401.37

5. Others

C. FINANCIAL INFORMATION OF SHANGHAI GANGLIAN FOR THE YEAR ENDED 31 DECEMBER 2013

I. AUDIT REPORT

Type of auditors' opinion	standard and unqualified auditors' opinions
The date of the audit report signed	17 April 2014
Name of the auditor	Ruihua Certified Public Accountants (special general partnership)
Reference number of the auditors' report	Rui Hua Shen Zi [2014] No. 31130030
Name of certified public accountant	Ni Chunhua (倪春華), Wang Chen (王晨)

Text of the auditors' report

To all shareholders of 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd),

We have audited the accompanying financial statements of 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd) (hereinafter as the "Shanghai Ganglian"), which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for 2013 and notes to the financial statements.

1. Management's responsibility for the financial statements

The management of Shanghai Ganglian is responsible for the preparation and fair presentation of the financial statements. This responsibility includes (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises so that the financial statements provide a fair view of the actual situation; and (2) designing, implementing and maintaining the necessary internal control so that the financial statements are free from material misstatement whether due to fraud or error.

2. Auditors' responsibility

Our responsibility is to express an audit opinion on the financial statements based on the audit we have conducted. We conduct our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with ethical codes of Chinese certified public accountants and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the certified auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. When conducting risk assessment, certified public accountants consider internal control relevant to the preparation and fair presentation of financial statements so as to design appropriate audit procedures, but not to give an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. Audit opinion

In our opinion, the financial statements above in all material aspects were prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and give a fair view of the consolidated and company financial position of Shanghai Ganglian E-Commerce Holdings Co., Ltd. as at 31 December 2013 and of its consolidated and company operating results and cash flows for 2013.

Ruihua Certified Public Accountants (special general partnership)	PRC Certified Public Accountant: Ni Chunhua (倪春華)
Beijing, China	PRC Certified Public Accountant: Wang Chen (王晨)
	17 April 2014

II. FINANCIAL STATEMENTS

The unit in the statements of the financial notes is: RMB

1. Consolidated Balance Sheet

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	194,412,598.47	181,122,357.25
Settlement Reserve		
Lending funds		
Financial assets held for trading		
Bills receivable	696,629.04	2,000,000.00
Accounts receivable	2,101,149.00	1,588,020.74
Prepayments	246,686,131.05	176,531,516.04
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Interest receivable		
Dividends receivable		
Other receivables	662,343.05	1,191,760.97
Buy-back of financial assets sold		
Inventories	78,781,614.74	56,925,434.23
Non-current assets due within one year		
Other current assets	9,500,911.34	11,681,803.79
Total current assets	532,841,376.69	431,040,893.02

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Provision of entrusted loans and advances		
Available-for-sale financial assets	0.00	0.00
Held-to-maturity investments		
Long term receivables		
Long-term equity investments	30,582,853.95	11,703,914.27
Investment properties		
Fixed assets	232,365,058.45	48,029,432.85
Construction in progress	0.00	122,999,244.22
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	24,108,180.00	24,621,120.00
Development expenditure		
Goodwill		
Long-term deferred expenses	913,478.70	1,891,202.89
Deferred income tax assets	191,832.81	143,905.23
Other non-current assets		1,763,809.07
Total Non-current Assets	288,161,403.91	211,152,628.53
TOTAL ASSETS	821,002,780.60	642,193,521.55

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short term borrowings	126,900,000.00	30,000,000.00
Borrowings from the central bank		
Deposits from customers and inter-bank deposits		
Borrowed funds		
Financial liabilities held for trading		
Bills payable		8,000,000.00
Accounts payable		
Advance receipts	114,665,486.54	79,034,356.31
Amounts from the sales of repurchased financial assets		
Handling fees and commissions payable		
Employee remuneration payable	320,732.09	320,732.09
Tax payables	3,137,148.59	3,075,106.74
Interest payables	1,597,333.30	1,653,799.57
Dividends payables		
Other payables	87,508,090.04	47,138,814.38
Reinsurance accounts payable		
Insurance contract reserve		
Amount paid for agency securities trading		
Amount paid for agency securities underwriting		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	334,128,790.56	169,222,809.09
NON-CURRENT LIABILITIES:		
Long term borrowings		
Bonds payable	31,984,000.00	31,888,000.00
Long term payables		
Special payables		
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities	20,349,395.73	14,180,365.93
Total non-current liabilities	52,333,395.73	46,068,365.93
TOTAL LIABILITIES	386,462,186.29	215,291,175.02

Item	Closing balance	Opening balance
OWNERS' EQUITY (or shareholders' equity):		
Paid-in capital (or share capital)	120,000,000.00	80,000,000.00
Capital reserves	146,173,380.10	170,247,194.60
Less: Treasury shares		
Special reserves		
Surplus reserves	14,981,306.01	13,495,338.11
Provision for general risks		
Retained profits	98,079,379.18	97,974,560.64
Differences on translation of foreign currency statements		
Total equity attributable to owners of the parent company	379,234,065.29	361,717,093.35
Minority interest	55,306,529.02	65,185,253.18
Total owners' equity (or shareholders' equity)	434,540,594.31	426,902,346.53
TOTAL LIABILITIES AND OWNERS' EQUITY (or shareholders' equity)	821,002,780.60	642,193,521.55

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

2. Balance sheet of the Parent Company

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Unit: RMB

Item	**Closing balance**	**Opening balance**
CURRENT ASSETS:		
Monetary funds	176,142,372.01	149,742,076.76
Financial assets held for trading		
Bills receivable		
Accounts receivable	1,788,204.00	902,793.24
Prepayments	2,481,298.98	2,437,399.35
Interest receivable		
Dividends receivable		
Other receivables	4,760,373.09	4,425,967.25
Inventories		
Non-current assets due within one year		
Other current assets	12,165,984.75	21,976,086.42
Total current assets	197,338,232.83	179,484,323.02

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long term receivables		
Long-term equity investments	138,387,637.80	107,355,414.27
Investment properties		
Fixed assets	230,075,674.33	46,151,085.07
Construction in progress		122,999,244.22
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	24,108,180.00	24,621,120.00
Development expenditure		
Goodwill		
Long-term deferred expenses	312,390.99	983,763.20
Deferred income tax assets	14,117.40	25,678.72
Other non-current assets		1,763,809.07
Total Non-current Assets	392,898,000.52	303,900,114.55
TOTAL ASSETS	590,236,233.35	483,384,437.57
CURRENT LIABILITIES:		
Short term borrowings	48,900,000.00	
Financial liabilities held for trading		
Bills payable		
Accounts payable		
Advance receipts	72,381,526.58	62,742,197.74
Employee remuneration payable	320,732.09	320,732.09
Tax payables	2,049,747.61	1,890,093.55
Interest payables	1,597,333.30	1,597,333.30
Dividends payables		
Other payables	41,567,680.09	10,539,576.00
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	166,817,019.67	77,089,932.68

Item	Closing balance	Opening balance
NON-CURRENT LIABILITIES:		
Long term borrowings		
Bonds payable	31,984,000.00	31,888,000.00
Long term payables		
Special payables		
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities	20,349,395.73	14,180,365.93
Total non-current liabilities	52,333,395.73	46,068,365.93
TOTAL LIABILITIES	219,150,415.40	123,158,298.61
OWNERS' EQUITY (or shareholders' equity):		
Paid-in capital (or share capital)	120,000,000.00	80,000,000.00
Capital reserves	146,378,639.15	170,378,639.15
Less: Treasury shares		
Special reserves		
Surplus reserves	14,981,306.01	13,495,338.11
Provision for general risks		
Retained profits	89,725,872.79	96,352,161.70
Differences on translation of foreign currency statements		
Total owners' equity (or shareholders' equity)	371,085,817.95	360,226,138.96
TOTAL LIABILITIES AND OWNERS' EQUITY (or shareholders' equity)	590,236,233.35	483,384,437.57

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

3. Consolidated Income Statement

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Unit: RMB

Item	Amounts for the period	Amounts for the prior period
I. Total operating revenue	1,553,053,134.81	954,396,371.87
Including: Operating revenue	1,553,053,134.81	954,396,371.87
Interest income		
Earned Premium		
Handling fees and commission income		
II. Total operating costs	1,530,583,795.77	917,527,463.68
Including: Operating costs	1,396,635,259.42	791,953,975.39
Interest expenses		
Handling fees and commission expenses		
Surrenders payment		
Net expenditure for compensation payment		
Net withdrawl of insurance contract reserve		
Expenditure for policy bonus		
Reinsurance costs		
Business taxes and surcharges	3,478,580.91	6,445,140.26
Sales expenses	75,731,654.12	71,441,806.61
Management expenses	51,575,120.38	48,041,517.53
Finance expenses	2,969,873.34	–583,802.48
Loss on impairment of assets	193,307.60	228,826.37
Add: Gain on change in fair value ("-" denotes loss)	0.00	0.00
Investment gain ("-" denotes loss)	-1,521,060.32	-256,085.73
Including: Investment gain from associates and joint ventures	-1,521,060.32	-256,085.73
Exchange gains ("-" denotes loss)		

Item	Amounts for the period	Amounts for the prior period
III. Operating profit ("-" denotes loss)	20,948,278.72	36,612,822.46
Add: Non-operating income	9,168,644.75	9,183,684.10
Less: Non-operating expenses	18,059.50	159,834.11
Including: Loss on disposal of non-current assets	14,829.07	29,742.64
IV. Total profit ("-" denotes total loss)	30,098,863.97	45,636,672.45
Less: Income tax expenses	6,306,616.19	7,323,777.72
V. Net profit ("-" denotes net loss)	23,792,247.78	38,312,894.73
Including: net profit of the merged company before merger	0.00	0.00
Net profit attributable to owners of the parent company	21,590,786.44	35,261,136.74
Minority profit or loss	2,201,461.34	3,051,757.99
VI. Earnings per share:		
(I) Basic earnings per share	0.1799	0.2938
(II) Diluted earnings per share	0.1799	0.2938
VII. Other comprehensive income		
VIII. Total comprehensive income	23,792,247.78	38,312,894.73
Total comprehensive income attributable to owners of the parent company	21,590,786.44	35,261,136.74
Total comprehensive income attributable to minority interest	2,201,461.34	3,051,757.99

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

4. Income statement of the Parent Company

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Unit: RMB

Item		Amounts for the period	Amounts for the prior period
I.	Operating revenue	153,619,367.44	179,908,268.25
	Less: Operating costs	35,345,171.02	47,644,851.51
	Business taxes and surcharges	2,823,484.76	5,266,084.55
	Selling expenses	62,420,889.64	62,674,790.97
	Administrative expenses	41,064,256.30	39,762,130.29
	Finance expenses	987,099.46	-1,367,924.07
	Loss on impairment of assets	238,498.35	205,636.37
	Add: Gain on change in fair value ("-" denotes loss)	0.00	0.00
	Investment gain ("-" denotes loss)	-1,521,776.47	-256,085.73
	Including: Investment gain from associates and joint ventures	-1,521,776.47	-256,085.73
II.	Operating profit ("-" denotes loss)	9,218,191.44	25,466,612.90
	Add: Non-operating income	8,804,655.60	8,864,504.17
	Less: Non-operating expenses	18,059.50	142,284.65
	Including: Loss on disposal of non-current assets	14,829.07	29,742.64
III.	Total profit ("-" denotes total loss)	18,004,787.54	34,188,832.42
	Less: Income tax expenses	3,145,108.55	4,528,803.37
IV.	Net profit ("-" denotes net loss)	14,859,678.99	29,660,029.05
V.	Earnings per share:		
	(I) Basic earnings per share		
	(II) Diluted earnings per share		
VI.	Other comprehensive income		
VII.	Total comprehensive income	14,859,678.99	29,660,029.05

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

5. **Consolidated cash flow statement**

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Unit: RMB

Item	**Amounts for the period**	**Amounts for the prior period**
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	1,827,242,313.17	1,023,149,730.77
Net increase in customer deposits and interbank deposits		
Net increase in borrowings from central bank		
Net increase in capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Insured savings and net increase of investment		
Net increase in disposal of financial assets held for trading		
Cash received from interest, handling fee and commission		
Net increase in capital borrowed		
Net increase in capital from buy-back of business		
Tax refunds received		
Other cash received relating to operating activities	16,772,703.28	17,915,761.20
Subtotal of cash inflow from operating activities	1,844,015,016.45	1,041,065,491.97
Cash paid for purchase of goods and labour services received	1,665,007,333.71	877,430,060.83
Net increase in customer loans and advances		
Net increase in deposits in central bank and interbank		
Cash paid for original insurance contract compensation		

Item	Amounts for the period	Amounts for the prior period
Cash paid for interest, handling fee and commission		
Cash paid for insurance policy dividend		
Cash paid to and for employees	99,939,921.87	97,749,831.97
Payment of all types of taxes	16,429,663.00	20,566,972.25
Other Cash paid relating to operating activities	59,364,115.71	65,060,273.02
Subtotal of cash outflows from operating activities	1,840,741,034.29	1,060,807,138.07
Net cash flows from operating activities	3,273,982.16	-19,741,646.10
II. Cash flows from investing activities:		
Cash received from recovery of investments		
Cash received from investment gain		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,929.00	21,900.00
Net cash received from disposal of subsidiaries and other business units		
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	4,929.00	21,900.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	50,200,819.74	73,585,778.34
Cash paid on investments	21,460,000.00	11,960,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	71,660,819.74	85,545,778.34
Net cash flows from investing activities	-71,655,890.74	-85,523,878.34

Item	Amounts for the period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from absorption of investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from borrowings	177,700,000.00	30,000,000.00
Cash received from bond issue		
Other cash received relating to financing activities	8,300,000.00	12,502,628.81
Subtotal of cash inflows from financing activities	186,000,000.00	42,502,628.81
Cash paid for repayment of liabilities	80,800,000.00	
Cash paid for dividend and profit distribution or interest payment	8,973,850.20	6,831,233.71
Including: Dividend and profit paid to minority shareholders by subsidiaries		
Other cash paid relating to financing activities	12,154,000.00	1,541,500.00
Subtotal of cash outflows from financing activities	101,927,850.20	8,372,733.71
Net cash flows from financing activities	84,072,149.80	34,129,895.10
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	15,690,241.22	-71,135,629.34
Add: Balance of cash and cash equivalents as at the beginning of the period	178,722,357.25	249,857,986.59
VI. Balance of cash and cash equivalents as at the end of the period	194,412,598.47	178,722,357.25

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

6. Cash flow statement of the Parent Company

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Unit: RMB

Item		Amounts for the period	Amounts for the prior period
I.	Cash flows from operating activities:		
	Cash received from sales of goods and rendering of services	166,110,259.15	175,097,536.84
	Tax refunds received		
	Other cash received relating to operating activities	17,452,732.30	12,369,054.46
	Subtotal of cash inflow from operating activities	183,562,991.45	187,466,591.30
	Cash paid for purchase of goods and labour services received		
	Cash paid to and for employees	83,213,456.69	86,351,704.10
	Payment of all types of taxes	11,061,141.41	13,717,118.17
	Other cash paid relating to operating activities	41,724,300.24	55,231,432.02
	Subtotal of cash outflows from operating activities	135,998,898.34	155,300,254.29
	Net cash flows from operating activities	47,564,093.11	32,166,337.01
II.	Cash flows from investing activities:		
	Cash received from recovery of investments	40,000,000.00	
	Cash received from investment gain		
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,929.00	21,900.00
	Net cash received from disposal of subsidiaries and other business units		
	Other cash received relating to investing activities		
	Subtotal of cash inflows from investing activities	40,004,929.00	21,900.00

Item	Amounts for the period	Amounts for the prior period
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	49,044,510.19	72,949,834.35
Cash paid on investments	62,554,000.00	36,541,500.00
Net cash paid for acquisition of subsidiaries and other business units		
Other cash paid relating to investing activities		
Subtotal of cash outflows from investing activities	111,598,510.19	109,491,334.35
Net cash flows from investing activities	-71,593,581.19	-109,469,434.35
III. Cash flows from financing activities:		
Cash received from absorption of investment		
Cash received from borrowings	48,900,000.00	
Cash received from bond issue		
Other cash received relating to financing activities	8,300,000.00	12,502,628.81
Subtotal of cash inflows from financing activities	57,200,000.00	12,502,628.81
Cash paid for repayment of liabilities		
Cash paid for dividend and profit distribution or interest payment	6,770,216.67	5,916,800.00
Other cash paid relating to financing activities		
Subtotal of cash outflows from financing activities	6,770,216.67	5,916,800.00
Net cash flows from financing activities	50,429,783.33	6,585,828.81
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	26,400,295.25	-70,717,268.53
Add: Balance of cash and cash equivalents as at the beginning of the period	149,742,076.76	220,459,345.29
VI. Balance of cash and cash equivalents as at the end of the period	176,142,372.01	149,742,076.76

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

7. Consolidated statement of changes in owners' equity

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Amounts for the current period

Unit: RMB

Item	Amounts for the current period									
	Equity attributable to owners of the Parent Company									
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Others	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	80,000,000.00	170,247,194.60			13,495,338.11		97,974,560.64		65,185,253.18	426,902,346.53
Add: changes in accounting policy										
Correction of prior period errors										
Others										
II. Balance as at the beginning of the year	80,000,000.00	170,247,194.60			13,495,338.11		97,974,560.64		65,185,253.18	426,902,346.53
III. Changes in amount for increase or decrease in the period ("-" denotes decrease)	40,000,000.00	-24,073,814.50			1,485,967.90		104,818.54		-9,878,724.16	7,638,247.78
(I) Net Profit							21,590,786.44		2,201,461.34	23,792,247.78
(II) Other comprehensive income										
Subtotal of the above (I) and (II)							21,590,786.44		2,201,461.34	23,792,247.78
(III) Capital paid in and reduced by owners		-73,814.50							-12,080,185.50	-12,154,000.00
1. Capital paid in by owners										
2. Amounts of share-based payments included in owners' equity										
3. Others		-73,814.50							-12,080,185.50	-12,154,000.00

Item	Amounts for the current period									
	Equity attributable to owners of the Parent Company									
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Others	Minority interest	Total owners' equity
(IV) Profit distribution	16,000,000.00				1,485,967.90		-21,485,967.90			-4,000,000.00
1. Appropriation from surplus reserve					1,485,967.90		-1,485,967.90			
2. Appropriation from general risk provisions										
3. Distribution to owners (or shareholders)	16,000,000.00						-20,000,000.00			-4,000,000.00
4. Others										
(V) Internal transfer of owner's equity	24,000,000.00	-24,000,000.00								
1. Transfer from capital reserves to capital (or share capital)	24,000,000.00	-24,000,000.00								
2. Transfer from surplus reserves to capital (or share capital)										
3. Loss covered by surplus reserves										
4. Others										
(VI) Special reserves										
1. Withdrawal in the current period										
2. Use in the current period										
(VII) Others										
IV. Balance as at the end of the period	120,000,000.00	146,173,380.10			14,981,306.01		98,079,379.18		55,306,529.02	434,540,594.31

Amounts for the prior year

Unit: RMB

Item	Amounts for the prior year									
	Equity attributable to owners of the Parent Company									
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Others	Minority interest	Total owners' equity
I. Balance as at the end of the prior year	40,000,000.00	190,233,808.64			10,529,335.20		89,679,426.81		63,688,381.15	394,130,951.80
Add: Retrospective adjustments arising from enterprise merger under common control										
Add: changes in accounting policy										
Correction of prior period errors										
Others										
II. Balance as at the beginning of the year	40,000,000.00	190,233,808.64			10,529,335.20		89,679,426.81		63,688,381.15	394,130,951.80
III. Changes in amount for increase or decrease in the period ("-" denotes decrease)	40,000,000.00	-19,986,614.04			2,966,002.91		8,295,133.83		1,496,872.03	32,771,394.73
(I) Net Profit							35,261,136.74		3,051,757.99	38,312,894.73
(II) Other comprehensive income										
Subtotal of the above (I) and (II)							35,261,136.74		3,051,757.99	38,312,894.73
(III) Capital paid in and reduced by owners		13,385.96							-1,554,885.96	-1,541,500.00
1. Capital paid in by owners										
2. Amounts of share-based payments included in owners' equity										
3. Others		13,385.96							-1,554,885.96	-1,541,500.00

Item	Amounts for the prior year									
	Equity attributable to owners of the Parent Company									
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Others	Minority interest	Total owners' equity
(IV) Profit distribution	20,000,000.00				2,966,002.91		-26,966,002.91			-4,000,000.00
1. Appropriation from surplus reserve					2,966,002.91		-2,966,002.91			
2. Appropriation from general risk provisions										
3. Distribution to owners (or shareholders)	20,000,000.00						-24,000,000.00			-4,000,000.00
4. Others										
(V) Internal transfer of owner's equity	20,000,000.00	-20,000,000.00								
1. Transfer from capital reserves to capital (or share capital)	20,000,000.00	-20,000,000.00								
2. Transfer from surplus reserves to capital (or share capital)										
3. Loss covered by surplus reserves										
4. Others										
(VI) Special reserves										
1. Withdrawal in the current period										
2. Use in the current period										
(VII) Others										
IV. Balance as at the end of the period	80,000,000.00	170,247,194.60			13,495,338.11		97,974,560.64		65,185,253.18	426,902,346.53

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

8. Statement of changes in owners' equity of the Parent Company

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

Amounts for the current period

Unit: RMB

Item	Amounts for the current period							
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Total owners' equity
I. Balance as at the end of the prior year	80,000,000.00	170,378,639.15			13,495,338.11		96,352,161.70	360,226,138.96
Add: changes in accounting policy								
Correction of prior period errors								
Others								
II. Balance as at the beginning of the year	80,000,000.00	170,378,639.15			13,495,338.11		96,352,161.70	360,226,138.96
III. Changes in amount for increase or decrease in the period ("-" denotes decrease)	40,000,000.00	-24,000,000.00			1,485,967.90		-6,626,288.91	10,859,678.99
(I) Net Profit							14,859,678.99	14,859,678.99
(II) Other comprehensive income								
Subtotal of the above (I) and (II)							14,859,678.99	14,859,678.99
(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments included in owners' equity								
3. Others								

Item	Amounts for the current period							
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Total owners' equity
(IV) Profit distribution	16,000,000.00				1,485,967.90		-21,485,967.90	-4,000,000.00
1. Appropriation from surplus reserve					1,485,967.90		-1,485,967.90	
2. Appropriation from general risk provisions								
3. Distribution to owners (or shareholders)	16,000,000.00						-20,000,000.00	-4,000,000.00
4. Others								
(V) Internal transfer of owner's equity	24,000,000.00	-24,000,000.00						
1. Transfer from capital reserves to capital (or share capital)	24,000,000.00	-24,000,000.00						
2. Transfer from surplus reserves to capital (or share capital)								
3. Loss covered by surplus reserves								
4. Others								
(VI) Special reserves								
1. Withdrawal in the current period								
2. Use in the current period								
(VII) Others								
IV. Balance as at the end of the period	120,000,000.00	146,378,639.15			14,981,306.01		89,725,872.79	371,085,817.95

Amounts for the prior year

Unit: RMB

Item	Amounts for the prior year							
	Paid-up capital (or Share capital)	**Capital reserves**	**Less: Treasury shares**	**Special reserves**	**Surplus reserves**	**General risk provisions**	**Undistributed profit**	**Total owners' equity**
I. Balance as at the end of the prior year	40,000,000.00	190,378,639.15			10,529,335.20		93,658,135.56	334,566,109.91
Add: changes in accounting policy								
Correction of prior period errors								
Others								
II. Balance as at the beginning of the year	40,000,000.00	190,378,639.15			10,529,335.20		93,658,135.56	334,566,109.91
III. Changes in amount for increase or decrease in the period ("-" denotes decrease)	40,000,000.00	-20,000,000.00			2,966,002.91		2,694,026.14	25,660,029.05
(I) Net Profit							29,660,029.05	29,660,029.05
(II) Other comprehensive income								
Subtotal of the above (I) and (II)							29,660,029.05	29,660,029.05
(III) Capital paid in and reduced by owners								
1. Capital paid in by owners								
2. Amounts of share-based payments included in owners' equity								
3. Others								

Item	Amounts for the prior year							
	Paid-up capital (or Share capital)	Capital reserves	Less: Treasury shares	Special reserves	Surplus reserves	General risk provisions	Undistributed profit	Total owners' equity
(IV) Profit distribution	20,000,000.00				2,966,002.91		-26,966,002.91	-4,000,000.00
1. Appropriation from surplus reserve					2,966,002.91		-2,966,002.91	
2. Appropriation from general risk provisions								
3. Distribution to owners (or shareholders)	20,000,000.00						-24,000,000.00	-4,000,000.00
4. Others								
(V) Internal transfer of owner's equity	20,000,000.00	-20,000,000.00						
1. Transfer from capital reserves to capital (or share capital)	20,000,000.00	-20,000,000.00						
2. Transfer from surplus reserves to capital (or share capital)								
3. Loss covered by surplus reserves								
4. Others								
(VI) Special reserves								
1. Withdrawal in the current period								
2. Use in the current period								
(VII) Others								
IV. Balance as at the end of the period	80,000,000.00	170,378,639.15			13,495,338.11		96,352,161.70	360,226,138.96

Legal Representative: Zhu Junhong (朱軍紅)

Person in charge of the accounting matters: Yu Dahai (俞大海)

Person in charge of the accounting department: Cheng Chao (成超)

III. GENERAL INFORMATION OF THE COMPANY

上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd) (hereinafter in this appendix referred to as the "Company") was formerly known as 上海鋼聯電子商務有限公司 and was a limited liability company established by 上海閩治鋼鐵工貿有限公司 (Shanghai Hui Sheng Asset Management Co., Ltd.*) and 11 shareholders, who are natural persons, including You Zhenwu (游振武) through joint capital injection. It obtained an enterprise business license as a legal person under a registration number of 3101152001770 from Shanghai Administration of Industry and Commerce – Pudong New District Branch (上海市工商行政管理局浦東新區分局) on 30 April 2000. After multiple times of transfer of equity interest and capital increment, the existing registered capital is RMB120.00 million. The Company obtained an enterprise business license as a legal person under a registration number of 310115000562504 from Shanghai Administration of Industry and Commerce (上海市工商行政管理局) on 29 July 2013. The registration address of the Company is No. 68, Yuanfeng Road, Baoshan District, Shanghai (上海市寶山區園豐路68號). The legal representative is Zhu Junhong (朱軍紅).

The original registered capital of the Company is RMB9.00 million, and the paid-up capital is RMB9.00 million. On 22 January 2008, the shareholders' meeting of the Company resolved to change the Company into a joint stock company with limited liability. Based on the valuation conducted by Beijing Liu He Zheng Xu Valuation Company Limited (北京六合正旭資產評估有限責任公司) (Liu He Zheng Xu PBZ [2008] No.002, valuation of net assets: RMB18, 543,478.85) and audited by RSM China Certified Public Accountants (中瑞岳華會計師事務所有限公司) (RSM Shen Zi [2008] No. 11374), the net assets of the Company as of 31 December 2007 (i.e. the benchmark date) was recognized as RMB17,726,073.15. Based on such amount, the total share capital was divided into 15 million shares with a nominal value of RMB1 per share, and the remaining balance of RMB2,726,073.15 was included in capital reserve. The registered capital (share capital) after the change is RMB15 million, of which: Shanghai Xingye Investment Development Limited Company (上海興業投資發展有限公司) contributed RMB9.00 million, which accounted for 60.00% of the registered capital; Zhu Junhong (朱軍紅) contributed RMB2.8750 million, which accounted for 19.17% of the registered capital; Jia Liangqun (賈良群) contributed RMB0.8 million, which accounted for 5.33% of the registered capital; Liu Yuewu (劉躍武) contributed RMB0.8 million, which accounted for 5.33% of the registered capital; Xiao Guoshu (肖國樹) contributed RMB0.75 million, which accounted for 5.00% of the registered capital; Yu Ruitai (虞瑞泰) contributed RMB0.45 million, which accounted for 3.00% of the registered capital; Mao Jie (毛傑) contributed RMB0.325 million, which accounted for 2.17% of the registered capital. The above changes were verified by RSM China Certified Public Accountants (中瑞岳華會計師事務所有限公司) and it issued a capital verification report of "RSM Yan Zi [2008] No.2006". In March 2008, the Company's name changed to "上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)" and it obtained an enterprise business license as a legal person under a registration number of 310115000562504 from Shanghai Administration of Industry and Commerce (上海市工商行政管理局).

On 10 August 2008, the Company increased the registered capital (share capital) of RMB12.8750 million by way of monetary capital contribution, in accordance with the provisions of the revised articles of association resolved at the second extraordinary general meeting of the Company. Such capital increment was conducted by Shanghai Xingye Investment Development Limited Company (上海興業投資發展有限公司) and a total of 62 natural persons including Zhu Junhong (朱軍紅), and the registered capital (share capital) after the change was RMB27.8750 million. The above contribution was reviewed by RSM China Certified Public Accountants (中瑞岳華會計師事務所有限公司) and it issued a capital verification report of "RSM Yan Zi [2008] No. 2183" on 26 August 2008.

On 1 September 2008, according to the resolutions of the third extraordinary general meeting of the Company and the revised Articles of Association, the Company filed an application for increasing the registered capital (share capital) by RMB2.1250 million and the revised registered capital (share capital) amounted to RMB30 million, which was funded by monetary capital. The increased registered capital (share capital) was contributed by 36 natural persons as original shareholders including Yu Liangui (俞連貴), as well as 77 natural persons as new shareholders including Huang He (黃河). The capital increase was contributed by premiums, which enabled the increased capital reserves by RMB2.1250 million. The abovementioned contributions were certified by RSM China Certified Public Accountants, and a capital verification report "RSM Yan Zi [2008] No. 2208" was issued on 9 October 2008.

According the resolutions of the first extraordinary general meeting of the Company in 2011 and the regulatory approval ([2011] No.734) by CSRC entitled "the Reply Regarding the Initial Public Offering and the Listing of Shares on the Growth Enterprise Market of Shanghai Ganglian E-Commerce Holdings Co., Ltd (《關於上海鋼聯電子商務股份有限公司首次公開發行股票並在創業板上市的批覆》)", on 30 May 2011, the Company made a public offering of 2.00 million ordinary shares (A shares) denominated in RMB to inquiry parties through offline placing, and 8.00 million ordinary shares (A shares) denominated in RMB through online pricing. A total of 10.00 million ordinary shares (A shares) denominated in RMB of RMB1 each were offered at the issue price of RMB23.00 per share. The Company has received contributions of RMB230,000,000.00 paid by public shareholders. Net proceeds of RMB195,527,566.00 was raised after the deduction of securities underwriting fee and sponsor fee of RMB28,000,000.00 and other issuance expenses of RMB6,472,434.00, of which RMB10,000,000.00 transferred to share capital, and the remaining RMB185,527,566.00 transferred to capital reserves. Upon issuance, the public float of the Company amounted to 10.00 million shares, all of which was funded by monetary capital. The registered capital of the Company upon the issuance amounted to RMB40.00 million. The contribution was certified by RSM China Certified Public Accountants, and the capital verification report "RSM Yan Zi [2011] No.107" was issued on 2 June 2011.

According to the resolutions of the 2011 general meeting of the Company convened on 19 April 2012 and the provisions under the revised Articles of Association, the Company filed an application for increasing the registered capital by RMB40,000,000.00 by the conversion of unallocated profits and capital reserves into share capital on the conversion bench date of 31 December 2011. The revised registered capital amounted to RMB80,000,000.00. On the basis of 5 shares for every 10 shares, the Company issued additional 20,000,000.00 shares in aggregate of RMB1 each to all shareholders by converting unallocated profits into share capital to increase its registered capital by RMB20,000,000.00. Meanwhile, on the basis of converting 5 shares out of every 10 shares, the Company issued additional 20,000,000.00 shares in aggregate of RMB1 each to all shareholders by converting capital reserves into share capital to increase its registered capital by RMB20,000,000.00. Upon the capital increase, the Company's registered capital amounted to RMB80.00 million. The contribution was certified by RSM China Certified Public Accountants (Special General Partnership), and a capital verification report "RSM Yan Zi [2012] No.0122" was issued on 7 May 2012.

According to the resolutions of the 2012 general meeting of the Company convened on 8 May 2013, and the provisions under the revised Articles of Association, the Company filed an application for increasing the registered capital by RMB40,000,000.00 by the conversion of unallocated profits and capital reserves into share capital on the conversion bench date of 31 December 2012. The revised registered capital amounted to RMB120,000,000.00. On the basis of 2 shares for every 10 shares, the Company issued additional 16,000,000.00 shares in aggregate of RMB1 each to all shareholders by converting unallocated profits into share capital to increase its registered capital by RMB16,000,000.00. Meanwhile, on the basis of converting 3 shares out of every 10 shares, the Company issued additional 24,000,000.00 shares in aggregate of RMB1 each to all shareholders by converting capital reserves into share capital to increase its registered capital by RMB24,000,000.00. Upon the capital increase, the Company's registered capital amounted to RMB120.00 million. The contribution was certified by RSM China Certified Public Accountants (Special General Partnership), and a capital verification report "RSM Yan Zi [2013] No.0154" was issued on 23 May 2013.

The Company and its subsidiaries (collectively, the "Group") are mainly engaged in third party E-commerce services, and trading services through an Internet platform.

The business scope of the Company: the development and sales of computer software and network technologies, network system integration, the sales of metal materials, fireproofing materials, construction materials, chemical raw materials (other than hazardous articles), electro-mechanical equipment, rubber products, timber, black metal ores, hardware and electric materials, advertisement design, advertising placement through self-owned media, exhibition and convention services, consultation and investigation of market information (where social investigation, social research, opinion poll, and opinion questionnaire are prohibited), establishment of branches and agencies, import and export of goods and technologies, corporate management consultation, investment consultation, corporate image planning, marketing planning; calling center business under the Type Two value-added mobile business (the detailed business scope set out in the attachment of the permit), information service business under Type Two value-added mobile business (excluding fixed-line telephone information service with internet information service only available in Shanghai) (for operation of an enterprise involving administrative approval shall be subject to a permit).

The financial statements have been approved for publication by resolutions on the Company's board meeting held on 17 April 2014.

IV. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR ERRORS OF THE COMPANY

1. Basis of Preparation of the Financial Statements

The Group's financial statements are prepared on a going concern basis and based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises – Basic Principles promulgated by the Ministry of Finance of PRC on 15 February 2006, and 38 specific accounting standards, the application guidelines on the Accounting Standards for Business Enterprises issued subsequently, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as "ASBEs"), and the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No. 15 – General Requirements for Financial Reports" (revised in 2010) of China Securities Regulatory Commission.

The Group's accounting treatment have been audited on an accrual basis in accordance with the relevant requirements under the ASBEs. Except for certain financial instruments, these financial statements are prepared under the historical cost convention. In the event that depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

2. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements have been prepared by the Group in conformity with the ASBEs, which truly and fully reflect the financial position of the Group as at 31 December 2013 and relevant information such as the operating results and cash flows of the Group for 2013. In addition, the financial statements of the Group also comply with, in all material respects, the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2010 in relation to the financial statements and the notes thereto.

3. Accounting period

The accounting periods of the Group are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full accounting year. The accounting year of the Group is from 1 January to 31 December of each calendar year.

4. Reporting currency

The Company and its domestic subsidiaries recognize RMB as their reporting currency according to the primary economic environment in which they operate. The Company and its domestic subsidiaries adopt RMB as the accounting currency. The Group prepares the financial statements in RMB.

5. Accounting treatment of business combination under common control and not under common control

(1) Business combination under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. The party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being merged. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the current period in which they are incurred.

(2) Business combination not under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. As equity or debt securities are issued by the acquirer as consideration, any attributable transaction cost is included their initial costs. Involved contingent consideration charged to the combination cost according to its fair value on the acquisition date, the combined goodwill be will be adjusted if new or addition evidence existed about the condition in the acquisition date within twelve months after the acquisition date, which is required to adjust the contingent consideration. For business combination through multiple exchanges and transactions, in consolidated financial statements of the Company, the equity interest in the acquiree held prior to the acquisition date is re-measured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognized as investment income for the current period while the other comprehensive income related to the equity interest in the acquiree held prior to the acquisition date turned into to investment income in the current period of the acquisition date. The cost of business combination is the sum of the fair value of equity interest at the acquisition date held by the acquiree prior to the acquisition date and the fair value of the increased equity interest held by the acquiree on the acquisition date.

The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognized as deferred tax assets due to non-fulfillment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognized and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognized in the profit or loss of the period.

6. The detail accounting policies in relation to disposal of equities by stages until losing control of subsidiaries

(1) The judging principle of "package deal"

(2) The accounting treatments of "package deal"

(3) The accounting treatments of "non-package deal"

7. Methods for preparation of consolidated financial statements

(1) Methods for preparation of consolidated financial statements

Subsidiaries are consolidated from the date on which the Company obtains net assets and the effective control of decision making of production and operation and are deconsolidated from the date that such control ceases. For disposal of subsidiaries, the operating results and cash flows of such subsidiaries before the date of disposal are properly included into the consolidated income statement and consolidated cash flow statements; for disposal of subsidiaries during the reporting period, no adjustment shall be made to the opening balance of the consolidated balance sheet. For those subsidiaries acquired through business combination not under common control, the operating results and cash flows after the acquisition date have been properly included in the consolidated income statements and consolidated cash flow statements. No adjustments shall be made to the opening balance of the consolidated balance sheet and the comparative consolidated financial statements amount. For those subsidiaries acquired through business combination under common control and the acquiree absorbed under business combination, the operating results and cash flows from the beginning of the consolidation period to the consolidation date are also presented in the consolidated income statement and the consolidated cash flow statements. The comparative amounts presented in the consolidated financial statements are also adjusted accordingly.

The financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company in the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and the subsidiaries. For acquisition of subsidiaries arising from merger of entities not under same control, the financial statements of the subsidiaries will be adjusted according to the fair value of the identifiable net assets.

All intra-company significant balances, transactions and unrealized profit are eliminated in the consolidated financial statements.

The shareholders' equity of subsidiaries and the portion of the net profit or loss for the period that is not attributable to the Company are presented as minorities interests and minorities profit or loss separately under shareholders' equity and net profit in the consolidated financial statements. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the "net profit" line item as "minority profit or loss". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount shall be allocated against minority interest.

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognized as investment income in the current period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is transferred to investment income for the period when the control is lost. The remaining equity interests are measured subsequently according to "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". See Note "Long-term equity investments" or this note "Financial instruments" for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to package deal. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in "partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary" separately, and "the control over a subsidiary is lost due to partial disposal of equity investment or other reasons" (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to package deal, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost. However, the difference between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognized as other comprehensive income in consolidated financial statements and transferred to profit or loss for the period when the control is lost.

(2) The discloseable accounting treatment methods in relation to equity transactions of the same subsidiary in two consecutive accounting periods

Nil

8. Standards for recognizing cash and cash equivalents

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held by the Group which are readily convertible into known amounts of cash and which are subject to insignificant risk of value change.

9. Foreign currency operations and translation of statements denominated in foreign currency

(1) Foreign currency operations

The foreign currency transactions of the Group, when initially recognized, are translated into functional currency at the prevailing exchange rate on the date of exchange on that date in general and the same hereinafter, while the foreign currency exchange operations or transactions in connection with foreign currency exchange of the Company shall be translated into functional currency at the exchange rate actually adopted.

(2) Translation of statements denominated in foreign currency

On balance sheet date, for the foreign currency monetary items translated at the prevailing exchange rate on the balance sheet date, the translation difference so arising is charged to profit or loss for the period, except for: ① the translation differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets which are qualified for capitalization are treated according to the principle of capitalization of borrowing amounts; and ② the translation differences arising from the change of other carrying residual amounts (apart from amortization costs) from foreign currency items available for sale.

The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the prevailing exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the prevailing exchange rate on the date of determination of the fair value. The difference between the amounts of reporting currency before and after the translation will be treated as changes in fair value (including changes in foreign exchange rates) and recognized in profit or loss for the period or recognized as other comprehensive income and recognized in capital reserves.

10. Financial instruments

The fair value refers to amount for which an asset could be exchanged, or a liability settled, between informed and knowledgeable parties to a fair transaction. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organizations and price fixing service organizations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

(1) Classification of financial instruments

Conventionally traded financial assets shall be recognized and derecognized at the trading date. Financial assets shall be classified into financial assets measured at fair value and the changes of which are included in the profit or loss of the period, held-to-maturity investments, loans and accounts receivable, available-for-sale financial assets at initial recognition.

(2) Recognition basis and measurement method for financial instruments

Financial assets are initially recognized at fair value. For financial assets measured at fair value with changes recognized in profit or loss for the period, the relevant transaction costs are directly recognized in profit or loss for the period; for financial assets under other categories, the relevant transaction costs are recognized in the initial recognition amount.

① Financial assets measured at fair value with changes charged to profit or loss for the period

It comprises trading financial assets and financial assets designated to be measured at fair value with changes charged to profit or loss of the current period.

Trading financial assets represents financial assets that met one of the following conditions: A. The purpose of obtaining the financial asset is for selling such asset in the short term; B. The assets was included in the portfolio of financial instruments which has objective evidence showing that the Group manages the portfolio so as to obtain short term gains; C. The assets is a derivative except for those derivatives which are designated as an effective hedging instrument, or are included in a financial guarantee contract, or are derivatives for which there are no quoted price in active market or the fair value of the underlying equity instruments cannot be measured reliably and the derivative have to be settled by delivering the underlying equity instrument.

Financial assets which met one of the following conditions can be designated to be measured at fair value with changes charged to profit or loss of the period: A. The designation can eliminate or substantially eliminate the inconsistencies between profit or loss from the financial assets arising from different measurement basis; B. It is stated in our formal written documents of the risk management or investment strategies of the Group that the portfolio of financial assets and liabilities in which the financial asset belongs to are designated as measured at fair value in the risk management report or investment strategic report handed in to key management personnel.

Financial assets that are measured at fair value with changes charged to profit or loss for the period are subsequently measured at fair value. The gain or loss arising from fair value changes, and the dividend income and interest income related to such financial assets are charged to profit or loss for the period.

② Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that the Group has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured using the effective interest method on the basis of amortized cost. The gain or loss on derecognition, impairment or amortization are recognized in profit or loss of the period.

Effective interest rate method means the amortized cost, periodic interest income or payment of financial assets or financial liabilities (including a portfolio of financial assets or financial liabilities) are calculated based the effective interest rate. Effective interest rate means the interest rate used for discounting the future expected cash flows of a financial asset or financial liability in the expected continued period or an applicable shorter period to the carrying amount of such financial asset or financial liability at the moment.

When calculating the effective interest rate, the Group will estimate the future cash flows (except for considering loss arising from credit risk) of financial assets and liabilities based on all terms and conditions of the underlying contracts, and at the same time considering the charges, transaction costs, discounts or premiums, etc. paid or received among the contractual parties of the financial assets or financial liabilities, and become an integral part of the effective interest rate.

③ Loans and accounts receivable

It is the non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified by the Group as loans and accounts receivable, including bills receivable, accounts receivable, interest receivable, divided receivable and other receivables, etc. Loans and receivables are subsequently measured at amortized cost using the effective interest rate method. The gain or loss arising from de-recognition, impairment or amortization are charged to profit or loss for the period.

④ Available-for-sale financial assets

They include the non-derivative financial assets that are designated for available for sale at initial recognition, and financial assets (other than the financial assets that are measured at fair value with changes charged to profit or loss for the period, loans and accounts receivable, and held-to-maturity investments.

Available-for-sale financial assets subsequently measured at fair value, the gains or losses arising from changes in fair value, except for impairment losses and exchange difference related to monetary financial assets and amortized cost which are charged to profit or loss for the period, are recognized as other comprehensive income and charged to capital reserves, and charged to profit or loss for the period when the financial assets are derecognized.

Interests received during the period in which available-for-sale financial assets was held and the cash dividends declared by the investee are charged to investment income.

Financial liabilities are classified into financial liabilities that are measured at fair value with changes are charged to profit or loss for the period and other financial liabilities at initial recognition. For financial liabilities measured at fair value with changes charged to profit or loss for the period, the relevant transaction costs are directly charged to profit or loss for the period. For other financial liabilities, the relevant transaction costs are charged to the initial recognition amount.

① Financial liabilities measured at fair value with changes charged to profit or loss for the period

The classification and conditions for financial liabilities classified as held for trading and designated as financial liabilities at fair value with changes charged to profit or loss for the period at inception is the same as financial assets classified as held for trading and designated as financial asset at fair value with changes charged to recognized in profit or loss for the period at inception.

Financial liabilities measured at fair value with changes charged to profit or loss for the period are subsequently measured at fair value. The gain or loss arising from changes in fair value, and the dividend and interest expenses related to such financial liabilities are charged to profit or loss for the period.

② Other financial liabilities

Financial liabilities for derivatives which have no quoted price in active market, the fair value of the underlying equity instruments cannot be measured reliably and have to be settled by delivering the underlying equity instrument are subsequent measured at cost. Other financial liabilities are subsequently measured on amortized cost using effective interest rate method, the gain or loss on derecognition and amortization is charged to profit or loss for the period.

③ Financial guarantee contract

For the financial guarantee contract not classified as financial liability measured at fair value with changes charged to profit or loss for the period, it is recognized initially by its fair value, and is measured subsequently at the higher value between its initial recognized amount in accordance with "Accounting Standards for Business Enterprises No. 13 – Contingent Event" and the initial recognized amount less the remaining amortized amount recognized in accordance with the principle of "Accounting Standards for Business Enterprises No. 14 – Revenue".

(3) Recognition basis and measurement of transfers of financial asset

Financial assets that satisfied any of the following criteria shall be derecognized: ① the contract right to recover the cash flows of the financial assets has terminated; ② the financial assets, along with substantially all the risk and return arising from the ownership of the financial assets, have been transferred to the transferee; and ③ the financial assets have been transferred to the transferee, and the transferor has given up the control on such financial assets, though an entity does not retain substantially all the risk and return arising from the ownership of the financial assets.

When the entity does not either retain substantially all the risk and return arising from the ownership of the financial assets and does not give up the control on such financial assets, to the extent of its continuous involvement in the financial assets, the entity recognizes it as a related financial assets and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

On derecognition of a financial asset, the difference between the following amounts is recognised in profit or loss for the current period: the carrying amount and the sum of the consideration received and any accumulated gain or loss that had been recognised directly in equity.

If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss for the period: the sum of the consideration received and the carrying amount of the part that qualifies for derecognition and the aforementioned carrying amount.

(4) Derecognition conditions of financial liabilities

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement is entered between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities.

When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

(5) The Determination method for the fair value of financial assets and financial liabilities

The fair value refers to amount for which an asset could be exchanged, or a liability settled, between informed and knowledgeable parties to a fair transaction. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organizations and price fixing service organizations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

(6) Impairment test method and impairment provision of financial assets (excluding receivables)

The Group assesses the carrying amounts of financial assets other than those measured at fair value with changes recognized in profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assess the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

① Impairment on held-to-maturity investments, loans and accounts receivable

The carrying amount of financial assets measured as costs or amortized costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

② Impairment of available-for-sale financial assets

In the event that decline in fair value of the available-for-sale equity instrument is regarded as severe decline or non-temporary decline on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument.

When the impairment of available-for-sale financial assets occurs, the accumulated loss originally included in capital reserves arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortized amounts, current fair value and the impairment loss originally included in the profit or loss.

After the impairment loss is recognized, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognized shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognized as other comprehensive income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

Each determination criteria for all impairment of available-for-sale financial assets

(7) *For undue held-to-maturity investments reclassified as available-for-sale financial assets, explain the basis of change in holding intention or ability*

Nil

11. Recognition basis and bad debt provision for accounts receivable

Accounts receivable includes accounts receivable and other receivables, etc.

(1) *Basis for recognition of bad debt provision*

The Group carries out an overall inspection on the carrying amount of accounts receivable on the balance sheet date. Where there arises any of the following objective evidences indicating that accounts receivable have been impaired, an impairment provision will be made: ① a serious financial difficulty occurs to the debtor; ② the debtor violates any of the contractual stipulations (such as he fails to pay or delays the payment of interests or the principal); ③ the debtor will probably go bankrupt or undergo other financial reorganisations; ④ other objective evidences show that the accounts receivable are impaired.

(2) Method for making bad debt provision

① Recognition standard and method for making bad debt provision individually for individually significant accounts receivable

Accounts receivable of more than RMB100,000 is recognized as individually significant accounts receivable by the Group.

For accounts receivable that is individually significant, the Group assesses such accounts receivable individually for impairment. If it is determined that no of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognized are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

② Determination and method for making bad debt provision for accounts receivable provided for bad debt by credit risk portfolio

A. Basis for determining the credit risk portfolio

The Group classifies its individually insignificant accounts receivable and individually significant but not impaired accounts receivable in accordance with their credit risk characteristics and relevance of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contracted terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.

Determination basis for various portfolios:

Items	**Basis for determining the portfolio**
Aging portfolio	Aging of receivables
Deposits and reserves portfolio	Nature of amounts
Related parties portfolio	Nature of amounts

B. Method for making bad debt provision according to credit risk characteristics

When an impairment test is performed by means of a group, bad debt provision will be assessed and ascertained according to the structure of the group of accounts receivable and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses, prevailing economic condition and losses that are expected to incur in the group of accounts receivable.

Methods to provide for bad debts of various portfolios:

Item	**Method for making provision**
Aging portfolio	Aging analysis

Use of aging analysis for making bad debt provision in the portfolio:

Aging	**Ratio of provisions for accounts receivable** *(%)*	**Ratio of provisions for other receivables** *(%)*
Within 1 year (including 1 year)	5.00	5.00
1–2 years	50.00	50.00
2–3 years	80.00	80.00
Over 3 years	100.00	100.00

Note: Explanation to the provision for bad debts: in view of the low credit risk for the reserves and deposits in the accounts receivable, the Group generally does not provide for bad debts.

③ Accounts receivable individually insignificant but provided for bad debt separately

Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Group. If there is objective evidence indicating that the accounts receivable are impaired, then impairment loss will be recognized and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts, such as accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the accounts receivable indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

(3) *Reversal of bad loan provisions*

If there are evidences indicating that the value of the account receivable is recovered and that recovery is connected to the event subsequent to the recognition of the loss, the impairment loss previously recognized will be reversed and recorded into profit or loss for the period. However, the carrying amount so reversed shall not exceed the amortized cost of the account receivable on the date of reversal on the assumption that no impairment loss has been made.

(1) Bad debt provision for accounts receivable of individual significant amount

The judging basis or monetary standard for individual significant amounts	Accounts receivable of more than RMB100,000 is recognized by the Group as accounts receivable individual significant.
Individual significant amounts and method for bad debt provision	The Group conducts individual impairment test for receivables of individual significant amounts separately. Financial assets that no impairment exists after individually test, are included in a group of financial assets with similar credit risk characteristics for collective impairment test. For receivables for which an impairment loss is individually recognized are no longer included in the collective assessment for impairment of receivables with similar credit risk characteristics.

(2) Bad debts provisions for accounts receivable by portfolio

Name of the portfolio	**Method for making bad debt provisions by portfolio**	**Basis for portfolio determination**
Aging portfolio	Aging analysis	Aging of accounts receivable

Bad debts are provided for based on aging analysis of accounts

√ Applicable □ Not applicable

Aging	Ratio of provisions for accounts receivable *(%)*	Ratio of provisions for other receivables *(%)*
Within 1 year (including 1 year)	5%	5%
1–2 years	50%	50%
2–3 years	80%	80%
Over 3 years	100%	100%

The provisions for bad debt are made based on percentage method in portfolio

□ Applicable √ Not applicable

The provisions for bad debt are made based on other methods in portfolio

□ Applicable √ Not applicable

(3) Receivables not individually significant for which provision is assessed individually

Reason for provision individually	Accounts receivable which are individually insignificant but have the following features are subject to impairment tests separately by the Group. If there is objective evidence indicating that the accounts receivable are impaired, then impairment loss will be recognized and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts, such as accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the accounts receivable indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

12. Inventories

(1) Classification of inventories

Inventories mainly include goods in stock and low-value consumables, etc.

(2) Pricing of inventories dispatched

Method of pricing: specific-unit-cost method

Inventories are recorded at actual costs on acquisition. Cost of inventories comprises purchase cost. When used and dispatched, inventories will be calculated with weighted average method.

(3) Recognition of net realizable value of inventory and provision for inventory impairment

Net realizable value refers to the amount of the estimated price of inventories less the estimated cost incurred upon completion, estimated sales expenses and other amounts after tax and levies in daily operation. The realizable value of inventories shall be determined on the basis of definite evidence, purpose of holding the inventories and effect of after-balance-sheet-date events

At the balance sheet date, inventories are calculated at the lower of cost and net realizable value. Usually, provision for inventory impairment is made when the net realizable value is lower than the cost. Provisions for impairment of inventory shall be made according to the amount by which the cost of a single item exceeds its net realizable value.

After provision is made for the price-reduction of inventories, if the factors previously affecting the inventories value have disappeared, and resulted in the realizable net amount to be higher than its carrying amount, which will be reversed in the inventories price reduction reserves in which provision has been made, and the amount so reversed will be charged to the profit or loss for the period.

(4) Inventory system for inventories

Inventory system: perpetual inventory system

(5) Amortization methods for low-value consumables and packaging materials

Low-value consumables

Amortization method: one-off amortization

Packaging materials

Amortization method: one-off amortization

13. Long-term equity investments

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the share of the carrying amount of the owner's equity on the date of combination. For a long-term equity investment acquired through a business combination involving enterprises not under common control, the cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. Agent fees incurred by the acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred. The transaction costs for the issuance of equity securities or debt securities by the acquirer as the consideration of business combination shall be recorded in the initial recognized amount of the equity securities or debt securities.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognized based on the purchase cost actually paid by the Group in cash, the fair value of equity securities issued by the Group, the agreed value of investment contract or agreement, the fair value or original carrying amounts of the non-monetary asset exchange transaction which the asset will be transferred out of the Group, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost.

(2) Subsequent measurement and profit or loss recognition

The long-term equity investment in an investee that is not under common control or of significant influence and not quoted in an active market with fair value unable to be reliably measured was calculated by cost method;

the long-term equity investment in an investee that is under common or of significant influence was calculated equity method; the long-term equity investment in an investee that is not under control or under common control or of significant with fair value able to be reliably measured was classified as available-for-sale financial assets or measured at fair value with changes charged in financial assets auditing under profit or loss for the period.

In addition, the long-term equity investments are stated the Company's financial statements at cost method where the Company can exercise control over the investee.

① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognized as the cash dividends or profits declared by the investee.

② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

When equity method is used, the gain or loss on investment for the period represents the amount of net profit or loss recognized in that year attributable to or shared by the investee. When recognizing the amount of the net profit or loss shared by the investee, adjustments are made to the net profits of the investee, based on fair values of each identifiable assets and liabilities of the investee when the investment is made and in accordance with the Group's accounting policy and accounting period. For unrealized profits or loss arising from inter-transactions between the Group and the associates and joint ventures, the part attributable to the Group is eliminated in accordance to the shareholding proportion. However, the unrealized loss from inter-transactions between the Group and the investee which is regarded as transferred asset impairment loss in accordance with requirements under "Accounting Standards for Business Enterprises

No. 8 – Impairment of Assets", shall not be eliminated. For other comprehensive income of the investee, will be recognized in the other comprehensive income of the Group under capital reserve and the carrying amount of long-term equity investment will be adjusted accordingly.

The Group's share of net losses of the investee shall be recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. In addition, if the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses

③ Acquisition of minority interest

Upon the preparation of the consolidated financial statements, since acquisition of minority interest increased of long-term equity investment which was compared to fair value of identifiable net assets recognized which are measured based on the continuous measurement since the acquisition date (or combination date) of subsidiaries attributable to the Group calculated according to the proportion of newly acquired shares, the difference of which recognized as adjusted capital surplus, capital surplus insufficient to set off impairment and adjusted retained earnings.

④ Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary by the parent company without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a change in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note IV. 4. (2) "Preparation Method of the Consolidated Financial Statements".

For disposal of long-term equity investment in other situations, as for the equity disposed, the difference between its carrying amount and considerations received shall be recognized in profit or loss for the period; for long-term equity investment accounted for by using equity method, the other comprehensive income previously recognized in shareholder's equity shall be transferred to profit or loss for the period on pro rata basis upon disposal. The remaining equity is recognized at its carrying amount as long-term equity investment or other relevant financial assets, and subsequently measured in accordance with the accounting policies on long-term equity investment or financial assets previously stated. When the remaining equity originally accounted for under cost method which was changed to be accounted for under equity method, restatement shall be made in accordance with relevant standards.

(3) Basis for determination of having common control and significant influences on the investee

Control refers to the power to govern the financial and operating policies of an enterprise, so as to obtain benefits from its operating activities. Common control is the common control over an economic activity based on contractual agreement, and exists only when the significant financial and operating decisions relating to an economic activity require the unanimous consent of the investors sharing control. Significant influence is the power to participate the decision-making in the financial and operating policy of an enterprise, but not to control or jointly control the formulation of such policies together with other parties. When assessing whether the investor has control or significant influence over an investee, potential voting rights of the investee such as convertible corporate bonds and warrants currently executable as held by the investee and other parties have been taken into consideration.

(4) Method of impairment testing and provision

At each balance sheet date, the Group assesses whether there are any indications of impairment on long-term equity investments. If there are, the recoverable amount of the investment will be estimated. If the recoverable amount of the asset is lower than its carrying amount, the difference is recognized in profit or loss for the period as impairment for the asset.

Impairment loss on long-term equity investment will not be reversed in subsequent accounting period once they are recognized.

14. Investment property

–

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year.

(2) Recognition standards and measurements of fixed assets acquired under finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and ownership to the assets may or may not eventually be transferred. For fixed assets acquired under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

(3) Depreciation method for various fixed assets

Fixed assets are initially measured at cost taking into consideration on the influence of estimated discarding fees. Fixed assets are depreciated over its useful life using straight-line method from the second month when the fixed asset is ready for its intended use. The useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	**Useful life of depreciation** *(year)*	**Residual value rate** *(%)*	**Annual depreciation rate** *(%)*
Buildings and structures	20–30	5.00	3.17–4.75
Office equipment	3–5	4.00–5.00	19.00–32.00
Electronic devices	3–5	4.00–5.00	19.00–32.00
Transportation equipment	5–8	4.00–5.00	11.88–19.20

Estimated net residual value of a fixed asset is the estimated amount that the Group would obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the stage and in the condition expected at the end of its useful life.

Category	Useful life of depreciation *(year)*	Residual value rate *(%)*	Annual depreciation rate *(%)*
Buildings and structures	20–30	5%	3.17–4.75
Machinery and equipment	3–5	5%	19.00–32.00
Electronic devices	3–5	5%	19.00–32.00
Transportation equipment	5–8	5%	11.88–19.20

(4) *Methods of impairment test and provision of fixed assets*

The Group judges if there exists any indication of impairment as at the balance sheet date in respect of the non-current and non-financial assets, such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint ventures, and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets not ready for working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and charged to impairment loss. The recoverable amount is the higher of the fair value of an asset less the net amount after the costs of disposal and the present value of the future cash flows expected to be derived from the asset. The fair value of an asset is the price determined in a sale agreement in an arm's length transaction. If no sale agreement is available but there is an active market for such asset, fair value shall be determined based on the bid price. If neither sale agreement nor active market is available for an asset, fair value of the asset shall be estimated based on the best available information. Costs of disposal include the expenses attributable to disposal of the asset, including legal fee, relevant taxes, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be measured and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or groups of assets benefiting from synergy of business combination. If the impairment test result shows that the recoverable amount included in asset groups or groups of assets for the allocation of goodwill is less than its carrying amount, the impairment loss will be recognized accordingly. The amount of impairment loss shall first reduce the carrying amount of the goodwill allocated to the asset groups or groups of assets, and then reduce the carrying amount of all other assets in proportion based on proportion attributable to the carrying amount of all other assets (other than goodwill) within the asset group or groups of assets.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

(5) Other explanations

Subsequent expenditures relating to a fixed asset shall be included in the cost of the fixed asset, only if it is probable that economic benefits associated with the asset will flow to the Group and the relevant cost can be measured reliably; meanwhile the carrying amount of the replaced part shall be derecognized. Other subsequent expenditures shall be charged to profit or loss when incurred.

When a fixed asset is sold, transferred, retired or damaged, the Group shall recognize the amount of any proceeds on disposal of the asset net of the differences between carrying amount and related taxes in profit or loss for the current period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each year-end. Any change in the useful life or estimated net residual value of a fixed asset or the depreciation method applied shall be accounted for as a change in accounting estimate.

16. Constructions in progress

(1) Classification of the constructions in progress

Constructions in progress is recognized based on the actual construction cost, including all expenditures incurred for construction projects, capitalized borrowing costs for the construction in progress before it has reached the working condition for its intended use, and other related expenses during the construction period.

(2) The standard and time for constructions in progress transferred into fixed assets

A construction in progress is transferred to fixed assets when it has reached the working condition for its intended use.

(3) Methods of impairment test and provision of constructions in progress

The Group judges if there exists any indication of impairment as at the balance sheet date in respect of the non-current and non-financial assets, such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint ventures, and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets not ready for working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and charged to impairment loss. The recoverable amount is the higher of the fair value of an asset less the net amount after the costs of disposal and the present value of the future cash flows expected to be derived from the asset. The fair value of an asset is the price determined in a sale agreement in an arm's length transaction. If no sale agreement is available but there is an active market for such asset, fair value shall be determined based on the bid price. If neither sale agreement nor active market is available for an asset, fair value of the asset shall be estimated based on the best available information. Costs of disposal include the expenses attributable to disposal of the asset, including legal fee, relevant taxes, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be measured and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or groups of assets benefiting from synergy of business combination. If the impairment test result shows that the recoverable amount included in asset groups or groups of assets for the allocation of goodwill is less than its carrying amount, the impairment loss will be recognized accordingly. The amount of impairment loss shall first reduce the carrying amount of the goodwill allocated to the asset groups or groups of assets, and then reduce the carrying amount of all other assets in proportion based on proportion attributable to the carrying amount of all other assets (other than goodwill) within the asset group or groups of assets.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

17. Borrowing costs

(1) Recognition principle for capitalization of borrowing costs

Borrowing costs include borrowing interest, amortization of discount or premium, auxiliary expenses and balance of exchange caused by foreign currency borrowing. The borrowing costs for acquisition or construction or production, which can be directly included in assets satisfying capitalization conditions, shall begin capitalization when the expenditures of the assets and the borrowing costs occur and acquisition or construction or production activities necessary for making the assets available for predicted use or selling begin. The construction or production assets which satisfy capitalization conditions shall stop capitalization when the assets are available for predicted use or selling. Other borrowing costs should be determined as expenditures when incurred.

(2) During capitalization of borrowing costs

Exchange differences arising from specific-purpose borrowings in foreign currencies that are during the capitalization period shall all be are capitalized. Exchange differences arising from general-purpose borrowings in foreign currencies shall be included in the loss and profit of current period.

The assets in compliance with capitalization conditions refer to the fixed assets, investment real estate and inventory that require considerable long time of acquisition or construction or production to reach their intended usable and marketable condition.

(3) Period of capitalization suspension

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of an asset qualified for capitalization conditions is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed.

(4) Method to calculate the amount of borrowing costs to be capitalized

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

18. Biological assets

–

19. Oil and gas assets

–

20. Intangible asset

(1) Valuation Method of the intangible asset

Intangible asset refers to the identifiable non-monetary assets without physical substance owned or controlled by the Group. An intangible asset shall be measured initially at cost. Expenditure related to intangible asset, if the relevant economic benefit may flow into the Group and its cost can be reliably calculated, is included in the cost of the intangible asset. Otherwise, the expenditure of the other items is included in the current profit or loss when incurred.

Land use rights acquired are usually accounted as intangible assets. For buildings including self-constructed plants, the expenditure related to land use rights and construction cost are accounted as intangible asset and fixed assets respectively. For purchased houses and buildings, the relevant prices are allocated among land use rights and construction cost; if the relevant prices cannot be allocated reasonably, they are treated as fixed assets.

An intangible asset with a finite useful life shall be amortized equally at original value less estimated net residual value and any accumulated impairment provision accrued and amortised by stages using the straight-line method over its estimated useful life when the asset is available for use. The intangible assets with uncertain useful life shall not be amortized.

During the end of the year, the Company shall check the useful life and the amortization method of intangible assets with limited useful life and carry out accounting estimate change in case that a change happens. In addition, the Company shall check the useful life of intangible assets with uncertain useful life, if there are evidences showing that the intangible assets can bring economic benefit for the Company within the foreseeable period, the Company shall estimate the useful life and carry out amortization according to the amortization policy for intangible assets with finite useful life.

(2) *Useful life estimation for intangible assets with finite useful life*

An intangible asset with a finite useful life shall be amortized equally at original value less estimated net residual value and any accumulated impairment provision accrued and amortised by stages using the straight-line method over its estimated useful life when the asset is available for use. The intangible assets with uncertain useful life shall not be amortized.

During the end of the year, the Company shall check the useful life and the amortization method of intangible assets with limited useful life and carry out accounting estimate change in case that a change happens. In addition, the Company shall check the useful life of intangible assets with uncertain useful life, if there are evidences showing that the intangible assets can bring economic benefit for the Company within the foreseeable period, the Company shall estimate the useful life and carry out amortization according to the amortization policy for intangible assets with limited useful life.

Item	**Estimated useful life**	**Basis**
Land use right	50 years	Land use right certificate

(3) *Criterion for intangible assets with uncertain useful life*

None

(4) *Withdrawing provision for impairment of intangible assets*

As to the non-current and non-financial assets such as fixed assets, construction-in-progress, intangible assets with finite useful life, investment properties based on cost method and long-term equity investment on subsidiaries, joint ventures, associates, the Group judges whether they show the signs of impairment on the balance sheet date. If they show the signs of impairment, their recoverable amount shall be evaluated and the impairment test shall be carried out. As to the goodwill, and the intangible assets with uncertain useful life and the intangible assets not reaching up to the scheduled available state, no matter whether it shows the signs of impairment or not, they shall be annually tested for impairment.

Where impairment test result demonstrates the recoverable amount of assets is lower than its carrying value, the provision of impairment should be provided on the basis of its difference and included into the loss of impairment. The recoverable amount of an asset is defined as the higher of its fair value less net disposal expenses and its present value for expected future cash flow. The fair value of asset should be determined according to the price in sales agreement in the fair dealing. Where there is no sales agreement but there is an active market of assets, the fair value shall be determined according to the price bidden by the buyer of the asset. Where there is no sales agreement and no active market of assets, the fair value of an asset shall be estimated in light of the best information available. The disposal expenses include the legal expenses, relevant taxes and porterage in relation to disposal of assets, as well as the direct expenses for bringing the asset into a marketable state. The current value of the expected future cash flow of an asset shall, according to the expected future cash flow generated during the continuous use and final disposal of an asset, choose an appropriate discounting rate to determine the post-discounting amount. Provision for the impairment of assets should be calculated and confirmed on the basis of single assets and if it is difficult to estimate the recoverable amount of single asset, it is required to determine the recoverable amount of the asset group to which the asset is belonged. Asset group is the minimum asset portfolio that can independently generate cash inflow.

For goodwill independently disclosed in the financial statements, when impairment test is carried out, the book value of goodwill will be amortized among the asset group or asset group portfolio which is expected to benefit from the synergistic effect of business combination. If the result of impairment test suggests the recoverable amount of the asset group or asset group portfolio including the amortized goodwill is lower than their book value, the corresponding impairment loss shall be recognized. Impairment loss shall write off the book value of the goodwill amortized to the asset group or asset group portfolio at first, and then write off the book value of other assets in proportion according to the contribution of the book value of other assets except goodwill in the asset group or asset group portfolio.

The above impairment loss of assets shall not be reversed in case that the value is recovered in the future periods after recognition.

(5) Specific standard for classification of the Company's internal R&D project's research and development stage

The Group's expenditures on internal research and development project are divided into the research expenditures and the development expenditures.

The research expenditures shall be recorded into the profit or loss for the current period when incurred.

The development expenditures may be confirmed as intangible assets when they satisfy the following conditions simultaneously; otherwise they shall be included in the profit or loss for the current period:

① It is technically feasible to finish intangible assets for use or sale;

② The management intends to finish and use or sell the intangible assets;

③ For the manner by which intangible assets produce economic benefit, it is able to prove that there is market for the products produced by such intangible assets or such intangible assets themselves. For intangible assets for internal use, it is able to prove the serviceability;

④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

⑤ The expenses attributable to the development phase of the intangible assets can be reliably calculated.

If the expenditures could not be classified into research expenditures or development expenditures, they shall be included in the profit or loss for the current period when incurred.

(6) Verification of internal R&D project expenditures

The research expenditures shall be recorded into the profit or loss for the current period when incurred.

The development expenditures may be confirmed as intangible assets when they satisfy the following conditions simultaneously; otherwise they shall be included in the profits and losses for the current period:

① It is technically feasible to finish intangible assets for use or sale;

② The management intends to finish and use or sell the intangible assets;

③ For the manner by which intangible assets produce economic benefit, it is able to prove that there is market for the products produced by such intangible assets or such intangible assets themselves. For intangible assets for internal use, it is able to prove the serviceability;

④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

⑤ The expenses attributable to the development phase of the intangible assets can be reliably calculated.

If the expenditures could be not classified into research expenditures or development expenditures, they shall be included in the profits and losses for the current period when incurred.

21. Long-term unamortized expenses

Long-term unamortized expenses are various expenditures incurred but that should be allocated over the reporting period and future periods of more than one year. Long-term unamortized expenses are amortized using the straight-line method over the expected beneficial period.

22. Asset transfer with buy-back conditions

–

23. Expected liability

(1) Recognition standard for expected liability

–

(2) Accounting method for expected liability

–

24. Share-based payment and equity instrument

(1) Type of share-based payment

–

(2) Confirmation method for fair value of equity instrument

–

(3) Confirmation basis for best estimate of vested equity instruments

–

(4) Accounting treatment relating to the implementation, revision and termination of share-based payment plan

–

25. Buy-back of the Company's shares

–

26. Revenue

(1) Specific criterion for confirmation time of revenue from the sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be calculated reliably; it is probable that the associated economic benefits will flow to the Company; and the associated costs incurred or to be incurred can be calculated reliably.

(2) Recognition basis for revenue from transfer of assets use rights

None

(3) Basis for recognition of revenue arising from the rendering of services

Where the outcome of a transaction involving the rendering of services can be estimated reliably, at the balance sheet date, revenue arising from rendering of such services is recognized using the percentage of completion method. The stage of completion of a service transaction involving the rendering of services is determined according to the proportion of services performed to date to the total services to be performed.

The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: ①the amount of revenue can be calculated reliably; ② it is probable that the associated economic benefits will flow to the Company; ③ the stage of completion of the transaction can be accounted reliably; ④ the costs incurred and to be incurred for the transaction can be calculated reliably.

Where the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue arising from rendering of services is recognized to the extent of service costs incurred that are expected to be recoverable and the service costs incurred are recognized as expenses for the current period. Where the service costs incurred are not expected to be recoverable, no revenue is recognized.

The recognition of revenue from the Company's provision of services and the engagement in commodity trading activities is as follows:

① Revenue from information services and revenue from webpage linking services

Revenue from information services and revenue from webpage linking services are recognized on an average deferred basis during the agreed term of services under the contract when the amount of revenue can be calculated reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be calculated reliably.

② Revenue from conference concerned training, consulting revenue, advertising and promoting revenue and revenue from other services

Revenue from conference concerned training, consulting revenue, advertising and promoting revenue and revenue from other services are recognized when such services have already been provided; the amount of revenue can be calculated reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be calculated reliably. Among which, if there is uncertainty about the amount of services provided during a particular period, the revenues are recognized on an average deferred basis during the agreed term of services under the contract unless there is evidence indicating the progress of completion can be better shown by using other methods.

③ Revenue from trading services

Revenue from trading services is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be calculated reliably; it is probable that the associated economic benefits will flow to the Company; and the associated costs incurred or to be incurred can be calculated reliably.

(4) Recognition basis and method for the schedule of contract completed while recognize revenue from rendering of service and construction contract with the percentage-of-completion method

None

27. Government grants

(1) Type

Government grants refer to monetary and non-monetary assets obtained from the government by the Group without compensation, excluding the capital contributed by the government as an owner. Government grants are divided into asset-related government grants and income-related government grants. Government grant, obtained by the Group to purchase or construct or otherwise form long-term assets, shall be recognized as a government grant pertinent to assets while others are classified into government grants pertinent to income. If related government documents do not specify the objective of the grants, the grants are classified as government grants related to income or assets as follows: (1) In case a project for which the grants are offered is specified in such government documents, the grants are classified based on the budgeted ratio of such specific project for the expenditure on asset formation and the expenditure recorded as expenses, where such classification ratio should be reviewed and, if necessary, changed on each balance sheet date; (2) in case of general description without specifying any project in such government documents, the grants are classified as government grants related to income.

(2) Accounting policies

Monetary assets of government grants are calculated according to the received or receivable amount, while non-monetary assets of government grants are calculated according to their fair values. If the fair value cannot be acquired reliably, they will be calculated according to nominal amount. Government grants calculated according to nominal amount will be directly recorded in the current profit and loss.

When government grants are received, they are generally recognized and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the period that the Group will meet related conditions required by the financial supporting policies and is expected to receive the financial supporting grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants receivable be confirmed with competent authorities in written form or reasonably estimated from related requirements under financial fund management measures officially released without material uncertainties as expected; (2) the grants be given based on financial support projects and financial fund management measures officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under the Law of Disclosure of Government Information (《政府信息公開條例》), where such measures should be open for application to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment be specified in related approval for grants and the payment thereof be covered by corresponding financial budget to reasonably ensure such grants will be paid on time as specified; (4) other relevant conditions (if any) shall be satisfied pursuant to the Group and the specific circumstances of the grants.

A government grant related to an asset shall be recognized as deferred income, and evenly allocated into current profit or loss over the useful life of the asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant shall be recognized directly in profit or loss for the current period.

For the repayment of a government grant already recognized, if there is any remaining amount related to deferred income, the repayment shall be offset against the remaining carrying amount of the deferred income, and any excess shall be recognized in profit or loss for the current period. If there is no related deferred income, the repayment shall be recognized directly in profit or loss for the current period.

28. Deferred income tax assets and deferred income tax liabilities

(1) Recognition basis for deferred income tax assets

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the income tax amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current income tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

(2) Recognition basis for deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognized for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, deferred income tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures when the Group is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future. Except for the above exemption, the Group recognizes the deferred income tax liability arising from all other taxable temporary differences.

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, deferred income tax asset is not recognized for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures if it is not probable that the temporary difference will reverse in the foreseeable future; or it is not probable to obtain the taxable profits that will be available to offset against the deductible temporary difference in the future. Except for the above exemption, the Group recognizes the other deferred income tax assets arising from other taxable temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The Group recognizes a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent years, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, the Group shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilized, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

29. Operating lease and finance lease

(1) Accounting for operating lease

Leases are classified as finance leases whenever substantially all the risks and rewards of asset ownership are transferred and titles to the assets may or may not eventually be transferred. Leases other than finance leases are classified as operating leases.

(1) Recording of operating lease business by the Group as lessee

Lease payments under an operating lease are recognized in relevant asset cost or current profit or loss on a straight-line basis over each of the lease terms. Initial direct costs are charged to profit or loss for the current period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

(2) Recording of operating lease business by the Group as lessor

Rental income under an operating lease is recognized in profit or loss for the current period using the straight-line method over each of the lease terms. The initial direct cost where the amount is larger is capitalized when incurred, and accounted for separately as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period; the other initial direct cost where the amount is fewer is included in the profit or loss for the period when incurred. Contingent rents are accounted for as profit or loss for the period in which they are actually incurred.

(2) Accounting for finance lease

For fixed assets rented under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be obtained at the end of the lease term, it is depreciated over the period of the useful life of such leased asset. When it cannot be reasonably determined that the ownership of a leased asset will be obtained at the end of the lease term, the lease asset is depreciated over the shorter period of the lease term and the period of the useful life of such leased asset.

(3) Accounting for leaseback

None

30. Assets held for sale

(1) Recognition standard for assets held for sale

–

(2) Accounting treatment method for assets held for sale

–

31. Asset securitization business

–

32. Hedge accounting

–

33. Change in major accounting policy and accounting estimate

If major accounting policy and accounting estimate during the current report period is changed

□ Yes √ No

There is no change in major accounting policy, accounting estimate and correction of previous accounting errors to be disclosed of the Group during the year of 2013.

(1) Accounting policy change

If major accounting policy during the current report period is changed

□ Yes √ No

(2) Accounting estimate change

If major accounting estimate during the current report period is changed

□ Yes √ No

34. Correction of previous accounting errors

If any accounting error in early period is found in the current report period

☐ Yes √ No

There is no change in major accounting policy, accounting estimate and correction of previous accounting errors to be disclosed of the Group during the year of 2013.

(1) Retrospective restatement

If any previous accounting error with retrospective restatement is found in the current report period

☐ Yes √ No

(2) Prospective application

If any previous accounting error with prospective application is found in the current report period

☐ Yes √ No

35. Other major accounting policies, accounting estimate and financial statement preparation method

–

V. TAX

1. Major tax types and tax rate of the Company

Tax type	Taxation basis	Tax rate
Value added tax	Output tax of assessable income should be calculated on the basis of rates of 6% and 17% and based on the difference after deduction of input tax that is deductible in the current period, or a rate of 3% of the taxable income tax to calculate and pay value added tax.	Output tax of assessable income should be calculated on the basis of rates of 6% and 17% and based on the difference after deduction of input tax that is deductible in the current period, or a rate of 3% of the taxable income tax to calculate and pay value added tax.
Business tax	Business tax shall be 3%, 5% of the taxable turnover.	Business tax shall be 3%, 5% of the taxable turnover.
Urban maintenance and construction tax	5%, 7% of the actually paid turnover tax.	5%, 7% of the actually paid turnover tax.
Corporate income tax	Taxable income	See the table below.

Income tax rate applicable to each subsidiary and factory

Company name	**Actually paid tax rate**
上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd.)	15% of taxable income. (deemed as a New High-tech Enterprise in Shanghai during 2011 to 2013)
北京鋼聯麥迪電子商務有限公司 (Beijing Ganglian Maidi E-Commerce Co., Ltd.)	25% of taxable income.
無錫鋼聯電子商務有限公司 (Wuxi Ganglian E-Commerce Co., Ltd.)	25% of taxable income.
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	25% of taxable income.
上海博揚廣告有限公司 (*Shanghai* B&Y Brand Architects Co., Ltd.)	25% of taxable income.
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	25% of taxable income.

2. Tax preference and approval documents

According to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Rules to the Enterprise Income Tax Law of the People's Republic of China, Shanghai Ganglian E-Commerce Holdings Co., Ltd. was regarded as a New High-tech enterprise, and subject to 15% tax reduction of corporate income tax from 1 January 2011 to 31 December 2013 (Reference no.: Document Pu Shui Shi Wu Suo Bei (2012) No. 033 (浦稅十五所備(2012)第033號), Document Pu Shui Shi Wu Suo Jian (2012) No. 033 (浦稅十五所減(2012)033號)).

3. Other explanations

Note: Regarding the change from business tax to value added tax of the Group

Pursuant to the relevant requirements of the Notice of Ministry of Finance and State Administration of Taxation on Carrying out Pilot Work on Switching Business Tax to Value Added Tax in Transportation Industry and Certain Modern Service Industries in Shanghai (《財政部、國家稅務總局關於在上海市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知》) (Cai Shui [2011] No. 111), the business revenue of the Company (other those generated from information service) has been subject to valued-added tax for a rate of 6% since 1 January 2012 instead of a 5% business tax originally. The business revenue (other those generated from trading service) of Shanghai Gangyin E-Commerce Co., Ltd, a subsidiary of the Group located in Shanghai is subject to valued-added tax for a rate of 6% instead of a 5% business tax originally. The revenue of上海博揚廣告有限公司, a subsidiary of the Group located in Shanghai and engaged in the advertising business, is subject to value added tax for a rate of 3% instead of 5% business tax originally as it was designated as a small-sized taxpayer.

Pursuant to the relevant requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Scheme of Replacing Business Tax in the Transportation Sector and Selected Modern Service Sectors with Value-Added Tax in Eight Provinces or cities Including Beijing (《財政部、國家稅務總局關於在北京等8省市開展交通運輸業和部分現代服務業營業稅改徵增值稅試點的通知》) (Cai Shui [2012] No.71), the business revenue (other those generated from information service) of Beijing Ganglian Maidi E-Commerce Co., Ltd., a subsidiary of the Group located in Beijing, has been subject to a tax rate of 6% since 1 September 2013 as it was designated as a general taxpayer instead of a small-sized taxpayer originally. The revenue from webpage linking of Wuxi Ganglian E-Commerce Co., Ltd., a subsidiary of the Group located at Wuxi, has been subject to value added tax for a rate of 3% since 1 October 2012 instead of a 5% business tax originally as it was designated as a small-sized taxpayer.

VI. ENTERPRISE MERGER AND COMBINED FINANCIAL STATEMENT

1. Information regarding subsidiary

The Group has five subsidiaries, three of which are wholly-owned subsidiaries and two are holding subsidiaries.

(1) Subsidiaries acquired through establishment or investment

Unit: RMB

Full name of subsidiary	Type of subsidiary	Registration place	Business nature	Registered capital	Business scope	Actual investment amount at the end of the period	Balance of other items that actually constitute net investment in subsidiary	Shareholding ratio (%)	Proportion of votes (%)	Combined statement or not	Minority interest	Amount of minority interest to offset minority interests' profit or loss	The balance of loss in current period attributable to minority shareholders of a subsidiary in excess of the owners' equity attributable to minority shareholders of such subsidiary at the beginning of the year offset by the owners' equity of the parent company
Beijing Ganglian Maidi E-Commerce Co., Ltd.	Wholly-owned	Beijing	Servicing	500,000	Information service	500,000.00	–	100%	100%	Yes	–	–	–
Wuxi Ganglian E-Commerce Co., Ltd.	Wholly-owned	Wuxi	Servicing	2,000,000	Information service	2,000,000.00	–	100%	100%	Yes	–	–	–
Shanghai Gangyin E-Commerce Co., Ltd.	Holding	Shanghai	Servicing	150,000,000	E-Commerce	101,245,500.00	–	66.9%	66.9%	Yes	–	–	–
Shanghai B&Y Brand Architects Co., Ltd.	Holding	Shanghai	Servicing	2,000,000	Advertising service	1,020,000.00	–	51%	51%	Yes	–	–	–
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	Wholly-owned	Shanghai	Servicing	5,000,000	Information service	5,000,000.00	–	100%	100%	Yes	–	–	–

Other explanations for subsidiaries acquired through establishment or investment.

Note: The Company has acquired 6.67% equity interests of Shanghai Gangyin E-Commerce Co., Ltd., a subsidiary held by 上海慧升資產管理有限公司 (Shanghai Huisheng Investment Co., Ltd.*), in March 2013; acquired 0.2% equity interests of Shanghai Gangyin E-Commerce Co., Ltd., a subsidiary held by 上海華興投資有限公司 (Shanghai Huaxing Investment Co., Ltd.*), in May 2013; and acquired 0.67% equity interests of Shanghai Gangyin E-Commerce Co., Ltd., a subsidiary held by 上海鋼聯投資發展有限公司 (Shanghai Ganglian Investment Development Co., Ltd.*), in July 2013. The shareholding of the Company has increased from 59.36% to 66.9%.

(2) Subsidiaries acquired through merger of enterprises under the same control

Unit: RMB

Full name of subsidiary	Type of subsidiary	Registration place	Business nature	Registered capital	Business scope	Actual investment amount at the end of the period	Balance of other items that actually constitute net investment in subsidiary	Shareholding ratio	Proportion of votes	Combined statement or not	Minority interest	Amount of minority interest to offset minority interests' profit or loss	The balance of loss in current period attributable to minority shareholders of a subsidiary in excess of the owners' equity attributable to minority shareholders of such subsidiary at the beginning of the year offset by the owners' equity of the parent company
								(%)	(%)				
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Other explanations for subsidiaries acquired through merger of enterprises under the same control

(3) *Subsidiaries acquired through merger of enterprises not under the same control*

Unit: RMB

Full name of subsidiary	Type of subsidiary	Registration place	Business nature	Registered capital	Business scope	Actual investment amount at the end of the period	Balance of other items that actually constitute net investment in subsidiary	Shareholding ratio	Proportion of votes	Combined statement or not	Minority interest	Amount of minority interest to offset minority interests' profit or loss	The balance of loss in current period attributable to minority shareholders of a subsidiary in excess of the owners' equity attributable to minority shareholders of such subsidiary at the beginning of the year offset by the owners' equity of the parent company
								(%)	(%)				
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Other explanations for subsidiaries acquired through merger of enterprises not under the same control

2. Special purpose entity or the business entity achieving control power through entrusted operation or leasing

Unit: RMB

Name	**Major business contact with the Company**	**Major assets and liability balance at the end of the period recognized in combined statement**
–	–	–

Other explanations for special purpose entity or the business entity achieving control power through entrusted operation or leasing

3. Description of change within combination scope

Description of change within scope of combined statement

□ Applicable √ Not applicable

4. Entity newly included in the combination scope within the reporting period and the entity no longer included in the combination scope within the reporting period

Subsidiary, special purpose entity, the business entity achieving control power through entrusted operation or leasing that is newly included in the combination scope within the current period

Unit: RMB

Name	**Net asset at the end of the period**	**Net profit in the period**
–	–	–

Subsidiary, special purpose entity, the business entity achieving control power through entrusted operation or leasing that is no longer included in the combination scope within the current period

Unit: RMB

Name	Net asset at disposal date	Net profit from beginning of the year to the disposal date
–	–	–

Other explanations for entity newly included and those no longer included in the combination scope

5. Merger of enterprises under the same control in the reporting period

Unit: RMB

Combined party	Criteria for merger of enterprises under the same control	Actual controller under the same control	Revenue combined from beginning of this period to merger date	Net profit combined from this period to merger date	Cash flow from operations combined from this period to merger date
–	–	–	–	–	–

Other explanations for enterprise merger under the same control

6. Enterprise merger not under the same control in the reporting period

Unit: RMB

Combined party	Amount of goodwill	Goodwill calculation method
–	–	–

Other explanations for enterprise merger not under the same control

Any circumstance that enterprise merger was conducted by stages through multiple transactions and acquisition of control power appeared in the reporting period

□ Applicable √ Not applicable

7. Reduction of subsidiary due to sale of equity interests without control power in the reporting period

Name of subsidiary	Date of sale	Profit or loss recognition method
–	–	–

Other explanations for reduction of subsidiary due to sale of equity interests without control power

Any investment in subsidiary was disposed by stages through multiple transactions and loss of control power in the reporting period

□ Applicable √ Not applicable

8. Counter purchase in the reporting period

Borrower	Basis for counter purchase	Recognition method for combined cost	Calculation method for goodwill recognized during combination or the profit or loss included in the current period
–	–	–	–

Other explanations for counter purchase

9. Consolidation by merger in the reporting period

Unit: RMB

Type of consolidation by merger	Major assets consolidated		Major liabilities consolidated	
Consolidation by merger under the same control	**Item**	**Amount**	**Item**	**Amount**
–	–	–	–	–
Consolidation by merger not under the same control	**Item**	**Amount**	**Item**	**Amount**
–	–	–	–	–

Other explanations for consolidation by merger

10. Conversion exchange rate of principal statement items for overseas operation entity

–

VII. NOTES TO PRINCIPAL ITEMS IN COMBINED FINANCIAL STATEMENT

1. Monetary capital

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency amount	Conversion rate	RMB amount	Foreign currency amount	Conversion rate	RMB amount
Cash:	–	–	66,159.91	–	–	65,889.78
RMB	–	–	66,159.91	–	–	65,889.78
Deposit in bank:	–	–	194,346,438.56	–	–	178,656,467.47
RMB	–	–	194,346,438.56	–	–	178,656,467.47
Other monetary funds:	–	–	–	–	–	2,400,000.00
RMB	–	–	–	–	–	2,400,000.00
Total	–	–	194,412,598.47	–	–	181,122,357.25

Separate description should be provided in case of any limitations on use of funds stored overseas and with potential recovery risks imposed by mortgage, pledge or freezing.

2. Financial assets held for trading

(1) Financial assets held for trading

Unit: RMB

Item	Fair value at the end of the period	Fair value at the beginning of the period
–	–	–

(2) Financial assets held for trading with limitation on realization

Unit: RMB

Item	Other material limit on conditions for sale restrictions or realization	Amount at the end of the period
–	–	–

(3) Description of arbitrage tool and related arbitrage transaction

3. Notes receivable

(1) Classification of notes receivable

Unit: RMB

Category	Amount at the end of the period	Amount at the beginning of the period
Bank's acceptance bills	696,629.04	2,000,000.00
Total	696,629.04	2,000,000.00

(2) Notes receivable pledged at the end of the period

Unit: RMB

Issued by	Issue date	Maturity date	Amount	Remark
–	–	–	–	–

(3) Notes converted into account receivables due to failure of note issuer's performance and notes that the Company has endorsed to other party at the end of the period but not yet matured

Notes converted into account receivables due to failure of note issuer's performance

Unit: RMB

Issued by	Issue date	Maturity date	Amount	Remark
–	–	–	–	–

Description

Notes that the Company has endorsed to other party but not yet matured

Unit: RMB

Issued by	Issue date	Maturity date	Amount	Remark
–	–	–	–	–

Description

Description of trade acceptance bills that have been discounted or pledged

–

4. Dividends receivable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason for no collection	If relevant amount is impaired
Including:	–	–	–	–	–	–
Including:	–	–	–	–	–	–

Description

5. Interest receivable

(1) Interest receivable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
–	–	–	–	–

(2) Overdue interest

Unit: RMB

Loan unit	Overdue time (days)	Amount of overdue interest
–	–	–

(3) Description of interest receivable

–

6. Account receivable

(1) Disclosure of account receivables by classes

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Account receivables that require bad-debt provision based on group								
Aging Group	2,223,670.00	100%	122,521.00	5.51%	1,802,784.68	100%	214,763.94	11.91%
Subtotal for the group	2,223,670.00	100%	122,521.00	5.51%	1,802,784.68	100%	214,763.94	11.91%
Total	2,223,670.00	–	122,521.00	–	1,802,784.68	–	214,763.94	–

Description of category of account receivables

The account receivables of the Group are receivables from information service fees, webpage linking fees, conference fees and advertising fees.

Account receivables that are in single amount at the end of the period, material and required bad-debt provision in single item

□ Applicable √ Not applicable

Account receivables in the portfolio provided for bad-debt allowance according to account age analysis method

√ Applicable □ Not applicable

Unit: RMB

Type	Closing balance			Opening balance		
	Book balance		Bad-debt	Book balance		Bad-debt
	Amount	Proportion *(%)*	provision	Amount	Proportion *(%)*	provision
Within 1 year						
Including:	–	–	–	–	–	–
Within 1 year	2,208,420.00	99.31%	110,321.00	1,525,840.89	84.64%	76,292.04
Subtotal in 1 year	2,208,420.00	99.31%	110,321.00	1,525,840.89	84.64%	76,292.04
1–2 years				276,943.79	15.36%	138,471.90
2–3 years	15,250.00	0.69%	12,200.00			
Total	2,223,670.00	–	122,521.00	1,802,784.68	–	214,763.94

Account receivables in the portfolio which requires bad-debt provision in the light of percentage of balance method

□ Applicable √ Not applicable

Account receivables in the portfolio which requires bad-debt provision in the light of other methods

□ Applicable √ Not applicable

Account receivables that are in single amount at the end of the period, not material but required bad-debt provision in single item

□ Applicable √ Not applicable

(2) Account receivables reversed or collected in the reporting period

Unit: RMB

Content of account receivables	Reason for reverse or collection	Basis for recognition of original bad-debt provision	Cumulative amount of bad-debt provision before reversion or collection	Amount reversed or collected
–	–	–	–	–

Bad debts are provided for account receivables that are in single amount at the end of the period, whether it is material or not, and carry out separate impairment test

Unit: RMB

Content of account receivables	**Book balance**	**Amount of bad-debt**	**Proportion for provision** *(%)*	**Reason**
–	–	–	–	–

Description for account receivables in single amount that is not material but is in higher risk after combination according to the risk profile of creditworthy

(3) *Account receivables that had actually been written off in the reporting period*

Unit: RMB

Unit name	Nature of account receivables	Write-off time	Amount of written off	Reason for written off	If it is related to the connected transaction
上海玫櫟申物資貿易有限公司 (Shanghai Meilishen Materials Trading Co. , Ltd.*)		31 December 2013	3,000.00	Relatively low recoverability	No
上海廈翔企業發展有限公司 (Shanghai Xiaxiang Enterprise Development Co. Ltd.*)		31 December 2013	120,000.00	Relatively low recoverability	No
上海壹軒文化傳播有限公司 (Shanghai Yi Xuan Culture Communication Co., Ltd.*)		31 December 2013	60,593.79	Relatively low recoverability	No
上海恩創金屬材料有限公司 (Shanghai Enchuang Metal materials Co., Ltd.*)		31 December 2013	1,500.00	Relatively low recoverability	No
日照邦榮貿易有限公司 (Rizhao Bangrong Trading Co., Ltd.*)		31 December 2013	5,000.00	Relatively low recoverability	No
ABB（中國）有限公司 (ABB (China) Co., Ltd.*)		31 December 2013	10,000.00	Relatively low recoverability	No

Unit name	Nature of account receivables	Write-off time	Amount of written off	Reason for written off	If it is related to the connected transaction
上海鋇錸鍀貿易有限公司 (Shanghai Beilaide materials Trading Co., Ltd.*)		31 December 2013	3,000.00	Relatively low recoverability	No
濟南新化建物資有限公司 (Ji'nan Xinhuajian materials Co., Ltd.*)		31 December 2013	24,400.00	Relatively low recoverability	No
成都彭州京華制管有限公司 (Chengdu Pengzhoujinhua Pipe Making Co., Ltd.*)		31 December 2013	480.00	Relatively low recoverability	No
上海宇步企業發展有限公司 (Shanghai Yubu Enterprise Development Co., Ltd.*)		31 December 2013	47,500.00	Relatively low recoverability	No
上海仁景實業有限公司 (Shanghai RenJing Industrial Co. Ltd.*)		31 December 2013	3,000.00	Relatively low recoverability	No
上海京口貿易有限公司 (Shanghai Jingkou Trading Co. Ltd.*)		31 December 2013	5,000.00	Relatively low recoverability	No
聯港金屬製品(福建)有限公司 (Union Metal Products (Fujian) Co., Ltd.*)		31 December 2013	10,100.00	Relatively low recoverability	No
上海亞博實業有限公司 (Shanghai Yabo Industrial Co. Ltd.*)		31 December 2013	3,000.00	Relatively low recoverability	No
義烏市雲寶建材商行 (Yiwu City Yun Bao building materials firm*)		31 December 2013	1,000.00	Relatively low recoverability	No
上海鼎貞物資有限公司 (Shanghai Ding Zhen Materials Co., Ltd.*)		31 December 2013	1,500.00	Relatively low recoverability	No
揚州市新郵特種鑄造金屬製品 (Yangzhou Xinyou special casting metal products*)		31 December 2013	10,000.00	Relatively low recoverability	No
上海浦越物資貿易公司 (Shanghai Pu Yue materials trading company*)		31 December 2013	5,000.00	Relatively low recoverability	No
上海兄企實業有限公司 (Shanghai brother enterprises Industrial Co., Ltd.*)		31 December 2013	1,500.00	Relatively low recoverability	No
Total			315,573.79		

Description of account receivables write-off

(4) *Particulars of accounts receivable due from shareholders holding 5% (inclusive of 5%) of the Company's shares with voting rights during the reporting period*

Unit: RMB

	Closing balance		Opening balance	
Name of entity	**Book balance**	**Amount of bad debt provision**	**Book balance**	**Amount of bad debt provision**
–	–	–	–	–

(5) *Particulars of the top five accounts receivable*

Unit: RMB

Name of entity	**Relationship with the Company**	**Amount**	**Term**	**Proportion to total accounts receivable** *(%)*
營口錦冠現代物流園股份有限公司 (Yingkou Jin Guan modern logistics park Limited by Share Ltd*)	Customer	750,000.00	Within 1 year	35.69%
遷安市九江線材有限責任公司 (Qian'an Jiujiang wire rod Co., Ltd.*)	Customer	500,000.00	Within 1 year	23.8%
浙江物產國際貿易有限公司 (Zhejiang International Trading Co., Ltd.*)	Customer	80,000.00	Within 1 year	3.81%
南通雙逸科技創意產業園有限公司 (Nantong Shuang Yi science and Technology Creative Industrial Park Co., Ltd.*)	Customer	77,500.00	Within 1 year	3.69%
中國鋼鐵公業協會 (China Iron and Steel Association*)	Customer	60,000.00	Within 1 year	2.86%
Total		1,467,500.00		69.85%

(6) *Accounts receivable from related parties*

Unit: RMB

Name of entity	Relationship with the Company	Amount	Proportion to total accounts receivable *(%)*
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.*)	Under the control of the common controlling party	27,000.00	1.21%
Total		27,000.00	1.21%

(7) *Derecognition of accounts receivable*

Unit: RMB

Item	Derecognised amount	Gains or losses related to derecognition
–	–	–

(8) *Disclosure of amount of assets and liabilities formed by continuing involvement in relation to securitization of accounts receivable*

Unit: RMB

Item	Closing balance
Assets:	
Liabilities:	
–	–

7. Other receivables

(1) Other receivables disclosed by category

Unit: RMB

Category	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Aging Group	10,953.50	1.64%	5,476.75	50%	710,000.00	57.85%	35,500.00	5%
Deposit and petty cash group	656,866.30	98.36%			517,260.97	42.15%		
Subtotal for the group	667,819.80	100%	5,476.75	0.82%	1,227,260.97	100%	35,500.00	2.89%
Total	667,819.80	–	5,476.75	–	1,227,260.97	–	35,500.00	–

Description of other receivables categories

Note: No provision for bad debts is needed as the management considers that it is not likely to incur bad debt loss on the deposit and petty cash among other receivables at the end of the year.

Provision for other receivables that are individually significant and for which bad debt provision is individually assessed at the end of the period

□ Applicable √ Not Applicable

Other receivables that aging analysis is used for bad debt provision in the group

√ Applicable □ Not Applicable

Unit: RMB

Type	Closing balance			Opening balance		
	Book balance		Bad debt	Book balance		Bad debt
	Amount	Percentage (%)	provision	Amount	Percentage (%)	provision
Within 1 year						
Including:						
Within 1 year				710,000.00	100%	35,500.00
Subtotal within 1 year				710,000.00	100%	35,500.00
1 to 2 years	10,953.50	1.64%	5,476.75			
Total	10,953.50		5,476.75	710,000.00		35,500.00

Other receivables that percentage of receivables is used for bad debt provision in the group

☐ Applicable √ Not Applicable

Other receivables that other methods is used for bad debt provision in the group

☐ Applicable √ Not Applicable

Provision for other receivables that are not individually significant but for which bad debt provision is individually assessed at end of the period

☐ Applicable √ Not Applicable

(2) Reversal or recovery of other receivables for the reporting period

Unit: RMB

Particulars of other receivables	Reason(s) for reversal or recovery	Basis for provision for bad debts made previously	Accumulated amount of provision for bad debts made previously in relation to reversal or recovery	Amount of reversal or recovery
–	–	–	–	–

Other receivables that are individually significant or not individually significant but tested for impairment individually and provided for bad debt as at end of the period

Unit: RMB

Particulars of accounts receivable	Book balance	Amount of bad debts	Percentage of provision *(%)*	Reasons
–	–	–	–	–

Description of other receivables that are individually insignificant but with higher risk based on credit risk characteristics after combination

(3) *Actual write-off of other receivables for the reporting period*

Unit: RMB

Name of entity	Nature of other receivables	Time of write-off	Amount of write-off	Reasons for write-off	Whether it is resulted from related transaction(s)
–	–	–	–	–	–

Description of write-off of other receivable

(4) *Particulars of other receivables due from shareholders holding 5% (inclusive of 5%) of the Company's shares with voting rights during the reporting period*

Unit: RMB

	Closing balance		Opening balance	
Name of entity	**Book balance**	**Amount of bad debt provision**	**Book balance**	**Amount of bad debt provision**
–	–	–	–	–

(5) *Nature or particulars of significant other receivables*

Unit: RMB

Name of entity	Amount	Nature or particulars of the amount	Percentage of the total other receivables *(%)*
–	–	–	–

Description

(6) *Particulars of the top five other receivables*

Unit: RMB

Name of entity	Relationship with the Company	Amount	Term	Percentage of the total other receivables *(%)*
Shanghai subsidiary of China United Network Communications Group Co., Ltd. (中國聯合網絡通信有限公司上海分公司)	Nil	150,000.00	2 years	22.65%
Gong Ruili (龔瑞麗)	Employee	120,000.00	1 year	18.12%
杭州康華實業有限公司 (Hangzhou Kanghua Industrial Co., Ltd.*)	Nil	31,000.00	1 year	4.68%
Zhang Ye (張燁)	Employee	29,999.94	1 year	4.53%
Deposit of 馮金歡 (Feng Jinhuan*) in Wuxi office	Employee	18,000.00	1 year	2.72%
Total	–	348,999.94	–	52.7%

(7) *Other receivables from parties*

Unit: RMB

Name of entity	Relationship with the Company	Amount	Percentage of the total other receivables *(%)*
–	–	–	–

(8) *Derecognition of other receivables*

Unit: RMB

Item	Derecognized amount	Gains or losses related to derecognition
–	–	–

(9) *Disclosure of amount of assets and liabilities formed by continuing involvement in relation to securitization of other receivables*

Unit: RMB

Item	Closing balance
Assets:	–
Liabilities:	–

(10) *Government grant recognized based on receivables at end of the reporting period*

Unit: RMB

Name of entity	Program name of the government grant	Balance at end of period	Aging at end of period	Estimated time of receipt	Estimated amount to be received	Estimated basis of receipt	Reasons for not receiving the estimated amount at the estimated time (if any)
–	–	–	–	–	–	–	–

8. Prepayments

(1) Presentation of prepayments based on aging

Unit: RMB

Aging	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	246,686,131.05	100%	175,777,699.69	99.57%
1 to 2 years			753,816.35	0.43%
Total	246,686,131.05	–	176,531,516.04	–

Description of aging of prepayments

(2) Particulars of the top five prepayments

Unit: RMB

Name of entity	Relationship with the Company	Amount	Term	Reason for being unsettled
撫順新鋼鐵有限責任公司 (Fushun new iron and Steel Co., Ltd.*)	Non- related person	89,180,285.05	Within 1 year	Before settlement date
日照鋼鐵軋鋼有限公司 (Rizhao steel rolling Co., Ltd.*)	Non- related person	41,485,515.67	Within 1 year	Before settlement date
淩源鋼鐵股份有限公司 (Lingyuan Iron and steel Limited by Share Ltd*)	Non- related person	28,143,273.48	Within 1 year	Before settlement date
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and Steel Co., Ltd.*)	Non- related person	20,005,800.00	Within 1 year	Before settlement date
撫順新鋼鐵綫材製造有限責任公司 (Fushun new steel wire manufacturing Co., Ltd.*)	Non- related person	17,763,605.57	Within 1 year	Before settlement date
Total	–	196,578,479.77	–	–

Description of major prepayment

(3) *Particulars of prepayments due from shareholders holding 5% (inclusive of 5%) of the Company's shares with voting rights during the reporting period*

Unit: RMB

Name of entity	Closing balance: Book balance	Closing balance: Amount of bad debt provision	Opening balance: Book balance	Opening balance: Amount of bad debt provision
–	–	–	–	–

(4) *Description of prepayments*

–

9. Inventory

(1) *Classification of inventory*

Unit: RMB

Item	Closing balance: Book balance	Closing balance: Provision for impairment	Closing balance: Carrying amount	Opening balance: Book balance	Opening balance: Provision for impairment	Opening balance: Carrying amount
Goods in stock	78,781,614.74	–	78,781,614.74	56,925,434.23	–	56,925,434.23
Total	78,781,614.74	–	78,781,614.74	56,925,434.23	–	56,925,434.23

(2) *Provision for inventory impairment*

Unit: RMB

Types of inventory	Book balance at the beginning of period	Provisions for the period	Decrease for the period: Reversal	Decrease for the period: Transfer	Book balance at end of period
–	–	–	–	–	–

(3) Particulars of provision for inventory impairment

Item	Basis for provision for inventory impairment	Reasons for reversing provision for inventory impairment for the period	Percentage of reversed amount for the period to the inventory balance at end of period *(%)*
–	–	–	–

Description of inventory

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Deferred tax	2,428,733.15	2,400,662.12
Tax to be deducted	6,012,178.19	9,271,141.67
Others	1,060,000.00	10,000.00
Total	9,500,911.34	11,681,803.79

Description of other current assets

Note: The existence of deferred tax is mainly due to the payment of related turnover tax after the issuance of invoice for the information service and web link services provided to customers by the Company, the service period of which is a future period, while the corresponding income was deferred evenly throughout the contractual period, the accounting breakdowns of the unrecognized income portion of turnover tax that is invoiced as a deferred tax under other current assets is as follows:

Item	**Closing balance for the year**	**Opening balance for the year**
Business tax	1,230,759.94	1,284,301.89
Urban construction tax	86,153.20	89,690.50
Educational surcharges	61,538.09	62,736.53
River way management fees	10,698.79	10,197.07
Cultural business development fees	1,038,359.05	950,273.29
Others	1,224.08	3,462.84
Total	2,428,733.15	2,400,662.12

11. Available-for-sale financial assets

(1) Particulars of available-for-sale financial assets

Unit: RMB

Item	**Fair value at end of the period**	**Fair value at the beginning of the period**
Total	0.00	0.00

Held-to-maturity investments will be reclassified as available-for-sale financial assets, with RMB as the currency of reclassification for the period. The amount accounts for the total held-to-maturity investments prior to reclassification.

Description of available-for-sale financial assets

(2) Long-term debt investments of available-for-sale financial assets

Unit: RMB

Items of bonds	Types of bonds	Nominal value	Initial investment cost	Maturity	Opening balance	Interest for the period	Accumulated interests receivable/ received	Closing balance
–	–	–	–	–	–	–	–	–

Description of long-term debt investments of available-for-sale financial assets

(3) Particulars of impairment in available-for-sale financial assets

Unit: RMB

Classification of available-for-sales financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument	Others	Total
–	–	–	–	–

(4) Particulars of changes in the impairment of available-for-sale financial assets during the reporting period

Unit: RMB

Classification of available-for-sales financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument	Others	Total
–	–	–	–	–

(5) *Description of significant or continuous decrease in fair value of available-for-sale equity instrument at end of period*

Unit: RMB

Available-for-sale equity instrument (in segment)	Cost	Fair value	Decrease in fair value corresponding to cost	Duration of continuous decrease	Provision for Impairment	Explanation for impairment provision not according to the difference in cost and fair value at end of period
			(%)			
–	–	–	–	–	–	–

12. Held-to-maturity investments

(1) *Particulars of held-to-maturity investments*

Unit: RMB

Item	Book balance at end of period	Book balance at the beginning of period
–	–	–

Description of held-to-maturity investments

(2) *Particulars of held-to-maturity investment sold before maturity during the reporting period*

Unit: RMB

Item	**Amount**	**Percentage of the amount prior to the disposal of such investment** *(%)*
–		
	–	–

Description of the particulars of held-to-maturity investment sold before maturity during the reporting period

13. Long-term receivables

Unit: RMB

Type	**Closing Balance**	**Opening Balance**
–	–	–

14. Investment in associates and joint ventures

Unit: RMB

Name of investees	Percentage of shares held by the Corporation *(%)*	Percentage of voting right of the Corporation in the investees *(%)*	Total assets at end of period	Total liabilities at end of period	Total net assets at end of period	Total operating income for the period	Net profit for the period
I. Joint ventures							
II. Associates							
淄博隆眾信息技術有限公司	25%	25%	8,471,574.80	4,716,210.05	3,755,364.75	11,506,667.73	–2,396,542.51
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	49%	49%	4,029,248.71	27,787.18	4,001,461.53		1,461.53
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	40%	40%	9,583,921.90	497,862.94	9,086,058.96	1,239,496.08	–913,941.04
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	48%	48%	7,444,509.65	3,605,060.54	3,839,449.11	7,449,368.26	–1,160,550.89

Description of the significant discrepancies between the significant accounting policies and accounting estimation of joint ventures and associates and the accounting policies and accounting estimation of the Company

15. Long-term equity investments

(1) *Particulars of long-term equity investments*

Unit: RMB

Investees	Accounting method	Investment cost	Opening Balance	Change	Closing Balance	Percentage of shares held in the investees (%)	Percentage of voting right in the investees (%)	Description of inconsistency in share held and voting right in the investees	Provision for impairment	Provision for impairment for the period	Cash dividends for the period
淄博隆眾信息技術有限公司	Equity method	10,000,000.00	9,743,914.27	–599,135.63	9,144,778.64	25%	25%				
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	Equity method	1,960,000.00	1,960,000.00	716.15	1,960,716.15	49%	49%				
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	Equity method	4,000,000.00		3,634,423.58	3,634,423.58	40%	40%				
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	Equity method	2,400,000.00		1,842,935.58	1,842,935.58	48%	48%				
山東鋼聯電子商務有限公司 (Shandong Ganglian Ecommerce Co., Ltd*)	Cost method	2,000,000.00		2,000,000.00	2,000,000.00	2.86%	2.86%				
杭州高達軟件系統股份有限公司 (Hangzhou Gaoda software system Co., Ltd*)	Cost method	12,000,000.00		12,000,000.00	12,000,000.00	10%	10%				
Total		32,360,000.00	11,703,914.27	18,878,939.68	30,582,853.95						

(2) *Particulars of restricted capital injection into invested enterprises*

Unit: RMB

Long-term equity investment projects of restricted capital injection into invested enterprises	Reason for restriction	Accumulated investment loss unrecognized for the current period
–	–	–

Description of long-term equity investments

16. Investment property

(1) Investment property measured at cost

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
–	–	–	–	–

Unit: RMB

	For the period
–	–

(2) Investment properties measured at fair value

Unit: RMB

Item	Fair value at the beginning of period	Increase for the period			Decrease for the period		Fair value at end of period
		Acquisition	Self-use properties or transfer from inventory	Profit or loss from changes in fair value	Disposal	Converted to self-use properties	
–	–	–	–	–	–	–	–

Description of investment properties subject to changes in measurement method and investment properties without obtaining ownership certificates during the reporting period, with the related reasons of without obtaining the ownership certificates and the estimated time of obtaining the ownership certificates.

17. Fixed assets

(1) Particulars of fixed assets

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Total original carrying amount:	76,361,527.98	195,158,771.95	482,394.36	271,037,905.57
Including: Housing and building structures	44,139,396.72	187,632,719.13		231,772,115.85
Machinery and equipment	23,630,625.24	5,496,224.61	482,394.36	28,644,455.49
Motor vehicles	6,427,940.45	532,166.26		6,960,106.71
Office equipment	2,163,565.57	1,497,661.95		3,661,227.52

	Opening book balance	Addition for the period	Provision for the period	Decrease for the period	Closing book balance for the period
II. Total accumulated depreciation:	28,332,095.13		10,803,850.33	463,098.34	38,672,847.12
Including: housing and building structures	9,982,293.37		5,566,511.83		15,548,805.20
Machinery and equipment	14,094,320.24	558,545.16	3,633,727.99	463,098.34	17,264,949.89
Motor vehicles	2,884,042.57	3,633,727.99	1,045,065.35		3,929,107.92
Office equipment	1,371,438.95		558,545.16		1,929,984.11

	Opening book balance	–	Closing Balance for the period
III. Total net carrying value of fixed assets	48,029,432.85	–	232,365,058.45
Including: Housing and building structures	34,157,103.35	–	216,223,310.65
Machinery and equipment	9,536,305.00	–	11,380,971.03
Motor vehicles	3,543,897.88	–	3,030,998.79
Office equipment	792,126.62	–	1,729,777.98
IV. Total carrying value of fixed assets	48,029,432.85	–	232,365,058.45
Including: Housing and building structures	34,157,103.35	–	216,223,310.65
Machinery and equipment	9,536,305.00	–	11,380,971.03
Motor vehicles	3,543,897.88	–	3,030,998.79
Office equipment	792,126.62	–	1,729,777.98

Depreciation for the period amounted to RMB10,803,850.33; Fixed assets transferred from construction in progress for the period amounted to RMB187,632,719.13.

(2) Fixed assets idle transitorily

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Net book value	Remark
–	–	–	–	–	–

(3) Fixed assets held under finance leases

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Net book value
–	–	–	–

(4) Fixed assets leased out under operating leases

Unit: RMB

Category	Carrying amount at end of period
–	–

(5) Fixed assets held for sale at end of period

Unit: RMB

Item	Carrying amount	Fair value	Prepaid disposal fee	Estimated time of disposal
–	–	–	–	–

(6) Particulars of fixed assets without obtaining property right certificates

Unit: RMB

Items	Reason for not obtaining property right certificates	Estimated time of completion for obtaining property right certificates
Phase I of Shanghai Commodity E-Commerce Project (上海大宗商品電子商務項目一期)	Submission of completion settlement in progress	–

Description of fixed assets

18. Construction in progress

(1) Particulars of construction in progress

Unit: RMB

Item	Closing balance Book balance	Closing balance Provision for impairment	Closing balance Book value	Opening balance Book balance	Opening balance Provision for impairment	Opening balance Book value
Phase I of Shanghai Commodity E-Commerce Project (上海大宗商品電子商務項目一期)	0.00	0.00	0.00	122,999,244.22	0.00	122,999,244.22
Total	0.00	0.00	0.00	122,999,244.22	0.00	122,999,244.22

(2) *Changes in significant construction in progress projects*

Name of item	Budget	Opening balance	Increase for the period	Transfer to fixed assets	Other decrease	Contribution in budget (%)	Progress	Accumulated interests capitalized	Including: Accumulated capitalized interest amount for the period	Capitalization rate of interest for the period (%)	Source of fund	Closing balance
Phase I of Shanghai Commodity E-Commerce Project (上海大宗商品電子商務項目一期)	223,000,000.00	122,999,244.22	64,633,474.91	187,632,719.13								
Total	223,000,000.00	122,999,244.22	64,633,474.91	187,632,719.13		-	-			-	-	

Description of changes in significant construction in progress

Note: The sources of fund for construction are funds from its own sources and surplus proceeds.

(3) Provision for impairment of construction in progress

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reasons for provision
Total	0.00			0.00	–

(4) Construction progress of significant construction in progress

Item	Progress	Remark
–	–	–

(5) Description of construction in progress

19. Construction materials

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Description of construction materials

20. Clearance of fixed assets

Unit: RMB

Item	Opening carrying amount	Closing carrying amount	Reasons for transference to clearance
–	–	–	–

Explanation on progress of clearance of fixed assets for fixed assets transferred to clearance for more than 1 year since transference

21. Productive biological assets

(1) Measured at cost

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Plantation	–	–	–	–
II. Livestock rearing and breeding	–	–	–	–
III. Forestry	–	–	–	–
IV. Aquaculture	–	–	–	–

(2) Measured at fair value

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Plantation	–	–	–	–
II. Livestock rearing and breeding	–	–	–	–
III. Forestry	–	–	–	–
IV. Aquaculture	–	–	–	–

Description of productive biological assets

22. Oil and gas assets

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
Description of oil and gas assets	–	–	–	–

23. Intangible assets

(1) Particulars of intangible assets

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Total original carrying amount	25,647,000.00	–	–	25,647,000.00
Land use rights	25,647,000.00	–	–	25,647,000.00
II. Total accumulated amortization	1,025,880.00	512,940.00	–	1,538,820.00
Land use rights	1,025,880.00	512,940.00	–	1,538,820.00
III. Total net carrying amount of intangible assets	24,621,120.00	–512,940.00	–	24,108,180.00
Land use rights	24,621,120.00	–512,940.00	–	24,108,180.00
Total carrying amount of intangible assets	24,621,120.00	–512,940.00	–	24,108,180.00
Land use rights	24,621,120.00	–512,940.00	–	24,108,180.00

The amortisation amount for the period was RMB512,940.00.

(2) Expenditure of the Company's development projects

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period: Included in profit or loss for the current period	Decrease for the period: Recognized as intangible assets	Closing balance
–	–	–	–	–	–

Development expenditure for the period accounts for the total expenditure for project research and development for the period.

Intangible assets formed by internal research and development of the Company account for the carrying amount of intangible assets at end of period.

Description of development projects of the Company, and disclosure of names of appraisal agencies and assessment approaches used for projects with value of single item of more than RMB1 million and recorded based on appraised values during the period.

24. Goodwill

Unit: RMB

Name of investee or item generating goodwill	Opening balance	Increase for the period	Decrease for the period	Closing balance	Impairment provisions at end of period
–	–	–	–	–	–

Description of impairment test method and impairment provision on goodwill

25. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortization for the period	Other deductions	Closing balance	Reasons for other deductions
Decoration fees of buildings	1,074,322.41	–	729,642.41	–	344,680.00	–
Advertising light boxes and outdoor billboards	816,880.48	209,000.00	457,081.78	–	568,798.70	–
Total	1,891,202.89	209,000.00	1,186,724.19	–	913,478.70	–

Description of long-term prepaid expenses

Note: Long-term prepaid expenses were amortized at a straight-line basis based on their beneficial periods with an amortization period of 3-5 years.

26. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets and deferred income tax liabilities not stated as the net amount after offsetting

Recognised deferred income tax assets and deferred income tax liabilities

Unit: RMB

Item	Closing balance	Opening balance
Deferred income tax assets:		
Provision for impairment of assets	22,192.84	41,372.47
Effect of deferred income	169,639.97	102,532.76
Subtotal	191,832.81	143,905.23

Deferred income tax liabilities:

Breakdown of unrecognised deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	1,580.00	16,297.50
Deductible loss	2,620,483.40	4,220,238.39
Total	2,622,063.40	4,236,535.89

Deductible loss of unrecognised deferred income tax assets will expire by the following periods

Unit: RMB

Year	Closing balance	Opening balance	Remark
2013	–	1,599,754.99	–
2014	350,826.44	350,826.44	–
2015	2,269,656.96	2,269,656.96	–
Total	2,620,483.40	4,220,238.39	–

Breakdown of tax payable differences and deductible differences

Unit: RMB

	Amount of temporary differences	
Item	**End of the period**	**Beginning of the period**
Tax payable differences	–	–
Deductible differences	–	–

(2) *Deferred tax assets and deferred tax liabilities stated as the net amount after offsetting*

Components of deferred income tax assets and liabilities after offsetting

Unit: RMB

Item	Deferred income tax assets or liabilities after offsetting at end of the reporting period	Temporary deductible or tax payable differences after offsetting at end of the reporting period	Deferred income tax assets or liabilities after offsetting at the beginning of the reporting period	Temporary deductible or tax payable differences after offsetting at the beginning of the reporting period
Deferred income tax assets	191,832.81	–	143,905.23	–

Breakdown of offsetting of deferred income tax assets and deferred income tax liabilities

Unit: RMB

Item	Offsetting amount for the period
–	–

Description of deferred income tax assets and deferred income tax liabilities

27. Breakdown of provision for impairment of assets

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period Reversals	Decrease for the period Write-offs	Closing book balance
I. Provision for bad debts	250,263.94	193,307.60	–	315,573.79	127,997.75
II. Provision for impairment of construction in progress	0.00	–	–	–	0.00
Total	250,263.94	193,307.60	–	315,573.79	127,997.75

Description of breakdown of impairment of assets

28. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid purchase amount of fixed assets	–	1,763,809.07
Total	–	1,763,809.07

Description of other non-current assets

Purchase amount of fixed assets.

29. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	**Closing balance**	**Opening balance**
Guarantee borrowings	98,000,000.00	30,000,000.00
Credit borrowings	28,900,000.00	–
Total	126,900,000.00	30,000,000.00

Description of classification of short-term borrowings

Note: As at the end of the year, the aggregate closing balance of guarantee borrowings is RMB98 million, of which RMB20 million borrowed from the Shanghai Pudong Development Bank by 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd), the parent company, and was guaranteed by Zhu Junhong (朱軍紅), a shareholder; RMB30 million borrowed from the Shanghai Pudong Development Bank and RMB48 million borrowed from the China Construction Bank by 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), the subsidiary, and were guaranteed by 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd), the parent company. At the same time, 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), the subsidiary, provide a counter-guarantee to 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd), the parent company, by securing inventory and pledging its bank saving accounts.

(2) Due but outstanding short-term borrowings

Unit: RMB

Lender	**Amount of loans**	**Lending rate**	**Use of the lending capital**	**Reason (s) for outstanding when due**	**Estimated repayment time**
–	–	–	–	–	–

Amounts repaid in RMB subsequent to the balance sheet date.

Description of short-term borrowings, including the extension conditions and new maturity of short-borrowings obtained extension when due

30. Financial liabilities held-for-trading

Unit: RMB

Item	Closing fair value	Opening fair value
–	–	–

Description of financial liabilities held-for-trading

31. Bills payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance	–	8,000,000.00
Total	–	8,000,000.00

Amount to be due in the next accounting period.

Description of bills payable

32. Accounts payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
–	–	–

(2) Particulars of accounts payable due to shareholders holding 5% (inclusive of 5%) of the Company's shares with voting rights during the reporting period

Unit: RMB

Name of entity	Closing balance	Opening balance
–	–	–

(3) Description of significant accounts payable aged over one year

–

33. Advance receipts

(1) Particulars of advance receipts

Unit: RMB

Item	Closing balance	Opening balance
Prepayments of deferred income	76,396,022.53	69,905,666.72
Other prepayments	38,269,464.01	9,128,689.59
Total	114,665,486.54	79,034,356.31

(2) Particulars of advance receipts due from shareholders holding 5% (inclusive of 5%) of the Company's shares with voting rights during the reporting period

Unit: RMB

Name of entity	Closing balance	Opening balance
–	–	–

(3) Description s of significant advance receipts aged over one year

–

34. Staff remuneration payables

Unit: RMB

Item	Opening book balance	Increase for the period	Decrease for the period	Closing book balance
I. Salaries, bonuses, allowance and subsidies		74,032,359.40	74,032,359.40	
II. Staff welfare		4,511,279.93	4,511,279.93	
III. Social insurance premium		16,912,015.52	16,912,015.52	
IV. Housing provident funds		4,305,953.52	4,305,953.52	
VI. Others	320,732.09	194,109.00	194,109.00	320,732.09
Others	–	–	–	–
Total	320,732.09	99,955,717.37	99,955,717.37	320,732.09

Amount of default payment within staff remuneration payables.

Union operation costs and employee education costs amounted to RMB320,732.09, non-monetary welfare amounted to RMB and compensation arising from termination of service amounted to RMB.

Arrangements of the expected payment schedule and the payment of staff remuneration payables

35. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	651,498.30	265,003.28
Business tax	245,904.27	249,422.59
Enterprise income tax	1,804,301.08	2,186,232.59
Individual income tax	12,938.90	11,150.42
Urban maintenance and construction tax	60,092.98	35,762.88
River way management fee	8,119.03	4,319.43
Educational surcharges	44,870.15	25,721.28
Cultural business development fees	308,091.17	296,740.25
Others	1,332.71	754.02
Total	3,137,148.59	3,075,106.74

Description of taxes payable, local tax authorities agreed that taxable income for each branch and plant may be adjusted mutually, and the tax calculating processes should be explained.

36. Interest payables

Unit: RMB

Item	Closing balance	Opening balance
Interest on corporate bonds	1,597,333.30	1,597,333.30
Interest payables on short-term borrowings	–	56,466.27
Total	1,597,333.30	1,653,799.57

Description of interest payables

37. Dividend payables

Unit: RMB

Name of entity	Closing balance	Opening balance	Reasons for failure to pay for over one year
–	–	–	–

Description of dividend payables

38. Other payables

(1) Particulars of other payables

Unit: RMB

Item	Closing balance	Opening balance
Guarantee deposits for goods	49,018,654.74	38,391,655.60
Estimated amount of construction in progress transferred to fixed assets	31,452,692.26	8,539,576.00
Current accounts	4,843,460.17	207,582.78
Property fees	805,248.00	
Others	1,388,034.87	
Total	87,508,090.04	47,138,814.38

(2) Particulars of other payables due to shareholders holding 5% (inclusive of 5%) of the Company's shares with voting rights during the reporting period

Unit: RMB

Name of entity	Closing balance	Opening balance
–	–	–

(3) Description of significant other payables aged over one year

–

(4) Particulars of significant other payables

–

39. Estimated liabilities

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
–	–	–	–	–

Description of estimated liabilities

40. Non-current liabilities due within one year

(1) State of non-current liabilities due within one year

Unit: RMB

Item	Amount at the end of the period	Amount at the beginning of the period
–	–	–

(2) Long-term borrowings due within one year

Long-term borrowings due within one year

Unit: RMB

Item	Amount at the end of the period	Amount at the beginning of the period
–	–	–

The amount of overdue borrowings which is extended among the long-term borrowings due within one year

Top five long-term borrowings due within one year

Unit: RMB

Loan unit	Starting date of borrowings	Ending date of borrowings	Currency Type	Interest rate (%)	Amount at the end of the period		Amount at the beginning of the period	
					Amount of foreign currencies	Amount of local currencies	Amount of foreign currencies	Amount of local currencies
–	–	–	–	–	–	–	–	–

Overdue borrowings in long-term borrowings due within one year

Unit: RMB

Loan unit	Amount of borrowing	Overdue time	Annual interest rate (%)	Use of borrowings	Reason for overdue repayment	Estimated repayment time
–	–	–	–	–	–	–

The amounts repaid after the balance of sheet date

Descriptions for long-term borrowings due within one year

(3) Bonds payable due within one year

Unit: RMB

Name of Bond	Par value	Date of issue	Bond term	Amount of issue	Interest payable at the beginning of the period	Accrued interest in the current period	Interest paid in the current period	Interest payable at the end of the period	Ending balance
-	-	-	-	-	-	-	-	-	-

Descriptions for bonds payable due within one year

(4) Long-term payables due within one year

Unit: RMB

Borrowers	Term	Initial amount	Interest rate (%)	Accrued interest	Ending balance	Borrowing conditions
–	–	–	–	–	–	–

Descriptions for long-term payables due within one year

41. Other current liabilities

Unit: RMB

Item	Closing book balance	Opening book balance
–	–	–

Descriptions for other current liabilities

42. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Amount at the end of the period	Amount at the beginning of the period
–	–	–

Descriptions for classification of long-term borrowings

(2) Top five long-term borrowings

Unit: RMB

Loan unit	Starting date of borrowings	Ending date of borrowings	Currency Type	Interest rate (%)	Amount at the end of the period Amount of foreign currencies	Amount at the end of the period Amount of local currencies	Amount at the beginning of the period Amount of foreign currencies	Amount at the beginning of the period Amount of local currencies
–	–	–	–	–	–	–	–	–

As to the descriptions for long-term borrowings due to extension of loan overdue, it is necessary to specify the conditions for extension, the principal, interest, expected repayment arrangement, etc.

43. Bonds payable

Unit: RMB

Name of Bond	Par value	Date of issue	Bondterm	Amount of issue	Interest payable at the beginning of the period	Accrued interest in the current period	Interest paid in the current period	Interest payable at the end of the period	Ending balance
Phase one of "Zhangjiang Technology-based Small and Medium Enterprises (張江科技型中小企業)" collective notes for Shanghai Pudong New Area in 2010	32,000,000.00	25 February 2011	3 years	32,000,000.00					31,984,000.00

As to the descriptions for bonds payable, the conversion conditions and time of convertible corporate bonds are included

Note: According to the "Notice of Acceptance of Registration (《接受註冊通知書》)" (Zhong Shi Xie Zhu [2011] No. SMECN1) issued by National Association of Financial Market Institutional Investors on 26 January 2011, National Association of Financial Market Institutional Investors accepts the register of phase one of "Zhangjiang Technology-based Small and Medium Enterprises" collective notes for Shanghai Pudong New Area in 2010 jointly issued by the Company and other nine corporations. On 23 February 2011, the above collective notes were officially launched among the financial market institutional investors with an note amount of RMB0.7 billion, in which RMB32 million was issued by the Company with a term of 3 years and a coupon rate of 5.99%. The interest is paid once each year and the due principal amount in full and the final interest will be repaid in one-off upon maturity.

44. Long-term payables

(1) State of top five long-term payables

Unit: RMB

Unit	Term	Initial amount	Interest rate (%)	Accrued interest	Ending balance	Borrowing conditions
–	–	–	–	–	–	–

(2) Details of payables under finance lease in long-term payables

Unit: RMB

Unit	Amount at the end of the period Foreign currencies	RMB	Amount at the beginning of the period Foreign currencies	RMB
–	–	–	–	–

The amount of guarantees provided by independent third parties for the Company's finance leases

Descriptions for long-term payables

45. Special payables

Unit: RMB

Item	Amount at the beginning of the period	Increase during the period	Decrease during the period	Amount at the end of the period	Remark
–	–	–	–	–	–

Descriptions for special payables

46. Other non-current liabilities

Unit: RMB

Item	Closing book balance	Opening book balance
Deferred income	20,349,395.73	14,180,365.93
Total	20,349,395.73	14,180,365.93

Descriptions for other non-current liabilities

In which, details of deferred income are as follow:

Item	Closing balance	Opening balance
Asset-related government grants		
Consolidated trial funds specially for Shanghai modern service industry *note 1*	19,293,555.56	12,280,000.00
Supporting Funds guided for Shanghai Service Industry Development *note 2*	900,000.00	1,500,000.00
Special funds for the development of small and middle Enterprises	155,840.17	200,365.93
Sub-total	20,349,395.73	13,980,365.93
Government grants related to income		
Consolidated trial funds specially for Shanghai Modern Service Industry *note 1*	–	200,000.00
Sub-total	–	200,000.00
Total	20,349,395.73	14,180,365.93

Note:

(1) Consolidated trial funds specially for Shanghai modern service industry: in accordance with "Notice of the Ministry of Finance and the Ministry of Commerce on the Approval of Consolidated Trial Projects Specially for Shanghai Modern Service Industry" (財政部商務部關於批復上海市現代服務業綜合試點方案的通知) (Cai Jian Han [2011] No. 74) and "Notice

of Shanghai Municipal Commission of Commerce and Shanghai Municipal Finance Bureau on Issuing the Use and Administration Measures of Consolidated Trial Funds Specially for Shanghai Modern Service Industry" (《上海市商務委、上海市財政局關於印發上海現代服務業綜合試點專項資金使用和管理辦法的通知》) (Hu Shang Cai [2012] No. 517), the Company's "Bulk Stock Electronic Business Project" and "Integrated Electronic Business Service Platform for Shanghai Ganglian Bulk Stock Market" were included in consolidated trail projects specially for Shanghai modern service industry. In accordance with "The (First) Letter of Shanghai Municipal Commission of Commerce on Funding for Consolidated Trial Funds Specially for Shanghai Modern Service Industry of 2011" (《上海市商務委關於商請撥付2011年上海現代服務業綜合試點專項資金(第一批)的函》) (Hu Shang Cai [2012] No. 585), in June 2013 and December 2013, the Company received special funds of RMB6.225 million from Ministry of Commerce of the People's Republic of China and Shanghai Municipal Commission of Commerce, and special funds of RMB2.075 million from the Management Committee of Shanghai Zhangjiang High-technology Zone respectively. In which, RMB7.355 million was for "Bulk Stock Electronic Business Project" and RMB0.945 million was for "Integrated Electronic Business Service Platform for Shanghai Ganglian Bulk Stock Market". Funds for "Bulk Stock Electronic Business Project" were utilized to construct engineering projects under construction, which were recognized as asset-related government grants, and allocated to the profit and loss over the useful life of the relevant asset by equal amounts. Funds for "Integrated Electronic Business Service Platform for Shanghai Ganglian Bulk Stock Market" were recognized as government grants related to income, and allocated to the profit and loss in the period for project expenses incurred by equal amounts.

(2) funds and grants for guiding Shanghai service industry development: in accordance with "Notice of Shanghai Municipal People's Government on Issuing the Use and Administration Measures of Funds for Guiding Shanghai Service Industry Development" (《上海市人民政府關於印發上海市服務業發展引導資金使用和管理辦法的通知》) and "Circumstances of Projects Supported by First Batch of Funds for Guiding Service Industry Development in 2011 in Shanghai" (《本市2011年度第一批服務業發展引導資金支持項目的有關情況》) issued by Shanghai Municipal Development and Reform Commission, Finance Bureau of Pudong New Area of Shanghai and Municipal Finance Collection and Payment Center provided the Company with RMB1.50 million respectively, namely RMB3.00 million in total in 2011, for the developing the project of Ganglian integrated electronic transaction service platform for coalification (carbon). The Company utilized the funds to purchase equipment, which was recognized as government grants related to asset, and allocated to the profit and loss over the useful life of the relevant asset by equal amounts.

Liabilities relating to governmental subsidy

Unit: RMB

Liabilities	Opening balance	Newly increased amount of subsidy in the period	Amount included in non-business income in the period	Other change	Closing balance	Asset-related/ Income-related
–	–	–	–	–	–	–

47. Share Capital

Unit: RMB

	Amount at the beginning of the period	Increase and decrease (+ and -) in the period					Amount at the end of the period
		New stocks issued	Stock dividend	Reserve fund convertible into shares	Others	Sub-total	
Total share	80,000,000.00	–	16,000,000.00	24,000,000.00	–	40,000,000.00	120,000,000.00

The description of stock change: in case of capital increase or decrease in the reporting period, it is necessary to disclose the name of accounting firm responsible for capital verification and capital verification report number. For the joint stock company with limited liability which is in operation less than 3 years, it is required to specify the net assets only before the year of establishment. It is required to specify the capital verification at the time of establishment when the entire limited liability company is changed to a joint-stock company.

In accordance with the provisions of articles of associations resolved and amended at the Company's 2012 general meeting convened on 8 May 2013, the Company applied for registered share capital increase by RMB40,000,000.00 through the transfer of share capital from the undistributed profits and capital reserve. The transfer benchmark date was 31 December 2012 and the registered share capital was RMB120,000,000.00 after the increase. On the basis of 2 shares for every 10 shares, the Company allotted 16,000,000.00 shares out of the undistributed profits with a par value of RMB1 each to all shareholders for an increase of share capital of RMB16,000,000.00. At the same time, on the basis of 3 shares for every 10 shares, the Company allotted 24,000,000.00 shares out of the capital reserve with a par value of RMB1 each to all shareholders for an increase of share capital of RMB24,000,000.00. The Company's registered capital was RMB120 million after the capital increase. This capital contribution was audited by RSM China Certified Public Accountants (Special General Partnership), and the capital verification report of "RSM Yan Zi [2013] No. 0154" (中瑞岳華驗字[2013]第0154號) was issued on 23 May 2013.

48. Treasury stock

The description of treasury stock

49. Special reserve

The description of special reserve

50. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the period	Reduction in the period	Closing balance
Asset premium (Capital premium)	170,247,194.60		24,073,814.50	146,173,380.10
Total	170,247,194.60		24,073,814.50	146,173,380.10

The description of capital reserve

51. Surplus reserve

Unit: RMB

Item	Opening balance	Increase in the period	Reduction in the period	Closing balance
Legal surplus reserve	13,495,338.11	1,485,967.90		14,981,306.01
Total	13,495,338.11	1,485,967.90		14,981,306.01

The description of surplus reserve: when the surplus reserve is converted into share capital, set off loss and distribute dividends, the related resolution shall be specified.

52. General risk reserve

The description of general risk reserve

53. Undistributed profit

Unit: RMB

Item	Amount	Withdrawal or distribution proportion
Undistributed profit before adjustment in the end of last year	97,974,560.64	–
Undistributed profit after adjustment in the beginning of the year	97,974,560.64	–
Add: Net profit attributable to the owner of the parent in the current period	21,590,786.44	–
Less: Withdrawal of legal surplus reserve	1,485,967.90	10%
Dividend payable on common stock	4,000,000.00	
Ordinary stock dividend transferred to capital stock	16,000,000.00	
Undistributed profit in the end of the period	98,079,379.18	–

Details for adjusting undistributed profit in the beginning of the year:

1). Because retroactive adjustment is carried out according to Accounting Standards For Business Enterprises and relevant new regulations, the affected undistributed profit is RMB nil in the beginning of the year.

2). Because of changes in accounting policies, the affected undistributed profit is RMB nil in the beginning of the year.

3). Because of correction of significant accounting errors, the affected undistributed profit is RMB nil in the beginning of the year.

4). Because of change in range of combination under common control, the affected undistributed profit is RMB nil in the beginning of the year.

5). Because of other adjustment, the affected undistributed profit is RMB nil in aggregate in the beginning of the year.

The description of undistributed profits: for the company initially publicly offering securities, it is required to expressly specify if the accumulated profits before issuance are shared by original and new shareholders subject to resolution adopted by shareholders' meeting. If the accumulated profits before issuance are allocated to and given to original shareholders before issuance subject to resolution adopted by shareholders' meeting, the company shall expressly disclose the audited profit attributable to the original shareholders among dividends payable

(1) *Changes of undistributed profit*

Item	Amount in the year	Amount in last year	Withdrawal or distribution proportion
Undistributed profit before adjustment in last year	97,974,560.64	89,679,426.81	
Total undistributed profit after adjustment at the beginning of the year (increase +, decrease -)			
Undistributed profit after adjustment in the beginning of last year	97,974,560.64	89,679,426.81	
Add: Net profit attributable to the owner of the parent in the current year	21,590,786.44	35,261,136.74	
Less: Withdrawal of legal surplus reserve	1,485,967.90	2,966,002.91	
Dividend payable on common stock	4,000,000.00	4,000,000.00	
Ordinary stock dividend transferred to capital stock	16,000,000.00	20,000,000.00	
Undistributed profit in the end of the year	98,079,379.18	97,974,560.64	

(2) *The description of profit distribution*

In accordance with "Profit Distribution Scheme in 2012" (《公司2012年度權益分派方案》) approved at 2012 shareholders' meeting of the Company on 8 May 2013, the Company allotted shares to all shareholders on the basis of 2 shares for every 10 shares with cash dividend of RMB0.5 (tax inclusive) for every 10 shares. Based on 80.00 million issued shares, the total cash dividend paid was RMB4 million and the stock dividend paid was RMB16 million.

(3) *Subsidiaries' appropriations to surplus reserves in the reporting period*

Item	**Appropriation in the year**	**Including: attributable to parent company**
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	644,832.20	431,392.74
Total	644,832.20	431,392.74

54. Business income and business cost

(1) *Business income and business cost*

Unit: RMB

Item	**Amount accrued in the period**	**Amount accrued in the last period**
Main business income	1,553,053,134.81	954,396,371.87
Business cost	1,396,635,259.42	791,953,975.39

(2) *Main business (by industry)*

Unit: RMB

Name of industry	**Amount accrued in the period**		**Amount accrued in the last period**	
	Operation revenue	**Business cost**	**Operation revenue**	**Business cost**
Information services industry	187,268,080.86	47,111,555.61	198,078,823.35	48,900,521.98
Steel transaction service	1,365,785,053.95	1,349,523,703.81	756,317,548.52	743,053,453.41
Total	1,553,053,134.81	1,396,635,259.42	954,396,371.87	791,953,975.39

(3) Main business (by product)

Unit: RMB

Name of product	Amount accrued in the period Operation revenue	Business cost	Amount accrued in the last period Operation revenue	Business cost
Information services	84,024,350.14	28,179,598.54	82,022,564.72	29,676,662.47
Webpage link services	64,456,728.07	578,683.02	76,773,663.25	756,562.51
Training of meeting affairs	23,562,198.40	18,117,805.11	24,700,260.39	18,140,003.52
Consultation income	10,554,669.49	235,468.94	9,497,620.15	327,293.48
Advertisement services	1,260,072.64		2,043,017.77	
Trade services income	1,365,785,053.95	1,349,523,703.81	756,317,548.52	743,053,453.41
Other services	3,410,062.12		3,041,697.07	
Total	1,553,053,134.81	1,396,635,259.42	954,396,371.87	791,953,975.39

(4) Main business (by region)

Unit: RMB

Area	Amount accrued in the period Operation revenue	Business cost	Amount accrued in the last period Operation revenue	Business cost
Eastern China	1,456,591,680.12	1,372,368,181.09	858,743,362.75	766,819,313.13
Southern China	35,851,536.68	9,019,271.50	36,983,076.64	8,937,266.92
Northern China	26,222,367.87	6,596,834.53	27,079,961.11	6,980,325.23
Southwestern China	14,238,367.98	3,581,986.11	13,189,442.58	4,526,033.07
Northwestern China	10,968,452.08	2,759,364.21	9,968,865.05	2,138,061.96
Northeastern China	9,180,730.08	2,309,621.98	8,431,663.74	2,552,975.08
Total	1,553,053,134.81	1,396,635,259.42	954,396,371.87	791,953,975.39

(5) Operation revenue from top five customers of the Company

Unit: RMB

Customer name	**Main business income**	**Percentage accounting for all operation revenue of the Company** *(%)*
上海寶源鋼國際貿易有限公司 (Shanghai BaoYuan Steel International Trade Co., Ltd.*)	339,649,609.95	21.87%
上海柏盛貿易有限公司 (Shanghai BoSheng Trading Co., Ltd.*)	288,555,919.47	18.58%
上海都來貿易有限公司 (Shanghai DuLai Trading Co., Ltd.*)	247,746,304.79	15.95%
上海景躍鋼鐵有限公司 (Shanghai JingYue Steel Co., Ltd.*)	138,224,815.10	8.9%
上海翔鷗實業有限公司 (Shanghai Xiangou Industrial Co. Ltd.*)	60,921,790.18	3.92%
Total	1,075,098,439.49	69.22%

The description of business income

55. Revenue from contract project

Unit: RMB

Fixed price contract	Contract project	Amount	Accumulated incurred cost	Accumulated recognized gross profit ("–" for loss)	Amount settled
–	–	–	–	–	–

Cost-Add contract	Contract project	Amount	Accumulated incurred cost	Accumulated recognized gross profit ("–" for loss)	Amount settled
–	–	–	–	–	–

The description of contract project

56. Business tax and surcharge

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period	Calculation standard
Business tax	2,708,446.11	5,098,912.56	
Urban maintenance and construction tax	439,335.37	762,001.27	
Education surcharge	324,818.43	579,510.71	
Resource tax	5,981.00	4,715.72	
Others	3,478,580.91	6,445,140.26	–

The description of business tax and surcharge

57. Selling expenses

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
Wage	37,165,348.53	35,784,357.12
Social insurance	9,439,027.11	9,072,327.18
Office expense	5,682,926.59	3,187,644.58
Publication and production fee of advertisement	3,904,084.58	5,515,826.82
Travel expense	3,148,758.72	2,423,187.50
Housing provident fund	2,321,720.48	1,885,766.27
Rental	2,034,208.71	1,958,624.53
Business entertainment fee	1,771,915.77	1,929,050.18
Information fee	1,659,144.36	1,388,846.83
Consulting cost	1,394,802.10	2,161,830.32
Others	7,209,717.17	6,134,345.28
Total	75,731,654.12	71,441,806.61

58. Administration expense

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
Technical development expense	14,011,123.70	16,631,539.17
Wage	11,032,285.30	9,789,027.03
Depreciation	10,042,465.88	5,866,444.99
Welfare expense	4,452,044.66	4,269,665.71
Social insurance	2,583,224.01	1,149,639.63
Office expense	2,086,308.66	1,756,902.38
Construction fee for culture industry	2,059,345.97	2,360,912.52
Property rental fee	1,315,699.13	1,525,765.89
Travel expense	1,024,575.04	429,466.78
Business entertainment fee	422,507.60	413,698.40
Others	2,545,540.43	3,848,455.03
Total	51,575,120.38	48,041,517.53

59. Finance expense

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
Interest expense	4,917,383.93	3,032,945.17
Interest income	-2,886,897.56	-4,322,700.07
Exchange gain or loss	9,654.54	2,253.02
Others	929,732.43	703,699.40
Total	2,969,873.34	-583,802.48

60. Income from change of fair value

Unit: RMB

Source of income from fair value change	Amount accrued in the period	Amount accrued in the last period
Total	0.00	0.00

The description of income from fair value change

61. Income from investment

(1) Details of income from investment

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
Income from long-term equity investment calculated with equity method	-1,521,060.32	-256,085.73
Total	-1,521,060.32	-256,085.73

(2) Income from long-term equity investment calculated with cost method

Unit: RMB

Investee	Amount accrued in the period	Amount accrued in the last period	Reason for increase and decrease variation of this period in comparison with last period
–	–	–	–

(3) *Income from long-term equity investment calculated with equity method*

Unit: RMB

Investee	Amount accrued in the period	Amount accrued in the last period	Reason for increase and decrease variation of this period in comparison with last period
淄博隆眾信息技術有限公司	-599,135.63	-256,085.73	–
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	-365,576.42		
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	-557,064.42		
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	716.15		
Total	-1,521,060.32	-256,085.73	–

The description of income from investment: it is required to specify the material limitation on the collection of investment income whether there is any material limitation or not

62. Asset impairment loss

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
I. Bad debt loss	193,307.60	228,826.37
Total	193,307.60	228,826.37

63. Non-business income

(1) Non-business income

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period	Amount included in non-recurring profit and loss in the current period
Total gains from non-current asset disposal	462.05	11,260.00	462.05
Including: gains from fixed asset disposal	462.05	11,260.00	462.05
Governmental subsidy	8,992,317.20	8,768,996.61	8,632,317.20
Others	175,865.50	403,427.49	535,865.50
Total	9,168,644.75	9,183,684.10	9,168,644.75

The description of non-business income

(2) Governmental subsidy included current profit and loss

Unit: RMB

Subsidy items	Amount accrued in the period	Amount accrued in the last period	Related to assets/ Related to income	Non-recurring profit and loss or not
Subsidy for the new and high-tech enterprises achievements transformation project	2,200,000.00	3,849,000.00	Related to income	
Funds and subsidy for guiding Shanghai service industry development	600,000.00	600,000.00	Related to assets	
Subsidy for the scientific research projects of Little Giant Technology for enterprise development		545,405.94	Related to income	

Subsidy items	Amount accrued in the period	Amount accrued in the last period	Related to assets/ Related to income	Non-recurring profit and loss or not
Special funds for the development of small and medium enterprises	44,525.76	1,762,634.07	Related to income	
Subsidy for Shanghai scientific research programme and projects		26,250.00	Related to income	
Subsidy for supporting enterprises' restructuring and listing in Zhangjiang High-Technology Zone (張江高科技園區)		1,000,000.00	Related to income	
Consolidated Trial Funds Specially for Shanghai Modern Service Industry	1,486,444.44	800,000.00	Related to assets	
Fiscal subsidies for job and staff training in Pudong New Area	82,347.00	185,706.60	Related to income	
Business support for operation platform in Zhangjiang zone	3,389,000.00		Related to assets	
Special funds for informatization development	714,000.00		Related to income	
Others	476,000.00		Related to income	
Total	8,992,317.20	8,768,996.61		

Note:

(1) The new and high-tech enterprises achievements transformation project: in accordance with "Approval List of Tax Policies in respect of Shanghai New and High-tech Achievements Transformation Project" (《上海市高新技術成果轉化項目享受財稅政策核定表》) (Hu Pu Shui Suo (2006) No. 76) by Shanghai Pudong New Area Municipal Office of the State Administration of Taxation, under the provisions of "Notice of Issuing 'Supportive Measures for the Special Funds for the Transformation of New and High-tech Achievements'" (《關於印發《高新技術成果轉化專項資金扶持辦法》的通知》) (Hu Cai Qi [2006] No. 66) issued by Shanghai Municipal Finance Bureau, the Company could be benefited from the supportive fiscal policies for new and high-tech achievements transformation project for a term of 5 years, from September 2011 to August 2016, in which its benefit would be reduced to 50% from September 2014 to August 2016.

(2) The descriptions of funds for guiding Shanghai service industry development and consolidated trial funds specially for Shanghai modern service industry could be referred to notes and other non-current liabilities.

(3) Special funds for small and medium enterprises development: in accordance with the notice of issuing the "Administrative Measures of Special Funds for the Small and Medium Enterprises Development" (《中小企業發展專項資金管理辦法》) (Cai Qi [2012] No. 96)issued by Ministry of Finance and the Ministry of Industry and Information Technology, the Company received RMB0.43 million from the Municipal Finance Payment Center on 3 December 2012. In which, RMB207,371.19

was recognized as government grant related to income, which was transferred to profit and loss in the year of 2012; RMB222,628.81 was recognized as government grant related to assets, and allocated to the profit and loss over the useful life of the relevant asset by equal amounts.

(4) Business support for operation platform in Zhangjiang zone: In accordance with "Supportive Measures for the Enterprises Development of Shanghai Zhangjiang High-technology Zone" (《上海市張江高科技園區企業發展扶持辦法》), the Company received RMB3.3890 million of enterprises financial subsidies for Zhangjiang high-technology zone platform from the management committee of Shanghai Zhangjiang high-technology Zone on 31 December 2013. The Company recognized them as government grants related to income, and allocated them to the profit and loss in the current period.

(5) In accordance with "Administrative Measures for Special Funds for the Informatization Development in Shanghai" (《上海市信息化發展專項資金管理辦法》) (Hu Cai Jiao [2008] No. 54), the Company was granted the title of "an Enterprise with Dual-platform for Promoting Electronic Business", and received RMB0.695 million from the Municipal Finance Center on 11 December 2013, and RMB19,000 from Qingpu Finance Bureau on 19 December 2013, in a total of RMB0.714 million. The Company recognized them as government grants related to income, and allocated them to the profit and loss in the current period.

64. Non-business expenditure

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period	Amount included in non-recurring profit and loss in the current period
Total loss on disposal of non-current asset	14,829.07	29,742.64	14,829.07
Including: loss from fixed asset disposal	14,829.07	29,742.64	14,829.07
External donation		100,000.00	
Others	3,230.43	30,091.47	3,230.43
Total	18,059.50	159,834.11	18,059.50

The description of non-business expenses

65. Income tax expense

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
Current income tax calculated according to tax law and related rules	6,354,543.77	7,201,593.05
Adjustment of deferred income tax	-47,927.58	122,184.67
Total	6,306,616.19	7,323,777.72

66. Calculation process of basic earnings per share and diluted earnings per share

Basic earnings per share shall be the net profit in the current period attributable to the common stock holders of the Company, divided by the weighted average number of the outstanding common stock. The number of newly issued common stocks are calculated from the date of consideration receivable (generally the stock issuance date) according to the specific clauses of the issuance contract.

The numerator of the diluted earnings per share shall be recognized after adjusting the following factors through the net profit in the current period attributable to the common stock holders of the Company: (1) Interest of dilutive potential ordinary share recognized as expense in the current period; (2) earnings or expenses generated by conversion of dilutive potential ordinary share; and (3) income tax influence related to above adjustments.

A denominator of the diluted earnings per share equals to the sum of the following two items: (1) the weighted average number of ordinary shares issued by parent company in the basic earnings per share; and (2) the weighted average number of ordinary shares increased by assuming the conversion of dilutive potential ordinary shares into ordinary shares.

To calculate the weighted average number of ordinary shares increased due to conversion of dilutive potential ordinary shares into ordinary shares issued, it is assumed that the dilutive potential ordinary shares issued in the previous period were converted in the beginning of the current year and the dilutive potential ordinary share issued in current year are assumed to be converted on the issuance date.

(1) *Amount of basic earnings per share and diluted earnings per share for each period*

Profit in the reporting period	Amount accrued in the year		Amount accrued in the last year	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profit attributable to the ordinary shareholders of the Company	0.18	0.18	0.29	0.29
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	0.12	0.12	0.23	0.23

(2) *Calculation of earnings per share and diluted earnings per share*

① Net profit of the current period attributable to ordinary shareholders when basic earnings per share are calculated:

Item	Amount accrued in the year	Amount accrued in the last year
Net profit attributable to ordinary shareholders in the current period	21,590,786.44	35,261,136.74
Including: net profit attributable to continuing operation	21,590,786.44	35,261,136.74
Net profit attributable to terminated operation	–	–
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit and loss	13,939,523.38	27,722,373.00
Including: net profit attributable to continuing operation	13,939,523.38	27,722,373.00
Net profit attributable to terminated operation	–	–

② When basic earnings per share are calculated, denominator is the weighted average number of outstanding ordinary shares, calculated as follows:

Item	Amount accrued in the year	Amount accrued in the last year
Number of outstanding ordinary shares in the beginning of the year	80,000,000.00	40,000,000.00
Add: weighted number of ordinary shares issued in the year		
weighted number of ordinary shares for payment of stock dividends in 2012		20,000,000.00
weighted number of ordinary shares of share capital converted from capital reserve in 2012		20,000,000.00
weighted number of ordinary shares for payment of stock dividends in 2013	16,000,000.00	16,000,000.00
weighted number of ordinary shares of share capital converted from capital reserve in 2013	24,000,000.00	24,000,000.00
Less: weighted number of ordinary shares bought back in the year		
Weighted number of outstanding ordinary shares in the end of the year	120,000,000.00	120,000,000.00

③ In the reporting period, the Company contains no dilutive potential ordinary shares, therefore diluted earnings per share equal to basic earnings per share.

④ In May 2013, the Company issued stock dividends for 16.00 million shares, and converted the capital reserve of 24.00 million shares to share capital, and the number of outstanding common stock was increased by 40.00 million shares in total. Therefore, the amount of earnings per share for each of the reporting periods was computed on the basis of the adjusted number of shares.

67. Other comprehensive income

Unit: RMB

Item	Amount accrued in the period	Amount accrued in the last period
–	–	–

The description of other comprehensive income

68. Notes to cash flow statement

(1) Other cash received relating to operating activities

Unit: RMB

Item	Amount
Government grants	6,878,313.59
Current accounts for enterprise	5,551,460.17
Interest income	2,873,820.12
Deposits	1,269,090.38
Others	200,019.02
Total	16,772,703.28

The description of other cash received relating to operating activities

(2) *Other cash paid relating to operating activities*

Unit: RMB

Item	Amount
Conference fee	18,191,187.14
Technical development expense	6,628,531.46
Office expense	9,603,684.75
Travel expense	2,355,223.42
Printing cost	2,913,620.00
Communication fee, consulting fee, rental fee and other fees	18,183,339.24
Current accounts for enterprise	–
Others	1,488,529.70
Total	59,364,115.71

The description of other cash paid relating to operating activities

(3) *Other cash received relating to investing activities*

Unit: RMB

Item	Amount
–	–

The description of other cash received relating to investing activities

(4) *Other cash paid relating to investing activities*

Unit: RMB

Item	Amount
–	–

The description of other cash paid relating to investing activities

(5) *Other cash received relating to financing activities*

Unit: RMB

Item	Amount
Government subsidy received related to asset	8,300,000.00
Total	8,300,000.00

The description of other cash received relating to financing activities

(6) *Other cash paid relating to financing activities*

Unit: RMB

Item	Amount
Acquisition of minority shareholders' equity interests	12,154,000.00
Total	12,154,000.00

The description of other cash paid relating to financing activities

69. Supplementary materials of cash flow statement

(1) Supplementary materials of cash flow statement

Unit: RMB

Supplementary materials	Amount in the period	Amount in the last period
1. To adjust the net-profit as cash flow of operating activities:	–	–
Net profit	23,792,247.78	38,312,894.73
Add: Provision for impairment of asset	193,307.60	228,826.37
Depreciation of fixed asset, oil and gas asset and productive biological asset	10,803,850.33	7,102,441.91
Amortization of intangible asset	512,940.00	512,940.00
Amortization of long-term unamortized expense	1,186,724.19	1,607,250.28
Losses from disposal of fixed asset, intangible asset and other long-term asset (income marked "–")	14,367.02	3,938.71
Losses on written-off of fixed asset (income marked "–")		14,543.93
Financing expense (income marked "–")	4,917,383.93	3,608,945.17
Investment loss (income marked "–")	1,521,060.32	256,085.73
Decrease in deferred income tax assets (increase marked "–")	–47,927.58	122,184.67
Decrease in inventory (increase marked "–")	–21,856,180.51	–35,699,266.92
Decrease in operating items receivable (increase marked "–")	–67,346,523.95	–59,860,440.81
Increase of operating items payables (decrease marked "–")	49,582,733.03	24,038,048.13
Net cash flow from operating activities	3,273,982.16	–19,741,646.10

Supplementary materials	Amount in the period	Amount in the last period
2. Significant investment and financing activities without cash receipts and payments:	–	–
3. Net change in cash and cash equivalents:	–	–
Cash balance in the end of the period	194,412,598.47	178,722,357.25
Less: cash balance in the beginning of the period	178,722,357.25	249,857,986.59
Net increase of cash and cash equivalents	15,690,241.22	–71,135,629.34

(2) *Information regarding acquisition or disposal of subsidiaries and other business units in the reporting period*

Unit: RMB

Supplementary materials	Amount accrued in the period	Amount accrued in the last period
I. Information regarding the acquisition of subsidiary and other business units:	–	–
II. Information regarding the disposal of subsidiary and other business units:	–	–

(3) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	194,412,598.47	178,722,357.25
Including: cash on hand	66,159.91	65,889.78
Bank deposit available for payment at any time	194,346,438.56	178,656,467.47
II. Cash and cash equivalent balance in the end of the period	194,412,598.47	178,722,357.25

The description of supplementary materials of cash flow statement

70. Notes to statement of change in owners' equity

Description of the balance in the end of last year after the adjustment of item "others" and the adjusted amount, the retroactive adjustment generated from enterprise merger under same control

VIII. ACCOUNTING TREATMENT FOR ASSET SECURITIZATION BUSINESS

1. Description of major transaction arrangement, accounting treatment and bankruptcy isolation clauses relating to asset securitization business

–

2. Special purpose entity in which the Company has no controlling power but actually undertakes the risk

Unit: RMB

Name	Total assets in the end of the period	Total liability in the end of the period	Net assets in the end of the period	Business revenue in the period	Net profit in the period	Remark
–	–	–	–	–	–	–

IX. RELATED PARTIES AND RELATED PARTY TRANSACTION

1. Information regarding the parent company of the Company

Name of the parent company	Relation	Enterprise type	Registered address	Legal representative	Business nature	Registered capital	Percentage held by the parent company in the Company (%)	Voting power percentage held by the parent company in the Company (%)	Ultimate controller of the Company	Organization code
上海興業投資發展有限公司	Controlling shareholder	Limited liability company	Shanghai	Guo Guangchang (郭廣昌)	Investment management	790,000,000	39.69%	39.69%	Guo Guangchang (郭廣昌)	7012926-5

The description of information regarding the parent company of the Company

2. Subsidiaries of the Company

Name of subsidiary	Type of subsidiary	Enterprise type	Registered address	Legal representative	Business nature	Registered capital	Shareholding ratio (%)	Voting power (%)	Organization code
北京鋼聯麥迪電子商務有限公司 (Beijing Ganglian Maidi E-Commerce Co., Ltd.)	Holding subsidiary	Limited liability	Beijing	Zhu Junhong (朱軍紅)	Service industry	500,000	100%	100%	77258736-6
無錫鋼聯電子商務有限公司 (Wuxi Ganglian E-Commerce Co., Ltd.)	Holding subsidiary	Limited liability	Wuxi	Zhu Junhong (朱軍紅)	Service industry	2,000,000	100%	100%	66964758-6
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	Holding subsidiary	Limited liability	Shanghai	Zhu Junhong (朱軍紅)	Service industry	150,000,000	66.9%	66.9%	67117303-3
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	Holding subsidiary	Limited liability	Shanghai	Zhu Junhong (朱軍紅)	Service industry	2,000,000	51%	51%	68102279-X
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	Holding subsidiary	Limited liability	Shanghai	Zhu Junhong (朱軍紅)	Service industry	5,000,000	100%	100%	05938913-7

3. Joint venture and associates of the Company

Name of investee	Enterprise type	Registered address	Legal representative	Business nature	Registered capital	Shareholding ratio of the Company (%)	Voting ratio held by the Company in the investee (%)	Relation	Organization code
I. Joint venture									
II. Associate									
淄博隆眾信息技術有限公司	Limited liability company	Shandong Zibo	Pan Long (潘隆)	Service industry	4,000,000	25%	25%	–	67684998-7
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	Limited liability company	Shanghai	Yang Zhanqing (楊占清)	Service industry	4,000,000	49%	49%	–	05937503-4
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	Limited liability company	Shanghai	Song Hongbin (宋紅彬)	Service industry	10,000,000	40%	40%	–	06370012-7
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	Limited liability company	Shanghai	Shao Hua (邵華)	Service industry	5,000,000	48%	48%	–	06779458-9

4. The Company's other related parties

Name of other related parties	Relation with the Company	Organization code
上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	Controlled by the same ultimate controlling party	765599190
上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	Controlled by the same ultimate controlling party	765599211
上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	Controlled by the same ultimate controlling party	765599270
上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	Controlled by the same ultimate controlling party	765599246
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	Controlled by the same ultimate controlling party	67794589
上海復星高科技(集團)有限公司	Controlled by the same ultimate controlling party	132233084
上海復星創業投資管理有限公司	Controlled by the same ultimate controlling party	669411012
上海復星工業技術發展有限公司	Controlled by the same ultimate controlling party	753157205

Name of other related parties	Relation with the Company	Organization code
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and Steel Co., Ltd.*)	Materially affected by the ultimate controlling party	75236385-9
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	Controlled by the same ultimate controlling party	71408540-5
海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd*)	Controlled by the same ultimate controlling party	665111397
南京鋼鐵集團經銷有限公司 (Nanjing Iron and Steel Group Co., Ltd.*)	Controlled by the same ultimate controlling party	134878599
建龍鋼鐵控股有限公司 (Jian long steel Holding Co., Ltd.*)	Materially affected by the ultimate controlling party	757702362
江蘇南鋼鋼材現貨貿易有限公司 (Jiangsu Nangang steel spot trading Co., Ltd.*)	Controlled by the same ultimate controlling party	681148042
重慶潤江置業有限公司 (Chongqing Runjiang real estate Co., Ltd.*)	Controlled by the same ultimate controlling party	759287211
廣東二十一世紀廣告有限公司 (Guangdong twenty-first Century Advertising Co., Ltd.*)	Controlled by the same ultimate controlling party	73410380-X
安徽金安礦業有限公司 (Anhui JinAn Mining Company Limited*)	Controlled by the same ultimate controlling party	760845495
中州期貨有限公司 (Zhongzhou Futures Co., Ltd.*)	Controlled by the same ultimate controlling party	72481028-7

The description of other related parties of the Company

5. Related-party transactions

(1) Commodity purchased and service received

Unit: RMB

Related parties	Content of related-party transaction	The pricing method and decision making process of related-party transaction	Amount accrued in the period		Amount accrued in the last period	
			Amount	Percentage accounting for the amount of the same type of transaction (%)	Amount	Percentage accounting for the amount of the same type of transaction (%)
廣東二十一世紀廣告有限公司 (Guangdong twenty-first Century Advertising Co., Ltd.*)	Publicity costs	Market price	0.00	0%	150,000.00	5.98%

Commodity sold and service received

Unit: RMB

Related parties	Content of related-party transaction	The pricing method and decision making process of related-party transaction	Amount accrued in the period		Amount accrued in the last period	
			Amount	Percentage accounting for the amount of the same type of transaction (%)	Amount	Percentage accounting for the amount of the same type of transaction (%)
上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	Advertising and publicity service	Market price	217,612.43	0.12%		
上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	Advertising and publicity service	Market price	155,898.86	0.08%		
上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	Advertising and publicity service	Market price	140,749.41	0.08%		
上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	Advertising and publicity service	Market price	100,597.99	0.05%		
上海復星高科技(集團)有限公司	Technical services	Market price	20,990.57	0.01%		
上海復星創業投資管理有限公司	Technical services	Market price	18,867.92	0.01%		
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	Conference fee	Market price	18,867.92	0.01%		
安徽金安礦業有限公司 (Anhui JinAn Mining Company Limited*)	Information consulting income	Market price	11,435.88	0.01%		
上海復星工業技術發展有限公司	Consulting, etc.	Market price	640,383.65	0.34%	670,849.06	0.34%
黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and Steel Co., Ltd.*)	Conference issues, etc.	Market price	93,582.42	0.05%	145,886.81	0.07%
南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	Consulting, etc.	Market price	114,415.08	0.06%	129,262.53	0.07%
海南礦業股份有限公司 (Hainan Kuangye Limited by Share Ltd*)	Conference issues, etc.	Market price	13,712.04	0.01%	18,294.31	0.01%
南京鋼鐵集團經銷有限公司 (Nanjing Iron and Steel Group Co., Ltd.*)	Webpage link service, etc.	Market price		0%	16,666.67	0.01%
建龍鋼鐵控股有限公司 (Jian long steel Holding Co., Ltd.*)	Information service, etc.	Market price	11,916.67	0.01%	11,916.71	0.01%
江蘇南鋼鋼材現貨貿易有限公司 (Jiangsu Nangang steel spot trading Co. Ltd.*)	Information service, etc.	Market price	9,166.63	0%	11,791.60	0.01%
中州期貨有限公司 (Zhongzhou Futures Co., Ltd.*)	Conference issues, etc.	Market price	4,000.00	0%	72,377.36	0.04%
Other related parties		Market price	14,671.70	0.01%	37,537.18	0.02%

(2) Related trusteeship/contracting

Trusteeship/contracting of the Company

Unit: RMB

Name of entrusting/ contracting-out party	**Name of entrusted/ contracting party**	**Type of entrusted/ contracted asset**	**Starting date of trusteeship/ contracting**	**Termination date of trusteeship/ contracting**	**Pricing basis for trusteeship/ contracting revenue**	**Trusteeship/ contracting revenue recognized in the reporting period**
–	–	–	–	–	–	–

Entrustment/contracting-out issues of the Company

Unit: RMB

Name of entrusting/ contracting-out party	**Name of entrusted/ contracting party**	**Type of entrusted/ contracted-out asset**	**Starting date of entrustment/ contracting-out**	**Termination date of entrustment/ contracting-out**	**Pricing basis for entrustment/ contracting-out fee**	**Entrustment/ contracting-out fee recognized in the reporting period**
–	–	–	–	–	–	–

The description of related trusteeship/contracting

(3) Related leasing

Leasing of the Company

Unit: RMB

Name of leaser	**Name of lessee**	**Category of leased asset**	**Starting date of lease**	**Ending date of lease**	**Pricing basis for rental income**	**Rental income recognized in the reporting period**
–	–	–	–	–	–	–

Tenancy of the Company

Unit: RMB

Name of leaser	Name of lessee	Category of leased asset	Starting date of lease	Ending date of lease	Pricing basis for rental fee	Rental fee recognized in the reporting period
–	–	–	–	–	–	–

The description of related leasing

(4) *Related guarantee*

Unit: RMB

Guarantor	Secured party	Amount secured	Starting date of guarantee	Maturity date of guarantee	If guarantee is performed
Zhu Junhong (朱軍紅)	上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd.)	20,000,000.00	27 April 2013	10 April 2015	No
上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd.)	上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	50,908,800.00	16 November 2012	15 November 2015	No
上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd.)	上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	30,000,000.00	26 July 2013	28 April 2014	No

The description of related guarantee

(5) Lending to or borrowing from related parties

Unit: RMB

Related parties	Amount borrowed or lent	Starting date	Maturity date	Description
Loans from others	–	–	–	–
Loans to others	–	–	–	–

(6) Asset transfer and debt restructuring of related parties

Unit: RMB

				Amount accrued in the period		Amount accrued in the last period	
Related party	Type of related transaction	Content of related transaction	Pricing principle for related transaction	Amount	Percentage accounting for the amount of the same type of transaction (%)	Amount	Percentage accounting for the amount of the same type of transaction (%)
–	–	–	–	–	–	–	–

(7) Other related transaction

6. Receivables and payables of related party

Receivables of the listed company from related party

Unit: RMB

		At the end of the period		At the beginning of the period	
Name of item	Related party	Book balance	Bad-debt provision	Book balance	Bad-debt provision
Account receivable	重慶潤江置業有限公司 (Chongqing Runjiang real estate Co., Ltd.*)			3,000.00	
Account receivable	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	27,000.00			

Payables of the listed company to related party

Unit: RMB

Name of item	Related party	Amount at the end of the period	Amount at the beginning of the period
Prepayment	黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and steel Co., Ltd.*)	20,005,800.00	
Payment in advance	上海港瑞置業發展有限公司 (Shanghai Gangrui Property Development Co., Ltd.*)	73,907.19	
Payment in advance	上海滬鋼置業發展有限公司 (Shanghai Hugang Property Development Co., Ltd.*)	52,744.59	
Payment in advance	上海騰興置業發展有限公司 (Shanghai Teng Xing Home Development Co., Ltd.*)	44,630.00	
Payment in advance	上海木申置業發展有限公司 (Shanghai Mushen Real Estate Development Co., Ltd.*)	32,458.18	
Payment in advance	建龍鋼鐵控股有限公司 (Jian long steel Holding Co., Ltd.*)	11,916.63	10,833.30
Payment in advance	南京鋼鐵股份有限公司 (Nanjing Iron & Steel Co., Ltd.)	24,750.00	67,853.76
Payment in advance	黑龍江建龍鋼鐵有限公司 (Heilongjiang Jianlong iron and steel Co., Ltd.*)	99,287.37	37,075.50
Payment in advance	Other related parties	31,984.66	32,450.10

X. SHARE-BASED PAYMENT

1. Overview of share-based payment

Unit: RMB

The description of share-based payment

2. Equity-settled share-based payment

Unit: RMB

The description of equity settled share-based payment

3. Cash-settled share-based payment

Unit: RMB

The description of cash-settled share-based payment

4. Share-based payment service

Unit: RMB

5. Revision and termination of share-based payment

XI. CONTINGENCY

1. Contingent liability formed by pending litagation or arbitration and its financial influence

As at 31 December 2013, there is no major contingency required to be disclosed by the Group.

2. Contingent liability arising from provision of debt guarantee for other units and its financial influence

As at 31 December 2013, there is no major contingency required to be disclosed by the Group.

Other contingent liability and its financial influence

As at 31 December 2013, there is no major contingency required to be disclosed by the Group.

XII. COMMITMENT ISSUES

1. Major commitment issues

2. Commitment performance in the prior period

XIII. EVENTS AFTER THE BALANCE SHEET DATE

1. The description of important events after the balance sheet date

Unit: RMB

Item	Content	Effects on amounts relating to financial condition and management performance	Reason for failure to estimate the effects on amounts
Capital increase in 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	The Company together with four shareholders injected capitals to the holding subsidiary 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.) in February 2014. After the injection, the registered capital of 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.) was increased to RMB250 million, in which the Company contributed RMB150.35 million, representing 60.14% of registered capital, and the changes in industry and commercial registration were completed.		

Item	Content	Effects on amounts relating to financial condition and management performance	Reason for failure to estimate the effects on amounts
Established 上海鋼聯寶網路科技有限公司 (Shanghai Ganglianbao Network Technology Co., Ltd.*)	On 20 February 2014, the Company and 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), 上海興業投資發展有限公司, 西藏興業投資管理有限公司 and 亞東廣信科技發展有限公司 jointly contributed to establish 上海鋼聯寶網路科技有限公司, whose registered capital is RMB100 million. The Company contributed RMB60.8 million by monetary fund, representing 60.80% of its equity interest.		
Established 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd.*)	On 27 March 2014, the Company and 上海星商投資有限公司 (Shanghai Star Business Investment Co., Ltd.*), a subsidiary of 上海興業投資發展有限公司, which is a controlling shareholder of the Company, jointly contributed to establish 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd.*), whose registered capital is RMB100 million. The Company contributed RMB10 million by monetary fund, representing 10.00% of its equity interest, while 星商投資 contributed RMB90 million by monetary fund, representing 90% of its registered capital.		

Item	Content	Effects on amounts relating to financial condition and management performance	Reason for failure to estimate the effects on amounts
Bank borrowings	On 2 January 2014, the Company borrowed loans for current capital turnover amounted to RMB30 million from Changning Branch of Pudong Development Bank Corporation Limited (浦東發展銀行股份有限公司長寧支行), with a term of 1 year and Zhu Junhong (朱軍紅), a shareholder, to provide security.		
Bank borrowings	On 30 January 2014, the Company borrowed loans for current capital turnover amounted to RMB31 million from China CITIC Bank, with a term of 1 year.		
Bank borrowings	On 28 February 2014, the Company borrowed a fixed asset loan of RMB95 million from China Construction Bank, with a term of 5 years. The Company provided buildings and land with a book value of RMB186.57 million as security guarantee.		

2. Profit Distribution after the balance sheet date

Unit: RMB

Proposed distribution of profit or dividend	6,000,000.00
Profit or dividend declared to be distributed after consideration and approval	6,000,000.00

3. Description of other events after the balance sheet date

–

XIV. OTHER IMPORTANT MATTERS

1. Non-monetary asset exchange

–

2. Debt restructuring

–

3. Enterprise merger

–

4. Lease

–

5. Outstanding financial instrument in the end of the period that is convertible into shares

–

6. Asset and liability measured at fair value

Unit: RMB

Item	Amount at the beginning of the period	Gains and losses on changes in fair value in this period	Accumulative changes in fair value included in equity	Impairment provision in this period	Amount at the end of the period
Financial asset					
Total of the above items	0.00	0.00	0.00	0.00	0.00
Financial liability	0.00	0.00	0.00	0.00	0.00

7. Financial asset and liability in foreign currency

Unit: RMB

Item	Amount at the beginning of the period	Gains and losses on changes in fair value in this period	Accumulative changes in fair value included in equity	Impairment provision in this period	Amount at the end of the period
Financial asset					
Subtotal of financial asset	0.00	0.00	0.00	0.00	0.00
Financial liability	0.00	0.00	0.00	0.00	0.00

8. Major content of pension plan and its material change

–

9. Others

–

XV. NOTES TO MAJOR ITEMS IN THE FINANCIAL STATEMENT OF THE PARENT COMPANY

1. Account receivable

(1) Account receivable

Unit: RMB

Category	Amount at the end of the period				Amount at the beginning of the period			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Account receivable for bad-debt provision by combination								
Account age combination	1,882,320.00	100%	94,116.00	5%	1,073,984.68	100%	171,191.44	15.94%
Subtotal of combination	1,882,320.00	100%	94,116.00	5%	1,073,984.68	100%	171,191.44	15.94%
Total	1,882,320.00	–	94,116.00	–	1,073,984.68	–	171,191.44	–

Description of account receivable category

Account receivable with significant single-item amount in the end of the period and provided for bad-debt in single item

□ Applicable √ Not applicable

Account receivable in combination with bad-debt provision using the account age analysis method

√ Applicable □ Not applicable

Unit: RMB

Account age	Amount at the end of the period			Amount at the beginning of the period		
	Book balance		Bad-debt provision	Book balance		Bad-debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year						
Including:	–	–	–	–	–	–
Within 1 year	1,882,320.00	100%	94,116.00	812,890.89	75.69%	40,644.54
Subtotal within 1 year	1,882,320.00	100%	94,116.00	812,890.89	75.69%	40,644.54
1-2 year (s)				261,093.79	24.31%	130,546.90
Total	1,882,320.00	–	94,116.00	1,073,984.68	–	171,191.44

Account receivable in combination with bad-debt provision using percentage of balance method

☐ Applicable √ Not applicable

Account receivable in combination with bad-debt provision using other methods

☐ Applicable √ Not applicable

Account receivable not in significant single-item amount in the end of the period but provided for bad-debt in single item

☐ Applicable √ Not applicable

(2) Account receivable reversed or collected in the reporting period

Unit: RMB

Content of account receivables	Reason for reversion or collection	Basis for recognition of original bad-debt provision	Accumulative amount of bad-debt provision before reversion or collection	Amount reversed or collected
–	–	–	–	–

Bad-debt provision for account receivable in significant single-item amount in the end of the period or in no significant amount but subject to separate impairment test

Unit: RMB

Content of account receivables	Book balance	Bad-debt amount	Provision percentage *(%)*	Reason
–	–	–	–	–

Description of account receivable in not significant single-item amount but resulting in a higher risk combination after grouped with credit risk characteristics

(3) Account receivable actually written off in the reporting period

Unit: RMB

Unit name	Nature of account receivable	Write-off time	Amount written off	Reason for write-off	If generated by related transaction
上海玫櫟申物資貿易有限公司 (Shanghai Meilishen Materials Trading Co. , Ltd.*)		31 December 2013	3,000.00	Low possibility for collection	No
上海廈翔企業發展有限公司 (Shanghai Xiaxiang Enterprise Development Co. Ltd.*)		31 December 2013	120,000.00	Low possibility for collection	No
上海壹軒文化傳播有限公司 (Shanghai Yi Xuan Culture Communication Co., Ltd.*)		31 December 2013	60,593.79	Low possibility for collection	No
上海恩創金屬材料有限公司 (Shanghai Enchuang Metal Materials Co., Ltd.*)		31 December 2013	1,500.00	Low possibility for collection	No
日照邦榮貿易有限公司 (Rizhao Bangrong Trading Co., Ltd.*)		31 December 2013	5,000.00	Low possibility for collection	No
ABB（中國）有限公司 (ABB (China) Co., Ltd.*)		31 December 2013	10,000.00	Low possibility for collection	No
上海鋇錸鍀貿易有限公司 (Shanghai Beilaide Materials Trading Co., Ltd.*)		31 December 2013	3,000.00	Low possibility for collection	No
濟南新化建物資有限公司 (Ji'nan Xinhuajian Materials Co., Ltd.*)		31 December 2013	24,400.00	Low possibility for collection	No
成都彭州京華制管有限公司 (Chengdu Pengzhoujinhua Pipe Making Co., Ltd.*)		31 December 2013	480.00	Low possibility for collection	No
上海宇步企業發展有限公司 (Shanghai Yubu Enterprise Development Co., Ltd.*)		31 December 2013	47,500.00	Low possibility for collection	No
上海仁景實業有限公司 (Shanghai RenJing Industrial Co. Ltd.*)		31 December 2013	3,000.00	Low possibility for collection	No
上海京口貿易有限公司 (Shanghai Jingkou Trading Co. Ltd.*)		31 December 2013	5,000.00	Low possibility for collection	No
聯港金屬製品（福建）有限公 (Union Metal Products (Fujian) Co., Ltd.*)		31 December 2013	10,100.00	Low possibility for collection	No
上海亞博實業有限公司 (Shanghai Yabo Industrial Co. Ltd.*)		31 December 2013	3,000.00	Low possibility for collection	No
義烏市雲寶建材商行 (Yiwu City Yun Bao Building Materials Firm*)		31 December 2013	1,000.00	Low possibility for collection	No
上海鼎貞物資有限公司 (Shanghai Ding Zhen Materials Co., Ltd.*)		31 December 2013	1,500.00	Low possibility for collection	No
揚州市新郵特種鑄造金屬製品 (Yangzhou Xinyou Special Casting Metal Products*)		31 December 2013	10,000.00	Low possibility for collection	No
上海浦越物資貿易公司 (Shanghai Pu Yue Materials Trading Company*)		31 December 2013	5,000.00	Low possibility for collection	No
上海兄企實業有限公司 (Shanghai Brother Enterprises Industrial Co., Ltd.*)		31 December 2013	1,500.00	Low possibility for collection	No
Total			315,573.79		

The description of account receivable written-off

(4) *Shareholders that hold more than 5% (including 5%) of voting shares of the Company relating to account receivables in the reporting period*

Unit: RMB

	Amount at the end of the period		Amount at the beginning of the period	
Unit name	**Book balance**	**Amount of bad-debt provision**	**Book balance**	**Amount of bad-debt provision**
–	–	–	–	–

(5) *Nature or content of other account receivables in significant amount*

–

(6) *Top five units related to account receivable*

Unit: RMB

Unit name	**Relationship with the Company**	**Amount**	**Term**	**As a percentage of total account receivable (%)**
營口錦冠現代物流園股份有限公司 (Yingkou Jin Guan modern logistics park Limited by Share Ltd*)	Client	750,000.00	Within 1 year	41.94%
遷安市九江線材有限責任公司 (Qian'an Jiujiang Wire Rod Co., Ltd.*)	Client	500,000.00	Within 1 year	27.96%
浙江物產國際貿易有限公司 (Zhejiang International Trading Co., Ltd.*)	Client	80,000.00	Within 1 year	4.47%
南通雙逸科技創意產業園有限公司 (Nantong Shuang Yi Science and Technology Creative Industrial Park Co., Ltd.*)	Client	77,500.00	Within 1 year	4.33%
青島玖玖金屬材料有限公司 (Qingdao Jiujiu Metal Material Co. Ltd.*)	Client	43,000.00	Within 1 year	2.4%
Total		1,450,500.00		81.1%

(7) *Account receivables from related parties*

Unit: RMB

Unit name	**Relationship with the Company**	**Amount**	**As a percentage of the total account receivables** *(%)*
南京鋼鐵股份有限公司	Under the same control of the ultimate controller	27,000.00	1.51%
Total		27,000.00	1.51%

(8) Transfer amount of account receivable not compliant with the de-recognition condition is RMB.

(9) *If receivables are treated as target asset for asset securitization, it is necessary to describe relevant transaction arrangement*

–

2. Other receivables

(1) Other receivables

Unit: RMB

Category	Amount at the end of the period				Amount at the beginning of the period			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Other receivable with bad-debt provision by combination								
Combination of deposit and reserve	265,373.09	5.57%			235,967.25	5.33%		
Combination of related party	4,495,000.00	94.43%			4,190,000.00	94.67%		
Subtotal of combination	4,760,373.09	100%			4,425,967.25	100%		
Total	4,760,373.09	–	–		4,425,967.25	–	–	

The description of other category of account receivable

Other receivables in significant single amount in the end of the period and provided for bad debts in single item

□ Applicable √ Not applicable

Other receivables in the combination with provision for bad-debt made through account aging analysis method

□ Applicable √ Not applicable

Other receivables in the combination with provision for bad-debt made through percentage of balance method

□ Applicable √ Not applicable

Other receivables in the combination with provision for bad-debt made through other methods

□ Applicable √ Not applicable

Other receivables in the end of period with insignificant single-item amount but with provision for bad-debt in single item

□ Applicable √ Not applicable

(2) Other receivables reversed or recovered in the reporting period

Unit: RMB

Contents of other receivables	Reasons for reversion or recovery	Basis for recognition of the provision for original bad debt	Accumulative amount of bad debt provision before reversion or recovery	Amount reversed or recovered
–	–	–	–	–

Provision for bad-debt for other receivables in the end of period with significant single-item amount or insignificant but subject to separate impairment test

Unit: RMB

Contents of receivables	Book balance	Bad-debt amount	Provision percentage (%)	Reasons
–	–	–	–	–

Descriptions of other receivables with insignificant single-item amount but with high risks after combination in the light of credit risk characteristics

(3) *Other receivables actually written off in the reporting period*

Unit: RMB

Unit name	Nature of other receivables	Write-off time	Write-off amount	Reasons for write-off	If generated from connected transaction
–	–	–	–	–	–

Descriptions of write-off other receivables

(4) *Shareholders that hold more than 5% (5% inclusive) of voting shares of the Company relating to other receivables in the reporting period*

Unit: RMB

	Closing balance		Opening balance	
Unit name	Book balance	Amount of provision for bad-debt	Book balance	Amount of provision for bad-debt
–	–	–	–	–

(5) *Nature or contents of other receivables with more significant amount*

–

(6) *Top 5 units in terms of other receivables*

Unit: RMB

Unit name	Relationship with the Company	Amount	Years	Percentage accounting for total other receivables (%)
無錫鋼聯電子商務有限公司 (Wuxi Ganglian E-Commerce Co., Ltd.)	Subsidiary	4,495,000.00	2 years	94.43%
China United Network Communications Corporation Limited	N/A	150,000.00	2 years	3.15%
杭州康華實業有限公司 (Hangzhou Kanghua Industrial Co., Ltd.*)	N/A	31,000.00	1 year	0.65%
Deposit to 馮金歡 (Feng Jin Huan*) in Wuxi office	Employee	18,000.00	1 year	0.38%
Yingtan City Sports Center	N/A	8,000.00	2 years	0.17%
Total		4,702,000.00		98.78%

(7) *Other receivables from related parties*

Unit: RMB

Unit name	Relationship with the Company	Amount	Percentage accounting for total other receivables (%)
無錫鋼聯電子商務有限公司 (Wuxi Ganglian E-Commerce Co., Ltd.)	Subsidiary	4,495,000.00	94.43%
Total		4,495,000.00	94.43%

(8) The transferred amount of other receivables failing to satisfy conditions is RMB–.

(9) Assets with other receivables as targets undergoing asset securitization are required to illustrate relevant transaction arrangement in brief.

3. Long-term equity investment

Unit: RMB

Investee	Accounting method	Investing cost	Opening balance	Increase and decrease variation	Closing balance	Shareholding ratio in investee (%)	Voting ratio in investee (%)	Description of inconsistency between shareholding ratio and voting ratio in investee	Provision for impairment	Provision for impairment made in the period	Cash bonus in the period
北京鋼聯麥迪電子商務有限公司 (Beijing Ganglian Maidi E-Commerce Co., Ltd.)	Cost method	500,000.00	500,000.00		500,000.00	100%	100%				
無錫鋼聯電子商務有限公司 (Wuxi Ganglian E-Commerce Co., Ltd.)	Cost method	2,000,000.00	2,000,000.00		2,000,000.00	100%	100%				
上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.)	Cost method	89,091,500.00	89,091,500.00	12,154,000.00	101,245,500.00	66.9%	66.9%				
上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.)	Cost method	1,020,000.00	1,020,000.00		1,020,000.00	51%	51%				
上海鋼聯資訊科技有限公司 (Shanghai Ganglian Information Technology Co., Ltd*)	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100%	100%				
淄博隆眾信息技術有限公司	Equity method	10,000,000.00	9,743,914.27	–599,135.63	9,144,778.64	25%	25%				
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	Equity method	4,000,000.00		3,634,423.58	3,634,423.58	40%	40%				
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	Equity method	2,400,000.00		1,842,935.58	1,842,935.58	48%	48%				
山東鋼聯電子商務有限公司 (Shandong Ganglian Ecommerce Co., Ltd*)	Cost method	2,000,000.00		2,000,000.00	2,000,000.00	2.86%	2.86%				
杭州高達軟件系統股份有限公司 (Hangzhou Gaoda Software System Co., Ltd*)	Cost method	12,000,000.00		12,000,000.00	12,000,000.00	10%	10%				
Total	–	128,011,500.00	107,355,414.27	31,032,223.53	138,387,637.80	–	–	–			

Description of long-term equity investment

4. Operating income and operating cost

(1) Operating income

Unit: RMB

Item	Amount accrued in the period	Amount accrued in last period
Principal businesses income	152,576,690.47	179,814,934.92
Other businesses income	1,042,676.97	93,333.33
Total	153,619,367.44	179,908,268.25
Operating costs	35,345,171.02	47,644,851.51

(2) Principal businesses (by industry)

Unit: RMB

Name of industry	Amount accrued in the period		Amount accrued in last period	
	Operating income	Operating costs	Operating income	Operating costs
Information services	152,576,690.47	35,345,171.02	179,814,934.92	47,644,851.51
Total	152,576,690.47	35,345,171.02	179,814,934.92	47,644,851.51

(3) *Principal business (by product)*

Unit: RMB

	Amount accrued in the period		Amount accrued in last period	
Name of product	**Operating income**	**Operating costs**	**Operating income**	**Operating costs**
Information services	74,448,403.07	27,465,991.44	74,950,912.69	28,446,631.00
Web linking services	56,970,522.11	578,683.02	68,887,936.51	756,562.51
Conferencing trainings	7,930,785.53	7,065,027.62	23,811,698.11	18,114,364.52
Consulting income	10,090,535.69	235,468.94	9,181,811.89	327,293.48
Other services	3,136,444.07		2,982,575.72	
Total	152,576,690.47	35,345,171.02	179,814,934.92	47,644,851.51

(4) *Principal businesses (by district)*

Unit: RMB

	Amount accrued in the period		Amount accrued in last period	
Name of district	**Operating income**	**Operating costs**	**Operating income**	**Operating costs**
Onshore	152,576,690.47	35,345,171.02	179,814,934.92	47,644,851.51
Total	152,576,690.47	35,345,171.02	179,814,934.92	47,644,851.51

(5) *Operating income of the Company from top five customers*

Unit: RMB

Name of customer	Aggregate operating income	Percentage accounting for aggregate operating income of the Company *(%)*
連雲港興鑫鋼鐵有限公司 (Lianyungang Xing Xin Iron and Steel Co., Ltd.*)	1,218,382.23	0.79%
營口錦冠現代物流園股份有限公司 (Yingkou Jin Guan Modern Logistics Park Limited by Share Ltd*)	1,179,245.29	0.77%
河南亞新鋼鐵集團有限公司 (Henan Yaxin Iron and Steel Group Co., Ltd.*)	999,827.07	0.65%
徐州東南鋼鐵工業有限公司 (Xuzhou Southeast Iron and Steel Industry Co., Ltd.*)	995,206.01	0.65%
江蘇省鑌鑫特鋼材料有限公司 (Jiangsu Province Bin Xin Steel Materials Co. Ltd.*)	979,510.88	0.64%
Total	5,372,171.48	3.5%

Description of operating income

5. **Revenue from investment**

(1) *Breakdowns of revenue from investment*

Unit: RMB

Item	Amount accrued in the period	Amount accrued in last period
Revenue from long-term equity investment calculated by equity method	–1,521,776.47	–256,085.73
Total	–1,521,776.47	–256,085.73

(2) *Revenue from long-term equity investment calculated by cost method*

Unit: RMB

Investee	**Amount accrued in the period**	**Amount accrued in last period**	**Reason for increase and decrease variation of this period in comparison with last period**
–	–	–	–

(3) *Revenue from long-term equity investment calculated by equity method*

Unit: RMB

Investee	**Amount accrued in the period**	**Amount accrued in last period**	**Reason for increase and decrease variation of this period in comparison with last period**
淄博隆眾信息技術有限公司	–599,135.63	–256,085.73	
上海領建網路有限公司 (Shanghai Linjian Network Co., Ltd*))	–365,576.42		Additional investment in this year
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	–557,064.42		Additional investment in this year
Total	–1,521,776.47	–256,085.73	–

Description of revenue from investment

6. Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount in the period	Amount in last period
1. Adjusting net profit as cash flow from operating activities:	–	–
Net profit	14,859,678.99	29,660,029.05
Add: Provision for asset impairment	238,498.35	205,636.37
Depreciation of fixed assets, consumption of oil and gas assets and depreciation of productive biological assets	10,268,361.74	6,601,240.29
Amortization of intangible assets	512,940.00	512,940.00
Amortization of long-term prepaid expenses	671,372.21	730,672.68
Loss from disposal of fixed assets, intangible assets and other long-term assets ("- " denotes gains)	14,367.02	1,133.18
Finance expenses ("- " denotes gains)	2,770,216.67	2,466,542.47
Investment loss ("- " denotes gains)	1,521,776.47	256,085.73
Decrease in deferred income tax assets ("- " denotes gains)	11,561.32	–3,615.96
Decrease in operating receivables ("- " denotes gains)	10,167,696.16	4,563,543.76
Increase in operating receivables ("- "denotes reduction)	6,527,624.18	–12,827,870.56
Net cash flow generated from operating activities	47,564,093.11	32,166,337.01
2. Major investing and financing activities not involving cash settlements:	–	–
3. Net change in cash and cash equivalents:	–	–
Closing balance of cash	176,142,372.01	149,742,076.76
Less: Opening balance of cash	149,742,076.76	220,459,345.29
Net increase in cash and cash equivalents	26,400,295.25	–70,717,268.53

7. Assets and liabilities entered into account at evaluation value under the condition of counter purchase

Assets and liabilities entered into account at fair value under the condition of counter purchase

Unit: RMB

Item	Fair value	Fair value recognition method	Fair value calculation process	Original book value
–	–	–	–	–

Long-term equity investment formed by counter purchase

Unit: RMB

Item	Amount of long-term equity investment formed by counter purchase	Long-term equity investment calculation process
–	–	–

XVI. SUPPLEMENTARY INFORMATION

1. Table of the breakdowns of non-recurring profit and loss in current period

Unit: RMB

Item	Amount	Description
Profit and loss from disposal of non-current assets (including the write-off part for which asset impairment has been provided)	–14,367.02	
Government grants accounted for in profit or loss for the current period (except for the government grants closely related to the operation of the enterprise and granted in fixed amount or quantity in accordance with national unified standards)	8,992,317.20	
Other non-operating income and expense other than the above items	172,635.07	
Less: Effect on income tax	1,408,986.71	
Effect on interests of minority shareholders (after tax)	90,335.48	
Total	7,651,263.06	–

As government grants included in current profit and loss are recurring profit and loss item, it is required to specify each reason for disclosure recognition.

□ Applicable √ Not applicable

2. Differences in accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports simultaneously under international accounting standards and the accounting standards in the PRC

Unit: RMB

	Net profit attributable to shareholders of the listed company		Net assets attributable to shareholders of the listed company	
	Amount of this period	Amount of last period	Closing balance	Opening balance
Under accounting standards in the PRC	21,590,786.44	35,261,136.74	379,234,065.29	361,717,093.35

Items and amount adjusted under international accounting standards

(2) Differences of net profit and net assets disclosed in financial reports simultaneously under overseas accounting standards and the accounting standards in the PRC

Unit: RMB

	Net profit attributable to shareholders of the listed company		Net assets attributable to shareholders of the listed company	
	Amount of this period	Amount of last period	Closing balance	Opening balance
Under accounting standards in the PRC	21,590,786.44	35,261,136.74	379,234,065.29	361,717,093.35

Items and amount adjusted under overseas accounting standards

(3) *Reasons for differences in accounting data under domestic and overseas accounting standards*

–

3. Returns on net assets and earnings per share

Unit: RMB

Profits in the reporting period	Weighted average returns on net assets *(%)*	Earnings per share Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	5.83%	0.18	0.18
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	3.77%	0.12	0.12

4. Descriptions of the abnormality and reasons relating to major accounting statement items of the Company

(1) The year-end balance of other receivables was RMB662,343.05, representing a decrease of 44.42% as compared with the amount at the beginning of year. The major reason was that 上海博揚廣告有限公司 (Shanghai B&Y Brand Architects Co., Ltd.), a subsidiary, received the proceeds from 上海舜業鋼鐵集團有限公司 in the period.

(2) The year-end balance of advanced payment was RMB24,686,131.05, representing an increase of 39.74% as compared with the amount at the beginning of year. The major reason was that 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, increased the advanced payment for steel purchase.

(3) The year-end balance of inventories was RMB78,781,614.74, representing an increase of 38.39% as compared with the amount at the beginning of year. The major reason was that 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, increased the inventories for steel trading.

(4) The year-end balance of long-term equity investment was RMB30,582,853.95, representing an increase of 161.30% as compared with the amount at the beginning of year. The major reason was that there has been two additional associated enterprises calculated by equity method and two additional other enterprises calculated by cost method.

(5) The year-end balance of net fixed assets was RMB232,365,058.45, representing an increase of 383.80% as compared with the amount at the beginning of year; the year-end balance of the construction in progress was nil, representing a decrease of 100.00% as compared with the amount at the beginning of year. The major reason was that the phase 1 of the engineering project under the Company's bulk commodity e-commerce project in Shanghai has reached the status available for intended use. The turnover of the construction in progress of the period will be included fixed asset.

(6) The year-end balance of the long-term prepaid expenses was RMB913,478.70, representing a decrease of 51.70% as compared with the amount at the beginning of year, which was due to the normal amortization.

(7) The year-end balance of short-term borrowings was RMB126,900,000.00, representing an increase of 323.00% as compared with the amount at the beginning of year. The major reason was that the Company and 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, both increased the bank borrowings in the year.

(8) The year-end balance of account prepayment was RMB114,665,486.54, representing an increase of 45.08% as compared with the amount at the beginning of year. The major reason was that 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, increased the unsettled prepayment.

(9) The year-end balance of other payables was RMB87,508,090.04, representing an increase of 85.64% as compared with the amount at the beginning of year. The major reason was that the Company increased the provisional estimated amount of the construction in progress. 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, increased the guaranteed deposit for goods.

(10) The year-end balance of other non-current liability was RMB20,349,395.73, representing an increase of 43.50% as compared with the amount at the beginning of year. The major reason was that the Company has received the government grants, which resulted in an increase in deferred revenue.

(11) The amounts accrued of operating income and operating costs for the year were RMB1,553,053,134.81 and RMB1,396,635,259.42, respectively, representing increases of 62.73% and 76.35% as compared with the amount at the beginning of year. The major reason was that 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, increased the income from trading service.

(12) The amount accrued of business taxation and supplementary tax for the year was RMB3,478,580.91, representing a decrease of 46.03% as compared with the amount at the beginning of year. The major reason was that the policy of "transformation from business tax to value-added tax" has caused a decrease in taxable income of business tax for the period.

(13) The amount accrued of the finance expense for the year was RMB2,969,873.34, representing an increase of 508.71% as compared with the amount at the beginning of year. The major reason was that the Company and 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.), a subsidiary, both increased the interest expenses during the period.

(14) The amount accrued of the revenue from investment for the year was RMB-1,521,060.32, representing an increase of loss of 493.97% as compared with the amount at the beginning of year. The major reason was that 淄博隆眾信息技術有限公司, an associated enterprise, and 上海領建網路有限公司 (Shanghai Linjian Network Co., Ltd*) and 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*), two additional associated enterprises calculated by equity method, both recorded operating losses.

D. QUARTERLY REPORT OF SHANGHAI GANGLIAN FOR THE THREE MONTHS ENDED 31 MARCH 2016

Section 1 IMPORTANT NOTICE

The board of the directors, supervisory committee and its directors, supervisors and senior management of the Company warrant that this report does not contain any false information, misleading statements or material omissions, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of its contents.

All directors attended the Board meeting for approving this quarterly report.

Mr. Zhu Junhong (朱軍紅), person-in-charge of the Company, Mr. Yu Dahai (俞大海), person in charge of the accounting matters and Mr. Cheng Chao (成超), person in charge of the financial department (head of accounting), hereby confirm the truthfulness and completeness of the financial report contained in this quarterly report.

Section 2: BASIC INFORMATION ON THE COMPANY

I. Principal Accounting Data and Financial Indicators

Retrospective adjustment to or restatement of the accounting data for prior years by the Company due to change of accounting policies and correction of accounting errors

☐ Yes √ No

	This reporting period	Corresponding period of the prior year	Increase/decrease of this reporting period compared to the corresponding period of the prior year
Total operating income (RMB)	5,972,318,855.33	3,298,697,007.51	81.05%
Net profit attributable to shareholders of the listed company (RMB)	4,031,405.37	-12,984,504.92	131.05%
Net profit attributable to shareholders of the listed company after deduction of non-recurring profit and loss (RMB)	2,098,321.25	-15,892,155.35	113.20%
Net cash flow from operating activities (RMB)	-47,253,981.42	-224,678,938.73	78.97%
Basic earnings per share (RMB/share)	0.0258	-0.0832	131.01%
Diluted earnings per share (RMB/share)	0.0258	-0.0832	131.01%
Weighted average yield on net assets	2.33%	-2.97%	5.30%

	At the end of this reporting period	At the end of the prior year	Increase/decrease at the end of this reporting period compared to the end of the prior year
Total assets (RMB)	3,444,331,374.93	1,870,875,376.59	84.10%
Net assets attributable to shareholders of the listed company (RMB)	362,649,943.42	77,231,295.12	369.56%

Items and amounts of non-recurring gains or losses

√ Applicable □ Not applicable

Unit: RMB

Item	**Amounts for the period from the beginning of the year to the end of the reporting period**	**Description**
Government grants accounted for in profit or loss for the current period (except for the government grants closely related to the operation of the enterprise and granted in fixed amount or quantity in accordance with national unified standards)	2,499,546.59	
Other non-operating income and expense other than the above items	6,488.27	
Less: Effect of income tax	568,291.78	
Effect on interests of minority shareholders (after tax)	4,658.96	
Total	1,933,084.12	–

The reasons for the Company to define items as non-recurring gain or loss items as defined in the Explanatory Announcement on Information Disclosure for Companies Offering Securities to the Public No.1 – Non-recurring Gains or Losses and the items defined as recurring gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Securities to the Public No.1 - Non-recurring Gains or Losses should be stated

□ Applicable √ Not applicable

No non-recurring gain or loss items as defined or illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Securities to the Public No.1 – Non-recurring Gains or Losses were defined by the Company as its recurring gain or loss items during the reporting period.

II. Major Risk Notice

1. *Industry Environment Risk*

The Company is engaged in the provision of information services and e-commerce services for bulk commodity industry such as ferrous metal, non-ferrous metals, energy and chemical and agricultural products. Once the entire industry enters into a periodic development of recession or even regression in stages, the business expansion of the Company will be impacted in a certain extent, and the profitability and development pace of the Company would be impacted for a period of time.

Meanwhile, however, a strategic opportunity of e-commerce platform development appears when the bulk commodity circulation industry is in the progress of transformation and upgrading. The Company is actively establishing a bulk commodity e-commerce ecosystem to seize the market share of online transaction of bulk commodity and create long-term market competitiveness.

2. *Market Competition Risk*

In recent years, the steel e-commerce industry has been developing rapidly. Many enterprises in the steel industrial chain, including the steel mills, steel trading companies, logistics and warehousing enterprises and internet companies, etc., have invested many resources for the development of steel e-commerce business, and the market competition is therefore becoming more vigorous. Since the e-commerce industry features high concentration (the leading enterprises have occupied the majority of the market share), if the Company is not able to keep innovating and maintain its competitive advantages, the increasing market competition will bring adverse impact to the future development of the Company.

The Company has been actively exploring various business models during operation so as to strengthen the team's establishment and enhance the management capability, as well as to raise the level of technology and services of the Gangyin Platform.

3. *Innovative Model Risk*

During the reporting period, the Company continued to establish the Gangyin Steel Spot Online Trading Platform (hereinafter referred to as "Gangyin Platform") through its holding subsidiary Shanghai Gangyin E-Commerce Co., Ltd. (上海鋼銀電子商務股份有限公司) (hereinafter referred to as "Gangyin E-Commerce"). Since such project is an innovative project for the bulk commodity e-commerce platform, there is currently no mature model for reference. While the Company has set out business operation flows, transaction regulations and risk management systems, the Company may suffer from economical or reputational losses resulting from factors such as imperfect workflow system, inappropriate transaction monitoring and default by the staff.

The Company will continue to improve the risk control and management system of Gangyin E-Commerce and strengthen the internal management of relevant businesses, as well as to implement comprehensive dynamic risk management to each operating section in the entire process.

4. Management Risk

In recent years, the scales of asset, personnel and business of the Company have expanded rapidly. Its original team and management model have to be adjusted or changed in response to the need of the rapid development of the Company.

The Company is actively coping with the changes by ways of improving its organization structure and training the internal teams. Meanwhile, the Company is putting efforts on adjusting the internal management process, clarifying the responsibilities of the key positions as well as improving the examination mechanism related to appraisal to enhance the management efficiency. Moreover, the Company has implemented comprehensive risk prevention and control management by regulating the governance structure so as to ensure a continuous and sound development for the Company.

III. TOTAL NUMBER OF SHAREHOLDERS AND THE SHAREHOLDING OF TOP TEN SHAREHOLDERS AT THE END OF THE REPORTING PERIOD

1. Table representing number of ordinary shareholders and preference shareholders with voting rights restored and the shareholding of top ten shareholders

Unit: Share

Total number of ordinary shareholders at the end of the reporting period			**18,570**	**Total number of reference shareholders with voting rights restored at the end of the reporting period (if any)**		**0**
Shareholding of top ten shareholders						
Name of shareholders	**Nature of shareholders**	**Shareholding percentage**	**Number of shares held**	**Number of shares with selling restrictions**	**Shares pledged or frozen Status of share**	**Number**
Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司)	Domestic non-state-owned legal person	24.69%	38,512,500	0		
Zhu Junhong (朱軍紅)	Domestic natural person	4.75%	7,406,025	5,554,519		
杭州睿星投資管理有限公司－睿星財富2號證券投資基金	Others	1.79%	2,800,000			
Agricultural Bank of China Limited – 交銀施羅德先鋒混合型證券投資基金	Others	1.75%	2,728,368			
杭州睿星投資管理有限公司－睿星財富3號證券投資基金	Others	1.67%	2,600,000			
Mao Jie (毛杰)	Domestic natural person	1.41%	2,193,750	1,645,312	Frozen	1,500,000
Zheng Baojian (鄭保健)	Domestic natural person	1.27%	1,976,925			
Industrial and Commercial Bank of China – 浦銀安盛價值成長混合型證券投資基金	Others	1.18%	1,839,250			
Jiang Zheng (蔣崢)	Domestic natural person	1.16%	1,807,780			
Industrial and Commercial Bank of China Limited – 富國天惠精選成長混合型證券投資基金(LOF)	Others	1.15%	1,801,119			

Shareholding of top ten shareholders not subject to trading moratorium

Name of shareholders	Number of shares held without selling restrictions	Type of shares: Type of shares	Type of shares: Number
Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司)	38,512,000	Ordinary shares denominated in RMB	38,512,000
杭州睿星投資管理有限公司 – 睿星財富2號證券投資基金	2,800,000	Ordinary shares denominated in RMB	2,800,000
Agricultural Bank of China Limited – 交銀施羅德先鋒混合型證券投資基金	2,728,368	Ordinary shares denominated in RMB	2,728,368
杭州睿星投資管理有限公司 – 睿星財富3號證券投資基金	2,600,000	Ordinary shares denominated in RMB	2,600,000
Zheng Baojian (鄭保健)	1,976,925	Ordinary shares denominated in RMB	1,976,925
Zhu Junhong (朱軍紅)	1,851,506	Ordinary shares denominated in RMB	1,851,506
Industrial and Commercial Bank of China – 浦銀安盛價值成長混合型證券投資基金	1,839,250	Ordinary shares denominated in RMB	1,839,250
Jiang Zheng (蔣崢)	1,807,780	Ordinary shares denominated in RMB	1,807,780
Industrial and Commercial Bank of China Limited – 富國天惠精選成長混合型證券投資基金 (LOF)	1,801,119	Ordinary shares denominated in RMB	1,801,119
Chen Xi (陳希)	1,734,300	Ordinary shares denominated in RMB	1,734,300
Explanations on affiliated relationship among or parties acting in concert with the abovementioned shareholders	Among the top ten shareholders of the Company, 杭州睿星投資管理有限公司 – 睿星財富2號證券投資基金, 杭州睿星投資管理有限公司 – 睿星財富3號證券投資基金 are affiliated to杭州睿星投資管理有限公司, the Company is not aware whether the abovementioned other shareholders are in affiliated relationship, or they are parties acting in concert.		

Shareholding of top ten shareholders not subject to trading moratorium			
	Number of shares held without selling restrictions	Type of shares	
Name of shareholders		**Type of shares**	**Number**
Explanations on shareholders participated in securities margin trading (if any)	1. Apart from holding 0 share through ordinary security account, the shareholder of the Company, 杭州睿星投資管理有限公司－睿星財富2號證券投資基金, also holds 2,800,000 shares through Client Credit Trading Guarantee Security Account of China Merchants Securities Co. Ltd, with an aggregate of 2,800,000 shares held in effect; 2. Apart from holding 0 share through ordinary security account, the shareholder of the Company, 杭州睿星投資管理有限公司－睿星財富3號證券投資基金, also holds 2,600,000 shares through Client Credit Trading Guarantee Security Account of CITIC Securities Company Limited, with an aggregate of 2,600,000 shares held in effect; 3. Apart from holding 0 share through ordinary security account, the shareholder of the Company, Zheng Baojian (鄭保健), also holds 1,976,925 shares through Client Credit Trading Guarantee Security Account of CITIC Securities Company Limited, with an aggregate of 1,976,925 shares held in effect. 4. Apart from holding 0 share through ordinary security account, the shareholder of the Company, Jiang Zheng (蔣崢), also holds 1,807,780 shares through Client Credit Trading Guarantee Security Account of Caitong Securities Co., Ltd., with an aggregate of 1,807,780 shares held in effect. 5. Apart from holding 0 share through ordinary security account, the shareholder of the Company, Chen Xi (陳希), also holds 1,734,300 shares through Client Credit Trading Guarantee Security Account of China Merchants Securities Co. Ltd, with an aggregate of1,734,300 shares held in effect.		

Whether the top ten ordinary shareholders of the Company and its top ten ordinary shareholders without selling restrictions conduct agreed repurchase transaction in the report period

□ Yes √ No

The top ten ordinary shareholders of the Company and its top ten ordinary shareholders without selling restrictions did not conduct any agreed repurchase transaction in the report period.

2. Table representing the total number of preference shareholders of the Company and the shareholding of its top ten preference shareholders

□ Applicable √ Not applicable

3. Changes on shares with selling restrictions

√ Applicable □ Not applicable

Unit: Share

Name of shareholders	Number of shares with selling restrictions in the beginning of the period	Number of shares with selling restrictions released in the period	Number of shares with selling restrictions increased in the period	Number of shares with selling restrictions at the end of the period	Reason for implementing selling restrictions	Proposed date of release of selling restrictions
Zhu Junhong (朱軍紅)	7,372,650	1,818,131	0	5,554,519	Lock-up by senior management	According to the lock-up requirements of the senior management
Mao Jie (毛杰)	1,645,312	0	0	1,645,312	Lock-up by senior management	According to the lock-up requirements of the senior management
Zhu Yutong (朱宇彤)	658,125	0	0	658,125	Lock-up by senior management (resigned on 26 October 2015)	28 April 2016
Chen Weibin (陳衛斌)	438,750	93,750	0	345,000	Lock-up by senior management	According to the lock-up requirements of the senior management
Chen Jie (陳杰)	412,500	28,125	0	384,375	Lock-up by senior management	According to the lock-up requirements of the senior management
Xia Xiaokun (夏曉坤)	160,500	0	0	160,500	Lock-up by senior management	According to the lock-up requirements of the senior management
Gao Bo (高波)	14,325	0	0	14,325	Lock-up by senior management	According to the lock-up requirements of the senior management
Xu Yuling (徐玉玲)	43,875	0	0	43,875	Lock-up by senior management (senior management equivalence)	According to the lock-up requirements of the senior management

Name of shareholders	Number of shares with selling restrictions in the beginning of the period	Number of shares with selling restrictions released in the period	Number of shares with selling restrictions increased in the period	Number of shares with selling restrictions at the end of the period	Reason for implementing selling restrictions	Proposed date of release of selling restrictions
Hao Mengmeng (郝萌萌)	43,875	10,969	0	32,906	Lock-up by senior management (senior management equivalence)	According to the lock-up requirements of the senior management
Li Lingyun (李淩雲)	24,679	0	1	24,680	Lock-up by senior management (senior management equivalence)	According to the lock-up requirements of the senior management
Total	10,814,591	1,950,975	1	8,863,617	–	–

Section 3 Management Discussion and Analysis

I. Details of and reasons for the substantial changes in major items of financial statements and financial indicators during the reporting period

√ Applicable □ Not applicable

1. *Monetary funds*

The monetary funds amounted to RMB912,791,683.53 at the end of the period, representing an increase of 160.5% as compared to that in the beginning of the year, which was mainly due to the increase of capital and shares of Gangyin E-Commerce, the holding subsidiary, during this reporting period.

2. *Bills receivable*

The bills receivable amounted to RMB76,716,344.25 at the end of the period, representing an increase of 487.33% as compared to that in the beginning of the year. This was mainly due to the scale expansion of steel trading services business of Gangyin E-Commerce, the holding subsidiary, and the acceptance bills obtained from some customers by the Company.

3. *Payment in advance*

The payment in advance amounted to RMB1,622,098,862.11 at the end of the period, representing an increase of 97.49% as compared to that in the beginning of the year. This was mainly due to the scale expansion of steel trading services business of Gangyin E-Commerce, the holding subsidiary, and the increase of loans advanced to the suppliers (mainly the consignment sales stores) by the Company.

4. *Other receivables*

The other receivables amounted to RMB4,522,352.44 at the end of the period, representing an increase of 91.82% as compared to that in the beginning of the year. This was mainly due to the increase of rental fee and reserve receivables from the related parties of the Company.

5. *Inventories*

The inventories amounted to RMB364,263,259.93 at the end of the period, representing an increase of 46.86% as compared to that in the beginning of the year. This was mainly due to the scale expansion of steel trading services business of Gangyin E-Commerce, the holding subsidiary, and the corresponding increase of inventories for entrusted purchasing services business.

6. *Other current assets*

The other current assets amounted to RMB69,060,204.48 at the end of the period, representing an increase of 34.49% as compared to that in the beginning of the year. This was mainly due to the increase of credit of deductible tax of Gangyin E-Commerce, the holding subsidiary.

7. *Long-term deferred expenses*

The long-term deferred expenses amounted to RMB1,872,036.76 at the end of the period, representing an increase of 34.1% as compared to that in the beginning of the year. This was mainly due to the increase of renovation expenses of the Company.

8. *Bills payable*

The bills payable amounted to RMB148,131,798.71 at the end of the period, representing an increase of 48.04% as compared to that in the beginning of the year. This was mainly due to the scale expansion of steel trading services business of Gangyin E-Commerce, the holding subsidiary, and the increase of the purchase amounts of steel paid to the suppliers by the Company by the bank acceptance bills.

9. Accounts payable

The accounts payable was nil at the end of the reporting period. This was because Gangyin E-Commerce, the holding subsidiary, has paid the amounts of steel to the suppliers during this reporting period.

10. Advance receipts

The advance receipts amounted to RMB1,391,563,546.32 at the end of the period, representing an increase of 171.22% as compared to that in the beginning of the year. This was mainly due to the scale expansion of steel trading services business of Gangyin E-Commerce, the holding subsidiary, and the increase of advance receivables from the customers.

11. Tax payables

The tax payables amounted to RMB4,306,542.84 at the end of the reporting period, representing an increase of 53.34% as compared to that in the beginning of the year. This was mainly due to the increase of taxable profit resulting in the increase of income tax expenses.

12. Capital reserves

The capital reserves amounted to RMB330,185,748.76 at the end of the reporting period, representing an increase of 576.63% as compared to that in the beginning of the year, which was mainly due to the increase of capital and shares of Gangyin E-Commerce, the holding subsidiary, during this reporting period resulting in the premium over the increased capital.

(II) Substantial Changes in Operating Results

1. Operating revenue and operating costs

During the reporting period, the operating revenue of the Company amounted to RMB5,972,318,855.33, representing an increase of 81.05% as compared to that in the corresponding period of prior year. The operating costs amounted to RMB5,913,872,753.44, representing an increase of 81.1% as compared to that in the corresponding period of prior year. These were mainly due to the continuous scale expansion of steel trading services business of Gangyin E-Commerce, the holding subsidiary, during the reporting period.

2. Business taxes and surcharges

During the reporting period, the business taxes and surcharges of the Company amounted to RMB213,244.46, representing a decrease of 42.1% as compared to that in the corresponding period of prior year. This was mainly due to the decrease of relevant tax expenses after the change from business tax to value-added tax.

3. *Selling expenses and administration expense*

During the reporting period, the selling expenses of the Company amounted to RMB31,125,505.95, representing a decrease of 24.9% as compared to that in the corresponding period of prior year. The administration expense of the Company amounted to RMB25,979,894.3, representing an increase of 12.92% as compared to that in the corresponding period of prior year. These were mainly due to the Company's strict control of each selling expense and the decrease of cost and efficiency enhancement during the reporting period. Moreover, the increase of investment into the technology research and development of the Company resulted in an increase of administration expense.

4. *Finance expense*

During the reporting period, the finance expense of the Company amounted to RMB643,693.26, representing a decrease of 85.4% as compared to that in the corresponding period of prior year. This was mainly due to the decrease of bank borrowings of the Company during this reporting period.

5. *Asset impairment loss*

During the reporting period, the asset impairment loss of the Company amounted to RMB-7,973,273.58, while the amount of that in the corresponding period of prior year was nil. During the reporting period Gangyin E-Commerce, the holding subsidiary, has reversed part of the inventories impairment provided in the end of 2015.

6. *Changes in fair value and investment income*

During the reporting period, the changes in fair value were RMB-960,000, while the changes in fair value in the corresponding period of prior year were nil. This was mainly due to the changes in fair value of Shanghai Resource Property Consulting Co., Ltd, a listed company on NEEQ invested by the Company. The investment loss amounted to RMB2,426,487.63, which was mainly due to the operating loss arising from some of the associates of the Company.

7. *Non-operating expenses*

During the reporting period, the non-operating expenses amounted to RMB120,000, which was mainly due to the increase of quality dissent expenses of Gangyin E-Commerce, the holding subsidiary.

8. *Income tax expenses*

During the reporting period, the income tax expenses amounted to RMB1,897,785.63, representing an increase of 946.13% as compared to that in the corresponding period of prior year. This was mainly due to the increase of taxable income during the reporting period resulting in increase of income tax expenses.

9. *Net profit attributable to owners of the parent company*

During the reporting period, the net profit attributable to owners of the parent company amounted to RMB4,031,405.37, representing an increase of 131.05% as compared to that in the corresponding period of prior year. This was mainly due to the year-on-year increase of the income of value-added services of Gangyin E-Commerce, the Company's holding subsidiary, and the income of the information services business of the Company during this reporting period. Meanwhile, each expense of the Company has been effectively controlled.

(III) Substantial Changes in Cash Flows

1. *Net cash flows from operating activities*

During the reporting period, the net cash flows from operating activities amounted to RMB-47,253,981.42, representing an increase of RMB177,424,957.31 as compared to that in the corresponding period of prior year. This was mainly because the basic reserve amount was relatively large as a result of Gangyin E-Commerce, the subsidiary, establishing a certain amount of basic reserves in various major sales areas in PRC in order to ensure the continuity of sales on the platforms and enhance the level of trading services rapidly and increase the loyalty of the online customers in the corresponding period of prior year. During this reporting period, the number of inventories of Gangyin E-Commerce, the holding subsidiary, decreased significantly as compared to that in the corresponding period of prior year.

2. *Net cash flows from investing activities*

The net cash flows from investing activities amounted to RMB-21,490,792.38, which was mainly due to the further investment of RMB16 million by Gangyin E-Commerce, the holding subsidiary, into 上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*), the additional investment of RMB2 million into 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) and the addition of fixed assets.

3. *Net cash flows from financing activities*

The net cash flows from financing activities amounted to RMB657,166,454.64, which was mainly due to the increase of capital and shares of Gangyin E-Commerce, the holding subsidiary, during this reporting period. The additional investment from the shareholders amounted to RMB646,695,010.50.

II. Business Review and Prospect

The specific reasons resulting in changes in business income during the reporting period

During the reporting period, Gangyin E-Commerce, the holding subsidiary, recorded operating revenue of RMB5,934,717,943.3, representing a significant increase of 81.97% as compared to that in the corresponding period of prior year, the its main reasons were: during this reporting period, the trading volume of the Gangyin E-Commerce platform recorded an extraordinary growth with the consignment sales volume of 3,594,200 tons, which has increased 2,259,800 tons as compared to that in the corresponding period of prior year. Moreover, having been operating for many years, Gangyin E-Commerce's entrusted purchase and entrusted sale services business models have become more mature. The scales of entrusted purchase of steel and entrusted sale services business were stably expanded on the premise of controllable operating risks.

Substantial signed contract and update

□ Applicable √ Not applicable

Dispersed amount of orders

□ Applicable √ Not applicable

Substantial changes or adjustment in products or services of the Company during the reporting period

□ Applicable √ Not applicable

Progress and impact of the important research and development projects

□ Applicable √ Not applicable

Impacts on substantial changes in intangible assets, core competitiveness, core technical teams or key technicians (non-director, supervisors, senior management) of the Company and their corresponding solutions during the reporting period

□ Applicable √ Not applicable

Changes and impacts on top 5 suppliers of the Company during the reporting period

√ Applicable □ Not applicable

The top 5 suppliers of the Company are the suppliers of Gangyin Platform of Gangyin E-Commerce, the holding subsidiary. Gangyin Platform is a third party steel e-commerce platform. Changes in top 5 suppliers were caused by normal business reasons and would not have significant impact on the Company.

Changes and impacts on top 5 customers of the Company during the reporting period

√ Applicable □ Not applicable

The top 5 customers of the Company are the customers of Gangyin E-Commerce, the holding subsidiary. The customer resources of the Company are extensive. Changes in top 5 customers were caused by normal business reasons and would not have significant impact on the Company.

The execution of annual operating plan during the reporting period

√ Applicable □ Not applicable

(I) Continuous promotion of development of Gangyin Platform

In order to further promote the construction and development of Gangyin Platform, the Company has been improving and enhancing the business flow and operating system of the online trading services of Gangyin Platform during the reporting period. The Company focused on promoting the mobile internet device "鋼銀助手 4.0" to meet the demand on mobile trading, enhance trading efficiency and improve users' experience. During the reporting period, Gangyin E-Commerce commenced and completed the non-public share issue on NEEQ and the fund raised was RMB647,000,000 in total, which can effectively alleviate the working capital pressure, improve its capital structure, strengthen the ability against risk, increase the market competitiveness and ability of sustainable development. During the reporting period, the trading volume of Gangyin E-Commerce grew rapidly. During January to March 2016, the consignment sales volume on the Gangyin Platform reached 3,594,200 tons.

(II) Continuous establishment of bulk commodity e-commerce system

During the reporting period, in order to further expand across PRC and accelerate the industrial expansion, Gangyin E-Commerce had external investment in the equity of 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) and 廣州成匯金投資管理合夥企業（有限合夥） (Guangzhou Huijin Investment management partnership (limited partnership)*). This would be in favour of getting close to the local services in the market and increasing the competitiveness of the Company. Meanwhile, the Company actively promoted the restructuring of substantial assets during the reporting period so as to widen the industrial chain of the Company's bulk commodity.

Substantial risk factors that incur adverse impact on the future operation of the Company, the main difficulties of the operation of the Company and the measures proposed to be adopted by the Company.

□ Applicable √ Not applicable

SECTION IV SIGNIFICANT EVENTS

I. Commitments fulfilled during or outstanding commitments as at the end of the reporting period by the Company, shareholders, actual controllers, buyers, directors, supervisors, senior management or other related parties

√ Applicable □ Not applicable

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
Equity incentive commitments						
Commitments in acquisition report or report on changes in equity						
Asset reorganisation commitments						

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
Commitments made during initial public offering or refinancing	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), the controlling shareholder of the Company, and its shareholder, namely 亞東廣信科技發展有限公司, the actual controller of the Company, namely Guo Guangchang (郭廣昌)	Commitments made for avoiding peer competition.	Commitments made for avoiding peer competition.	16 March 2010	Long-term	During the reporting period, all covenantors above were strictly compliant with their commitments, and there was no breach of above commitments.
	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), the controlling shareholder of the Company, and its shareholder, namely 亞東廣信科技發展有限公司, the actual controller of the Company, namely Guo Guangchang (郭廣昌), Zhu Junhong (朱軍紅), the chairman and general manager	Commitments made for regulating connected transactions.	Commitments made for regulating connected transactions.	16 March 2010	Long-term	During the reporting period, all covenantors above were strictly compliant with commitments, and there was no breach of above commitments.

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), the controlling shareholder of the Company, Zhu Junhong (朱軍紅), Jia Liangqun (賈良群), Liu Yuewu (劉躍武), Yu Ruitai (虞瑞泰), Mao Jie (毛杰), Miao Jingjing (繆婧晶), Chen Weibin (陳衛斌), Wang Shiwen (王世聞), Zhu Yutong (朱宇彤), Xia Xiaokun (夏曉坤), Hao Mengmeng (郝萌萌) (the sister-in-law of Zhu Junhong (朱軍紅)), Yu Kang (虞康) (the son of Yu Ruitai (虞瑞泰)), Xu Yuling (徐玉玲) (the spouse of Mao Jie (毛杰)), Li Lingyun (李淩雲) (the spouse of Xia Xiaokun (夏曉坤))	Commitments made regarding shares under lock-up.	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), the controlling shareholder of the Company, and the natural shareholders who hold 1% or above of shares of the Company before the issuance and are employed by the Company, namely Zhu Junhong (朱軍紅), Jia Liangqun (賈良群), Liu Yuewu (劉躍武), Yu Ruitai (虞瑞泰), Mao Jie (毛杰), Miao JingJing (繆婧晶) and Zhu Yutong (朱宇彤) undertake that: during the period of 36 months from the date of the shares of the stock company listed and traded on the stock exchange, they shall not transfer or entrust others to manage shares of the stock company which are directly or indirectly held by them, and such shares shall not be acquired by the stock company.	16 March 2010	Please refer to the content of commitment for the details of the term of commitment of shares under lock-up	During the reporting period, all covenantors above were strictly compliant with commitments, and there was no breach of above commitments.
	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), the controlling shareholder of the Company	Commitments made regarding overdue payment of the social insurance and the housing provident funds.	Xingye Development, the controlling shareholder, has made the commitment that: "if Shanghai Ganglian and its subsidiaries are required to made a related remedial payment to the social insurance management department and the housing provident funds management department due to any illegal events regarding the payment of social insurance and the housing provident funds during the period from 1 January 2007 to the date of its initial public offering and listing of shares, the company would fully pay the amount of such fees, or make compensation for the same amount to Shanghai Ganglian."	16 March 2010	Long-term	As at the end of the reporting period, no payment required to be made by the Company due to violation of social insurance policies during the commitment period.

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
Other commitments made towards minority shareholders of the Company	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), the controlling shareholder of the Company, the actual controller of the Company, namely Guo Guangchang (郭廣昌)	Commitments made regarding 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd.*).	(1) During period when上海星商投資有限公司 (Shanghai Star Business Investment Co., Ltd.*) acts as the controlling shareholder of 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd.*) (hereinafter, "Wulianwang Company"), the transactions conducted between Wulianwang Company, Shanghai Ganglian and its subsidiaries will be strictly compliant with the decision-making procedures of connected transactions, followed the principle of fair pricing, and related information shall be disclosed in time as well as it promises that it will not take advantage of its controlling shareholder's position to harm the interests of Shanghai Ganglian and other shareholders of Shanghai Ganglian.	26 February 2014	Long-term	During the reporting period, all covenantors above were strictly compliant with commitments, and there was no breach of above commitments.

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
	Zhu Junhong (朱軍紅), the chairman of the Company	Commitments made regarding 上海鋼銀電子商務有限公司 (Shanghai Gangyin E-Commerce Co., Ltd.*).	Zhu Junhong (朱軍紅) undertakes that: in the future when appropriate, I will transfer the equities currently acquired from Gangyin E-commerce (the corresponding registered capital is RMB25 million) to Shanghai Ganglian or the employees of Shanghai Ganglian or companies invested by it through an appropriate way. The amount and price of the equities transferred should be determined on a fair basis after arm's length negotiations between both parties, while the consideration procedures and the disclosure obligations regarding connected transactions shall be completed under the requirements of related laws, regulations, the Rules Governing the Listing of Stocks on the Growth Enterprise Market of Shenzhen Stock Exchange (《深圳證券交易所創業板股票上市規則》), and the Articles of Association of Shanghai Guanlian.	26 February 2014	Long-term	During the reporting period, all covenantors above were strictly compliant with commitments, and there was no breach of above commitments.

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
	Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司), Guo Guangchang (郭廣昌)	Commitments made regarding the equity of 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd.*).	Commitments made regarding the equity of 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd.*) held by Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司). In the future when appropriate or upon the request of Shanghai Ganglian, the equity of 鋼聯物聯網 (Ganglian Wulianwang*) held by it will be transferred to Shanghai Ganglian through an appropriate way. The amount and price of the equities transferred should be determined on a fair basis after arm's length negotiations between both parties, while the consideration procedures and the disclosure obligations regarding connected transactions shall be completed under the requirements of related laws, regulations, the Listing Rules of Shenzhen Stock Exchange, and the Articles of Association of Shanghai Guanlian.	25 March 2015	Long-term	During the reporting period, all covenantors above were strictly compliant with commitments, and there was no breach of above commitments.
	Mr. Zhu Junhong (朱軍紅), the chairman of the Company, Mr. Gao Bo (高波), the general manager	Commitment made for increasing the shareholding of the Company	During the six months period from 3 July 2015, Mr. Zhu Junhong (朱軍紅), the chairman of the Company and Mr. Gao Bo (高波), the general manager proposed to increase the shareholding of the Company in a market price of not more than RMB50 million in aggregate through a way permitted by the trading system of Shenzhen Stock Exchange in accordance with the requirements of China Securities Regulatory Commission and Shenzhen Stock Exchange.	2 July 2015	3 July 2015 to 3 January 2016	Commitment fulfilled.

Source of commitment	Parties of commitment	Type of commitment	Content of commitment	Date of commitment	Term of commitment	Fulfilment of commitment
	The controlling shareholder, actual controller, directors, supervisors and senior management of the Company	Commitment made for maintaining the shareholding of the Company and increasing the shareholding when necessary	I. The Company shall strictly implement the requirements related to the Notice of Increase in Shareholding of the Listed Company by its Substantial Shareholder, Directors, Supervisors and Senior Management Officers (Zheng Jian Fa [2015] No. 51) (《關於上市公司大股東及董事、監事、高級管理人員增持本公司股票相關事項的通知》(證監發[2015]51號)), which states that the controlling shareholder, actual controller, directors, supervisors and senior management of the Company shall not decrease the shareholding of the Company through the secondary market. II. Shanghai Xingye Investment Development Co., Ltd. (上海興業投資發展有限公司) (hereinafter "Xingye Investment"), the controlling shareholder of the Company, shall, when necessary, adopt various measures to increase the shareholding of the Company upon the changes in market in an appropriate way. The Company will continue to monitor the increase of shareholding of the Company by Xingye Investment and fulfill the information disclosure obligations in time.	14 July 2015	14 July 2015 to 14 January 2016	Commitment fulfilled.
Commitment fulfilled on time	Yes					
Explanations on the reasons specifically for unfulfilled commitments and further working plan shall be made in details to the extent of any overdue or unfulfilled commitments	Not applicable.					

II. The Comparison Table of the Use of Funds Raised

□ Applicable √ Not applicable

III. The Progress of Other Significant Events

√ Applicable □ Not applicable

1. At the twenty-third meeting of the third session of the Board and the twentieth meeting of the third session of the Supervisory Committee convened by the Company on 24 December 2015, and the 2016 first interim shareholders' meeting convened on 11 January 2016, the Company considered and approved the Announcement on the Investee Company 鋼聯物聯網's (Ganglian Wulianwang*) Subscription for the Issued Targeted Stocks of Gangyin E-Commerce and the Related Party Transactions (《關於參股公司鋼聯物聯網 (Ganglian Wulianwang*) 認購鋼銀電商定向發行股份暨關聯交易的公告》) (Announcement No.: 2015-136). On 10 March 2016, the Company issued the Announcement on the Listing and Public Transfer of the New Stocks Issued in the Stocks Issue by Holding Subsidiary Gangyin E-Commerce on the National Equities Exchange and Quotations System (《關於控股子公司鋼銀電商股票發行新增股票將在全國股份轉讓系統掛牌並公開轉讓的公告》) (Announcement No.: 2016-023). 上海鋼聯物聯網有限公司 (Shanghai Ganglian Wulianwang Co., Ltd*) actually subscribed 60,000,000 stocks in cash with a subscription amount of RMB270,000,000. After completion of the subscription, its shareholding percentage in Gangyin E-Commerce was 7.64%.

2. On 4 January 2016, the Company's holding subsidiary Gangyin E-Commerce convened the President Executive Meeting and considered and approved the Resolution on the Company's (as the transferee) Proposed Receipt of the Equity in 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) (《公司擬受讓內蒙古鋼銀信息科技有限公司股權的議案》). Gangyin E-Commerce (as the transferee) proposed to receive the equity of RMB2,000,000 from Sun Jian Jun (as the transferor), who was a former shareholder of 內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*) ("內蒙鋼銀" ("Inner Mongolia Ganglian*")) and held the equity of RMB3,000,000 in 內蒙鋼銀 (Inner Mongolia Ganglian*), at a consideration of RMB2,000,000. After the transfer, Gangyin E-commerce would hold 20% of 內蒙鋼銀's (Inner Mongolia Ganglian*) total shares. 內蒙鋼銀 (Inner Mongolia Ganglian*) has completed the industrial and commercial registration and obtained the Business License from Kundulun District Branch of Baotou Municipal Administration for Industry and Commerce on 1 February 2016.

3. On 18 January 2016, the Company has convened the twenty-fourth meeting of the third session of the Board and considered and approved the Resolution on Establishing a Partnership Enterprise by External Investment from a Holding Subsidiary (《關於控股子公司對外投資設立合夥企業的議案》) (announcement no.: 2016-002). On 18 January 2016, the Company's holding subsidiary Shanghai Gangyin E-Commerce Co., Ltd., (hereinafter referred to as "Gangyin E-Commerce"), 深圳市集成一號股權投資基金中心(有限合夥) (Shenzhen city integrated equity investment fund center (limited partnership)*) (hereinafter referred to as "集成一號基金" ("integrated fund*")), Mr. Chen Xiangbo and Mr. Zhang Bing signed the Partnership Agreement of 廣州成匯金投資管理合夥企業(有限合夥) (Guangzhou Huijin Investment management partnership (limited partnership)*) (《廣州成匯金投資管理合夥企業(有限合夥)合夥協議》, hereinafter referred to as the"Partnership Agreement") and proposed to jointly establish 廣州成匯金投資管理合夥企業(有限合夥) (Guangzhou Huijin Investment management partnership (limited partnership)*) (provisional, subject to the industrial and commercial registration and hereinafter referred to as the "Partnership Enterprise"). The total subscripted capital contribution of the Partnership Enterprise was RMB10,000,000 and its main investment business was investment management and consultation. As a limited partner, Gangyin E-Commerce proposed to contribute RMB1,500,000 out of its own funds for subscription of the capital contribution, representing 15% of the total capital contribution of the Partnership Enterprise. On 3 February 2016, the Company issued the Announcement on the Progress of the Establishment of a Partnership Enterprise by External Investment from a Holding Subsidiary (《關於控股子公司對外投資設立合夥企業的進展公告》). The Partnership Enterprise has obtained the Business License from Guangzhou Municipal Administrative Bureau for Industry and Commerce on 1 February 2016 and the name of the Partnership Enterprise was 廣州成匯金投資管理合夥企業(有限合夥)(Guangzhou Huijin Investment management partnership (limited partnership)*).

Meanwhile, the company 廣州成匯金 (Guangzhou Huijin*), Guangzhou Kingbo Logistics and Trade Group Co., Ltd. and 廣州大宗資匯投資管理合夥企業(有限合夥) (Guangzhou Dazongshihui investment management partnership (limited partnership)*) proposed to jointly make a capital contribution to establish 廣州博匯大宗電子商務有限公司 (Guangzhou Bo large Ecommerce Co., Ltd.*) (hereinafter referred to as "博匯大宗" ("Bo large*")) and build it as a comprehensive platform for full-cycle supply chain services to steel bulk trade. The registered capital of 博匯大宗 (Bo large*) was RMB30,000,000, of which 廣州成匯金 (Guangzhou Huijin*) proposed to subscribe RMB10,000,000, representing 33.33% of the contribution of the registered capital. 博匯大

宗 (Bo large*) has completed the industrial and commercial alteration registration and obtained the Business License from Guangzhou Municipal Administrative Bureau for Industry and Commerce on 18 February 2016.

4. At the twenty-fourth meeting of the third session of the Board and the twenty-first meeting of the third session of the Supervisory Committee convened by the Company on 18 January 2016, and the 2016 second interim shareholders' meeting convened on 4 February 2016, the Company considered and approved the Resolution on the Capital Increase of 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*) and Related Party Transactions (《關於上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd*) 增資擴股暨關聯交易的議案》). The Company's investee company 上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*) (hereinafter referred to as "金意電子" ("Jinyi Ecommerce*")) proposed to increase its registered capital and shares by an additional amount of RMB80,000,000. Huaibei Mining Co., Ltd. proposed to contribute RMB26,668,200 for subscription of RMB26,300,000 of the additional registered capital; 江蘇中能電力燃料有限公司 (Jiangsu Electric Power Fuel Co., Ltd.*) proposed to contribute RMB24,031,800 for subscription of RMB23,700,000 of the additional registered capital; 唐山潤茂通實業有限公司 (Tangshan Runmaotong Industrial Co., Ltd.*) proposed to contribute RMB20,280,000 for subscription of RMB20,000,000 of the additional registered capital; 滄州渤海新區天潤投資有限責任公司 (Cangzhou Bohai District Tianrun investment limited liability company*) proposed to contribute RMB10,140,000 for subscription of RMB10,000,000 of the additional registered capital. The Company waived its preemptive rights for the capital and shares increase of 金意電子 (Jinyi Ecommerce*). After the capital increase, the registered capital of 金意電子 (Jinyi Ecommerce*) would increase from RMB20,000,000 to RMB100,000,000 and the Company's shareholding percentage in 金意電子 (Jinyi Ecommerce*) would decrease from 49.00% to 9.80%. 金意電子 (Jinyi Ecommerce*) has completed the industrial and commercial alteration registration and obtained the Business License replaced by the Market Supervision Administration of Shanghai Municipality (Baoshan District) (上海市寶山區市場監督管理局) on 3 March 2016.

5. Due to the preparation for major acquisitions, the Company applied to the Shenzhen Stock Exchange for suspension of the trading of its stocks (stock short name: Shanghai Ganglian, stock code: 300226) since the commencement of trading on 25 February 2016. The Company issued announcements on suspension on 25 February 2016 and 2 March 2016, respectively (announcement no.: 2016-014, 2016-015, 2016-021). Given that the major acquisition prepared by the Company constituted the major asset restructuring, the Company applied for the continuous suspension of the trading of its stocks since 10 March 2016. For this

major asset restructuring, the Company proposed to acquire the assets and raise supporting funds through share issuance and cash payments. The Company's intended acquisition subject matter was the entire equity interest of Beijing Zhixing Ruijing Technology Co., Ltd. (北京知行銳景科技有限公司), a wholly owned subsidiary of HC International, INC. (a company listed on the main board of Hong Kong Stock Exchange, stock code: 02280), to acquire certain assets held and operated by it such as the domain name www.zol.com.cn (中關村在線) and the website www.zol.com (中關村商城).

IV. Execution of cash dividends policy during the reporting period

1. During the reporting period, the Company did not adjust the profit distribution policy. The Company convened the fourth meeting of the third session of the Board and the 2014 fifth interim shareholders' meeting on 5 September 2014 and 22 September 2014, respectively. The Company revised the profit distribution policy stated in the Articles of Association, clarified the form of profit distribution and the specific condition and proportion of cash dividends. The standards and proportions of the dividend distribution of the cash dividends policy of the Company are explicit and clear, and the relevant decision making processes and mechanisms were complete.

2. On 25 April 2016, the Company convened the twenty-sixth meeting of the third session of the Board, and considered and approved the 2015 Profit Distribution Plan of the Company: the Company does not propose to distribute cash dividends, give bonus shares or convert the provident funds into the share capital in 2015.

V. The alert of and explanation on the expected accumulative net profit from the beginning of the year to the end of the next reporting period may turn into losses, turning losses into gains or significant changes as compared to that in the corresponding period of prior year

√ Applicable □ Not applicable

As the Company's holding subsidiary Gangyin E-Commerce trading services business model is getting more mature, its market influence is gradually increasing and the profitability of the Company is strengthening. Therefore, the Company expected that the Company will turn losses into gains from the beginning of the year to the end of the next reporting period.

VI. Default external guarantees

□ Applicable √ Not applicable

There was no default external guarantee provided by the Company during the reporting period.

VII. Appropriation of funds of the listed company by the controlling shareholder and its related parties for non-operating purposes

□ Applicable √ Not applicable

There was no appropriation of funds of the listed company by the controlling shareholder and its related parties for non-operating purposes during the reporting period of the Company.

FINANCIAL STATEMENTS

1. Consolidated Balance Sheet

Prepared by: 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd)

31 March 2016

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	912,791,683.53	350,406,594.55
Deposit reservation for balance		
Lending funds		
Financial assets at fair value through profit or loss for the period	21,340,000.00	22,300,000.00
Derivative financial assets		
Bills receivable	76,716,344.25	13,061,938.65
Accounts receivable	1,620,440.00	2,242,033.40
Prepayments	1,622,098,862.11	821,353,022.19
Premiums receivable		
Receivables from reinsurers		
Reinsurance contract reserves receivable		
Interest receivable		
Dividend receivable		
Other receivables	4,522,352.44	2,357,565.51
Buy-back of financial assets sold		
Inventories	364,263,259.93	248,041,827.35
Assets held for sale		
Non-current assets due within one year		
Other current assets	69,060,204.48	51,348,638.29
Total current assets	3,072,413,146.74	1,511,111,619.94

Item	Closing balance	Opening balance
NON-CURRENT ASSETS:		
Provision of loans and advances		
Available-for-sale financial assets	75,740,765.00	66,000,000.00
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	51,047,440.01	45,214,692.64
Investment properties		
Fixed assets	218,333,630.54	222,166,992.23
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	24,091,555.00	24,252,292.00
Development expenditures		
Goodwill		
Long-term deferred expenses	1,872,036.76	1,395,978.90
Deferred income tax assets	832,800.88	733,800.88
Other non-current assets		
Total non-current assets	371,918,228.19	359,763,756.65
TOTAL ASSETS	3,444,331,374.93	1,870,875,376.59

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings	88,776,750.00	74,000,000.00
Borrowings from the Central Bank		
Deposit taking and interbank deposits		
Borrowed funds		
Financial liabilities at fair value through profit or loss for the period		
Derivative financial liabilities		
Bills payable	148,131,798.71	100,060,921.44
Accounts payable		9,772,279.47
Receipts in advance	1,391,563,546.32	513,079,581.63
Amounts from the sales of repurchased financial assets		
Handling fees and commissions payable		
Payroll payable	8,834,966.43	12,171,207.29
Taxes payable	4,306,542.84	2,808,406.93
Interest payable	150,848.61	114,873.61
Dividend payable		
Other payables	740,135,600.83	747,581,678.92
Reinsurance accounts payable		
Reserves for insurance contracts		
Brokerage for trading securities		
Brokerage for underwriting securities		
Liabilities held for sale		
Non-current liabilities due within one year	10,000,000.00	12,000,000.00
Other current liabilities		
Total current liabilities	2,391,900,053.74	1,471,588,949.29
NON-CURRENT LIABILITIES:		
Long-term borrowings	65,000,000.00	65,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Accrued liabilities		
Deferred income	39,346,946.95	39,641,411.71
Deferred income tax liabilities		45,000.00
Other non-current liabilities		
Total non-current liabilities	104,346,946.95	104,686,411.71
TOTAL LIABILITIES	2,496,247,000.69	1,576,275,361.00

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	156,000,000.00	156,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	330,185,748.76	48,798,505.83
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	17,868,177.70	17,868,177.70
General risk provision		
Retained profit	–141,403,983.04	–145,435,388.41
Total equity attributable to owners of the parent company	362,649,943.42	77,231,295.12
Minority interest	585,434,430.82	217,368,720.47
Total owners' equity	948,084,374.24	294,600,015.59
TOTAL LIABILITIES AND OWNERS' EQUITY	3,444,331,374.93	1,870,875,376.59

Legal representative: Zhu Junhong (朱軍紅)

Financial controller: Yu Dahai (俞大海)

Head of the financial department: Cheng Chao (成超)

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Closing balance	Opening balance
CURRENT ASSETS:		
Monetary funds	25,383,299.98	24,919,167.19
Financial assets at fair value through profit or loss for the period	21,340,000.00	22,300,000.00
Derivative financial assets		
Bills receivable		
Accounts receivable	1,402,007.50	512,507.50
Prepayments	1,811,117.99	1,407,851.66
Interest receivable		
Dividend receivable		
Other receivables	4,927,069.41	2,232,145.60
Inventories		
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,140,755.40	1,201,404.05
Total current assets	56,004,250.28	52,573,076.00
NON-CURRENT ASSETS:		
Available-for-sale financial assets	75,740,765.00	66,000,000.00
Held-to-maturity investments		
Long-term receivable		
Long-term equity investments	865,351,207.70	877,700,945.68
Investment properties		
Fixed assets	210,209,843.19	213,324,287.90
Construction in progress		
Construction materials		
Disposal of fixed assets		
Productive biological assets		
Oil and gas assets		
Intangible assets	22,954,065.00	23,082,300.00
Development expenditures		
Goodwill		
Long-term deferred expenses	1,228,435.91	1,188,501.94
Deferred income tax assets	828,769.40	729,769.40
Other non-current assets		
Total non-current assets	1,176,313,086.20	1,182,205,804.92
TOTAL ASSETS	1,232,317,336.48	1,234,598,880.92

Item	Closing balance	Opening balance
CURRENT LIABILITIES:		
Short-term borrowings		
Financial liabilities at fair value through profit or loss for the period		
Derivative financial liabilities		
Bills payable		
Accounts payable		
Receipts in advance	77,239,797.51	76,244,699.59
Payroll payable	334,966.43	
Taxes payable	2,111,102.21	1,594,328.19
Interest payable		
Dividend payable		
Other payables	643,220,180.94	647,226,690.83
Liabilities held for sale		
Non-current liabilities due within one year	10,000,000.00	12,000,000.00
Other current liabilities		
Total current liabilities	732,906,047.09	737,065,718.61
NON-CURRENT LIABILITIES:		
Long-term borrowings	65,000,000.00	65,000,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Accrued liabilities		
Deferred income	39,346,946.95	39,641,411.71
Deferred income tax liabilities		45,000.00
Other non-current liabilities		
Total non-current liabilities	104,346,946.95	104,686,411.71
TOTAL LIABILITIES	837,252,994.04	841,752,130.32

Item	Closing balance	Opening balance
OWNERS' EQUITY:		
Share capital	156,000,000.00	156,000,000.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserves	120,331,650.38	119,221,101.33
Less: Treasury shares		
Other comprehensive income		
Special reserves		
Surplus reserves	17,868,177.70	17,868,177.70
Retained profit	100,864,514.36	99,757,471.57
Total owners' equity	395,064,342.44	392,846,750.60
TOTAL LIABILITIES AND OWNERS' EQUITY	1,232,317,336.48	1,234,598,880.92

3. Consolidated Income Statement

Unit: RMB

Item		Amounts for the current period	Amounts for the prior period
I.	Total operating income	5,972,318,855.33	3,298,697,007.51
	Including: Operating income	5,972,318,855.33	3,298,697,007.51
	Interest income		
	Premium earned		
	Handling fees and commissions income		
II.	Total operating costs	5,963,861,817.83	3,334,799,952.86
	Including: Operating costs	5,913,872,753.44	3,265,568,420.03
	Interest expenses		
	Handling fees and commissions expenses		
	Surrender payment		
	Net expenditure for compensation payment		
	Net provision for insurance contract		
	Expenditure for insurance policy dividend		
	Reinsurance costs		
	Business taxes and surcharges	213,244.46	368,320.86
	Selling expenses	31,125,505.95	41,447,371.44
	Administration expenses	25,979,894.30	23,007,224.59
	Finance costs	643,693.26	4,408,615.94
	Loss on impairment of assets	–7,973,273.58	
	Plus: Gain on change in fair value (“-”denotes loss)	–960,000.00	
	Investment income (“-”denotes loss)	–2,426,487.63	3,348,564.88
	Including: Income from investment in associates and joint ventures		
	Exchange gains (“-”denotes loss)		
III.	Operating profit (“-”denotes loss)	5,070,549.87	–32,754,380.47
	Plus: Non-operating income	2,626,034.86	3,429,071.86
	Including: Gains on disposal of non-current assets		
	Less: Non-operating expenses	120,000.00	2,493.60
	Including: Loss on disposal of non-current assets		2,493.60
IV.	Total profit (“-”denotes total loss)	7,576,584.73	–29,327,802.21
	Less: Income tax expenses	1,897,785.63	181,409.48

Item	Amounts for the current period	Amounts for the prior period
V. Net profit ("-"denotes net loss)	5,678,799.10	–29,509,211.69
Net profit attributable to owners of the parent company	4,031,405.37	–12,984,504.92
Minority interest	1,647,393.73	–16,524,706.77
VI. Net other comprehensive income after tax		
Net other comprehensive income after tax attributable to owners of the parent company		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
1. Change in remeasurement of net defined benefit scheme liabilities or assets		
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss under equity method		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Share of other comprehensive income of investees that will be reclassified to profit and loss under equity method in subsequent periods		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from reclassification from held-to-maturity investment to available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences on translation of foreign currency financial statements		
6. Others		
Net other comprehensive income after tax attributable to minority interest		

Item	Amounts for the current period	Amounts for the prior period
VII. Total comprehensive income	5,678,799.10	–29,509,211.69
Total comprehensive income attributable to owner of the parent company	4,031,405.37	–12,984,504.92
Total comprehensive income attributable to minority interest	1,647,393.73	–16,524,706.77
VIII. Earnings per share:		
(I) Basic earnings per share	0.0258	–0.0832
(II) Diluted earnings per share	0.0258	–0.0832

For the business combination under common control effected in the current period, the net profit recognized by the merged party before the combination was RMB0.00, and the net profit recognized by the merged party in the prior period was RMB0.00.

Legal representative: Zhu Junhong (朱軍紅)

Financial controller: Yu Dahai (俞大海)

Head of the financial department: Cheng Chao (成超)

4. Income Statement of the Parent Company

Unit: RMB

Item		Amounts for the current period	Amounts for the prior period
I.	Operating income	36,466,899.64	31,978,733.57
	Less: Operating costs	6,323,439.16	5,291,071.68
	Business taxes and surcharges	190,008.59	263,441.04
	Selling expenses	11,590,686.40	14,980,976.09
	Administration expenses	12,134,671.68	15,011,620.48
	Finance costs	2,140,542.80	1,985,194.49
	Loss on impairment of assets		
	Plus: Gain on changes in fair value ("-" denotes loss)	–960,000.00	
	Investment income ("-" denotes loss)	–2,608,972.98	3,347,710.98
	Including: Income from investment in associates and joint ventures		
II.	Operating profit ("-" denotes loss)	518,578.03	–2,205,859.23
	Plus: Non-operating income	444,464.76	3,414,464.76
	Including: gains on disposal of non-current assets		
	Less: Non-operating expenses		
	Including: Loss on disposal of non-current assets		
III.	Total profit ("-" denotes total loss)	963,042.79	1,208,605.53
	Less: Income tax expenses	–144,000.00	181,290.83
IV.	Net profit ("-" denotes net loss)	1,107,042.79	1,027,314.70

Item	Amounts for the current period	Amounts for the prior period
V. Net other comprehensive income after tax		
(I) Other comprehensive income that will not be reclassified to profit and loss in subsequent periods		
1. Changes in remeasurement of net defined benefit scheme liabilities or assets		
2. Share of other comprehensive income of investees that will not be reclassified to profit and loss under equity method		
(II) Other comprehensive income that will be reclassified to profit and loss in subsequent periods		
1. Share of other comprehensive income of investees that will be reclassified to profit and loss in subsequent periods under equity method		
2. Gains and losses from changes in fair value of available-for-sale financial assets		
3. Gains and losses from reclassification of held-to-maturity investment to available-for-sale financial assets		
4. Effective portion of hedging gains and losses from cash flows		
5. Exchange differences on translation of foreign currency financial statements		
6. Others		
VI. Total comprehensive income	1,107,042.79	1,027,314.70
VII. Earnings per share:		
(I) Basic earnings per share	0.0071	0.0066
(II) Diluted earnings per share	0.0071	0.0066

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	7,694,148,114.03	3,704,557,259.93
Net increase in customers' deposits and inter-bank deposits		
Net increase in borrowings from the central bank		
Net increase in borrowed funds from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of financial assets at fair value through profit or loss for the period		
Cash received on interest, handling fee and commission income		
Net increase in borrowed funds		
Net increase in returned business capital		
Tax refund received		
Cash received relating to other operating activities	25,219,278.97	641,333,880.36
Subtotal of cash inflows from operating activities	7,719,367,393.00	4,345,891,140.29
Cash paid for purchase of goods and services received	7,653,950,352.20	4,197,570,480.41
Net increase in customers' loans and advances		
Net increase in deposits with central bank and inter-banks		
Cash paid for compensation payments under original insurance contract		
Cash paid on interest, handling fee and commission		
Cash paid for insurance policy dividend		
Cash paid to employees and for employees	49,037,000.58	50,731,347.41
Payments of taxes and surcharges	2,852,719.38	5,237,232.59
Cash paid relating to other operating activities	60,781,302.26	317,031,018.61
Subtotal of cash outflows from operating activities	7,766,621,374.42	4,570,570,079.02
Net cash flows from operating activities	–47,253,981.42	–224,678,938.73

Item		Amounts for the current period	Amounts for the prior period
II.	Cash flows from investing activities:		
	Cash received from investments		11,960,000.00
	Cash received from investment income		
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,000.00
	Net cash received from disposal of subsidiaries and other business units		2,007,033.31
	Cash received relating to other investing activities		1,108,000.00
	Subtotal of cash inflows from investing activities		15,078,033.31
	Cash paid for purchase of fixed assets, intangible assets and other long-term assets	3,490,792.38	2,007,821.10
	Cash paid on investment	18,000,000.00	4,800,000.00
	Net increase in pledged loans		
	Net cash paid for acquisition of subsidiaries and other business units		
	Cash paid relating to other investing activities		
	Subtotal of cash outflows from investing activities	21,490,792.38	6,807,821.10
	Net cash flows from investing activities	–21,490,792.38	8,270,212.21
III.	Cash flows from financing activities:		
	Cash received from capital contribution	646,695,010.50	
	Including: cash received from minority interest contribution to subsidiaries	646,695,010.50	
	Cash received from borrowings	114,900,000.00	492,000,000.00
	Cash received from bond issue		
	Cash received relating to other financing activities		
	Subtotal of cash inflows from financing activities	761,595,010.50	492,000,000.00
	Cash paid for repayment of debts	102,123,250.00	40,400,000.00
	Cash paid for dividends and profit distribution or interest payment	2,305,305.86	4,453,257.21
	Including: dividend and profit paid to minority interest by subsidiaries		
	Cash paid relating to other financing activities		
	Subtotal of cash outflows from financing activities	104,428,555.86	44,853,257.21
	Net cash flows from financing activities	657,166,454.64	447,146,742.79

Item	Amounts for the current period	Amounts for the prior period
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	588,421,680.84	230,738,016.27
Plus: Balance of cash and cash equivalents as at the beginning of the period	306,907,305.77	158,064,334.06
VI. Balance of cash and cash equivalents as at the end of the period	895,328,986.61	388,802,350.33

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	Amounts for the current period	Amounts for the prior period
I. Cash flows from operating activities:		
Cash received from sales of goods andrendering of services	36,389,435.10	30,218,430.98
Tax refund received		
Cash received relating to other operating activities	194,163.01	3,075,560.20
Subtotal of cash inflows from operating activities	36,583,598.11	33,293,991.18
Cash paid for purchase of goods and services received		
Cash paid to employees and for employees	20,460,306.02	21,510,182.95
Payments of taxes and surcharges	1,969,278.27	4,507,154.22
Cash paid relating to other operating activities	7,154,559.72	10,234,010.56
Subtotal of cash outflows from operating activities	29,584,144.01	36,251,347.73
Net cash flows from operating activities	6,999,454.10	–2,957,356.55
II. Cash flows from investing activities:		
Cash received from investments		10,000,000.00
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		2,000,000.00
Cash received relating to other investing activities		
Subtotal of cash inflows from investing activities		12,000,000.00
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	3,488,223.38	1,379,130.00
Cash paid on investments		4,800,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Subtotal of cash outflows from investing activities	3,488,223.38	6,179,130.00
Net cash flows from investing activities	–3,488,223.38	5,820,870.00

Item	Amounts for the current period	Amounts for the prior period
III. Cash flows from financing activities:		
Cash received from capital contribution		
Cash received from borrowings		212,200,000.00
Cash received from bond issue		
Cash received relating to other financing activities		
Subtotal of cash inflows from financing activities		212,200,000.00
Cash paid for repayment of debts	2,000,000.00	40,400,000.00
Cash paid for dividend and profit distribution or interest payment	1,047,097.93	2,084,054.05
Cash paid relating to other financing activities		
Subtotal of cash outflows from financing activities	3,047,097.93	42,484,054.05
Net cash flows from financing activities	–3,047,097.93	169,715,945.95
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	464,132.79	172,579,459.40
Plus: Balance of cash and cash equivalents as at the beginning of the period	24,919,167.19	45,570,555.39
VI. Balance of cash and cash equivalents as at the end of the period	25,383,299.98	218,150,014.79

2. MANAGEMENT DISCUSSION AND ANALYSIS ON SHANGHAI GANGLIAN

Set out below is the management discussion and analysis on Shanghai Ganglian for the years ended 31 December 2013, 2014 and 2015. The following financial information is based on the audited financial information of Shanghai Ganglian, which were prepared under China Accounting Standards for Business Enterprises, as set out in this Appendix to this circular.

Background

Shanghai Ganglian is a company established under the laws of PRC and its shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange since 8 June 2011. Its registered and issued capital was RMB156,000,000 as at 31 December 2015. Shanghai Ganglian and its subsidiaries ("**Shanghai Ganglian Group**") is an e-commerce operator of B2B information and transaction for steels and other commodities.

Revenue

Shanghai Ganglian Group is principally engaged in (i) provision of e-commerce trading through www.banksteel.com; (ii) supplying information of steel and other commodities through www.mysteel.com and (iii) other services, which accounted for 99.24%, 0.75% and 0.01% of the total revenue for the year ended 31 December 2015 respectively.

Cost of sales

The cost of sales accounted for approximately 90.2%, 97.4% and 100.7% of the total revenue for the years ended 31 December 2013, 2014 and 2015 respectively.

Selling expenses

The selling expenses primarily included salaries, warehouse rentals and office expenses, which in aggregate accounted for approximately 72.1%, 81.4% and 87.9% of the total selling expenses for the years ended 31 December 2013, 2014 and 2015 respectively.

Administrative expenses

The administrative expenses primarily included salaries, project development expenses, depreciation, office expenses, taxes which in aggregate accounted for 80.7%, 84.9% and 92.5% of the total administrative expenses for the years ended 31 December 2013, 2014 and 2015 respectively.

Finance cost

The finance costs mainly included interest expenses on borrowings, other finance charges, interest income from bank deposits and gains from foreign exchange.

Other income

Other income mainly consisted of government subsidy. Other income was approximately RMB9.2 million, RMB9.8 million and RMB6.3 million which included RMB9.0 million, RMB9.7 million and RMB6.2 million of government subsidy for the years ended 31 December 2013, 2014 and 2015 respectively.

Property, plant and equipment

Property, plant and equipment was approximately RMB232.4 million, RMB231.1 million and RMB222.2 million as at 31 December 2013, 2014 and 2015 respectively.

Available-for-sale financial assets

Available-for-sale financial assets, which included equity investments in private companies, was approximately RMB14.0 million, RMB24.0 million and RMB66.0 million as at 31 December 2013, 2014 and 2015 respectively.

Long-term equity investments

Long-term equity investments, which included investments in associates, amounted to RMB30.6 million, RMB22.6 million and RMB45.2 million as at 31 December 2013, 2014 and 2015 respectively.

Inventories

Inventories accounted for approximately 9.6%, 17.7% and 13.3% of total assets as at 31 December 2013, 2014 and 2015 respectively.

Prepayment

Prepayment accounted for approximately 30.0%, 41.4% and 43.9% of total assets as at 31 December 2013, 2014 and 2015 respectively. As at 31 December 2015, the prepayment was approximately RMB821.4 million in which approximately RMB821.2 million will be due within one year and approximately RMB0.2 million will be due within one to two years.

Bank and cash balance

Bank and cash balances, which were all denominated in RMB, accounted for approximately 23.7%, 10.0% and 18.7% of the total assets of the Shanghai Ganglian Group as at 31 December 2013, 2014 and 2015 respectively.

Receipt in advance

Receipt in advance included prepayment from customers and deferred income (due within one year) and they accounted for approximately 30.0%, 41.4% and 43.9% of total assets as at 31 December 2013, 2014 and 2015 respectively.

Borrowings (current and non-current portion)

Borrowings, which were repayable within one year, accounted for approximately 32.8%, 16.0%, and 4.7% of the total liabilities of the Shanghai Ganglian Group as at 31 December 2013, 2014 and 2015 respectively. Non-current portion of borrowings accounted for approximately nil, 10.5% and 4.1% of the total liabilities of the Shanghai Ganglian Group as at 31 December 2013, 2014 and 2015 respectively. The current and non-current borrowings are denominated in RMB and secured by land and buildings of Shanghai Ganglian. The annual interest rates of borrowings are within the range between 4.8% and 6.6%.

Other payables

Other payables included mainly shareholders' loans, current account with related parties, construction cost accruals and guarantee deposits of borrowings. Other payables accounted for approximately 22.6%, 21.0%, and 47.4% of the total liabilities of the Shanghai Ganglian Group as at 31 December 2013, 2014 and 2015 respectively. The other payables substantially increased by approximately 386.6% from RMB153.4 million as at 31 December 2014 to RMB747.6 million as at 31 December 2015 was due to the shareholders' loans incurred during the year ended 31 December 2015. As at 31 December 2015, the shareholders' loans were amounted to approximately RMB578.0 million or 77.3% of the other payables.

Period to period Comparisons

(i) Comparison for the year ended 31 December 2015 to the year ended 31 December 2014

For the year ended 31 December 2015, the Shanghai Ganglian Group recorded a revenue of approximately RMB21,357.1 million, representing an increase of approximately 182.6% as compared with that of approximately RMB7,557.1 million for the year ended 31 December 2014. Such increase was primarily due to increased number of e-commerce trading volume and customers through www.banksteel.com. As disclosed in the 2015 annual report of Shanghai Ganglian, the business model of www.banksteel.com is getting more mature and popular among the industry.

The cost of sales increased approximately 192.2% from approximately RMB7,358.8 million for the year ended 31 December 2014 to approximately RMB21,501.0 million for the year ended 31 December 2015 due to the substantial increase of revenue.

The Shanghai Ganglian Group recorded a gross loss of approximately RMB143.9 million, representing a decrease of approximately 172.6% from a gross margin of approximately RMB198.3 million for the year ended 31 December 2014. According to the 2015 annual report, the deterioration of gross profit was mainly due to substantial increase of operational costs on the e-commerce platform for expanding the market share.

The selling expenses was increased by approximately 59.3% from approximately RMB110.7 million for the year ended 31 December 2014 to approximately RMB176.4 million for the year ended 31 December 2015. Such increase was the result of the higher warehouse rental cost and transportation cost which was increased in line with the higher trading volume.

The administrative expenses was increased by approximately 20.7% from RMB72.4 million for the year ended 31 December 2014 to RMB87.5 million for the year ended 31 December 2015. The increase was attributable to higher amount of staff costs incurred. The staff costs increased by approximately 64.3% from approximately RMB22.4 million for the year ended 31 December 2014 to approximately RMB36.9 million for the year ended 31 December 2015.

The asset impairment loss was increased from approximately RMB0.3 million for the year ended 31 December 2014 to approximately RMB19.1 million for the year ended 31 December 2015. The loss was mainly caused by the inventory impairment loss amounted to approximately RMB18.8 million.

Due to the reasons stated above, the Shanghai Ganglian Group turned from a net profit after taxation of approximately RMB13.3 million for the year ended 31 December 2014 to a net loss after taxation amounted to approximately RMB447.9 million for the year ended 31 December 2015.

(ii) Comparison for the year ended 31 December 2014 to the year ended 31 December 2013

For the year ended 31 December 2014, the Shanghai Ganglian Group recorded a revenue of approximately RMB7,557.1 million, representing an increase of approximately 386.6% as compared with that of approximately RMB1,553.1 million for the year ended 31 December 2013. As disclosed in the 2014 annual report of Shanghai Ganglian, such increase was primarily due to commencement of consignment sales through www.banksteel.com.

The cost of sales increased approximately 425.6% from approximately RMB1,400.1 million for the year ended 31 December 2013 to approximately RMB7,358.8 million for the year ended 31 December 2014 due to the substantial increase of revenue.

The gross profit for the year ended 31 December 2014 was approximately RMB198.3 million, representing a reduction by approximately RMB45.3 million from approximately RMB152.9 million for the year ended 31 December 2015. The decrease of gross profit was attributable to the consignment sales through www.banksteel.com as this new business segment had a relatively lower gross margin

The selling expenses was increased by approximately 46.2% from approximately RMB75.7 million for the year ended 31 December 2013 to approximately RMB110.7 million for the year ended 31 December 2014. Such increase was due to an increase in headcount to handle the consignment sales through www.banksteel.com. The staff cost and social security contribution included in the selling expenses in aggregate increased by approximately 66.0% from approximately RMB46.6 million for the year ended 31 December 2013 to approximately RMB77.4 million for the year ended 31 December 2014.

The administrative expenses was increased by 40.5% from approximately RMB51.6 million for the year ended 31 December 2013 to approximately RMB72.4 million for the year ended 31 December 2014. The increase was attributable to the increase in research and development expenses and staff cost in order to enhance the development of e-commerce trading platform. The research and development expenses increased by approximately RMB6.5 million from approximately RMB14.0 million for the year ended 31 December 2013 to approximately RMB20.5 million for the year ended 31 December 2014. The staff cost increased by approximately RMB4.1 million from RMB11.0 million for the year ended 31 December 2013 to approximately RMB15.1 million for the year ended 31 December 2014.

During the year ended 31 December 2014, the Shanghai Ganglian Group incurred finance cost of approximately RMB11.6 million, representing an increase by approximately RMB8.6 million from approximately RMB3.0 million for the year ended 31 December 2013. The significant increase of finance costs was driven by the increment of total bank borrowings from approximately RMB126.9 million as at 31 December 2013 to approximately RMB193.7 million as at 31 December 2014.

Due to the above-stated explanations, the Shanghai Ganglian Group recorded a net profit after taxation of approximately RMB13.3 million for the year ended 31 December 2014, representing a decrease of approximately 44.0% from approximately RMB23.8 million for the year ended 31 December 2013.

Cash flow position

The Shanghai Ganglian Group recorded a positive cash inflow of approximately RMB3.3 million for the year ended 31 December 2013. The Shanghai Ganglian Group recorded a net operating cash outflow amounted to approximately RMB9,358.8 million and approximately RMB25,976.7 million for the years ended 31 December 2014 and 2015 respectively, representing a year-on-year decrease of cash outflow of approximately RMB272.2 million. As disclosed in the 2015 annual report, the reduction of cash outflow was due to the improvement of inventory turnover days.

The net cash outflow in relation to investing activities was increased from approximately RMB40.1 million for the year ended 31 December 2014 to approximately RMB544.7 million for the year ended 31 December 2015. The increase was attributable to an increase in investments of approximately RMB549.8 million during the year ended 31 December 2015.

The net cash inflow of financing activities increased from approximately RMB434.1 million for the year ended 31 December 2014 to approximately RMB851.7 million for the year ended 31 December 2015. The increase was attributable to obtaining approximately RMB532.7 million of net borrowings from banks and controlling shareholders during the year ended 31 December 2015.

The Shanghai Ganglian Group recorded a net cash inflow approximately RMB15.7 million, a net cash outflow approximately RMB36.3 million and a net cash inflow approximately RMB148.8 million for the years ended 31 December 2013, 2014 and 2015 respectively.

During the years ended 31 December 2013, 2014 and 2015, the Shanghai Ganglian Group financed its operation through operating cash flows and borrowings.

Segment information

The table bellows set out the revenue by service line.

	For the year ended 31 December		
	2013	**2014**	**2015**
	RMB	*RMB*	*RMB*
Provision of e-commerce trading	–	7,361,904,848	21,195,082,112
Supplying information of steel and other commodity through www.mysteel.com	1,553,053,135	193,084,824	159,740,320
Other services	–	2,120,480	2,313,250
Total	1,553,053,135	7,557,110,152	21,357,135,682

All revenue for the years ended 31 December 2013, 2014 and 2015 are all derived from China.

Liquidity and financial resources

As at 31 December 2013, 2014 and 2015, the current ratio (calculated by current assets divided by current liabilities) of the Shanghai Ganglian Group was approximately 1.59, 2.06 and 1.03 respectively.

As at 31 December 2013, 2014 and 2015, the Shanghai Ganglian Group had (i) short term borrowings of RMB126.9 million, RMB116.8 million and RMB74.0 million respectively; and (ii) long term borrowings of nil, RMB77.0 million and RMB65.0 million respectively (iii) shareholder's loan of RMB578.0 million as at 31 December 2015 only. The gearing ratios (being total borrowings and shareholders' loans over the total equity) of the Shanghai Ganglian Group were approximately 29.2%, 22.8% and 243.4% as at 31 December 2013, 2014 and 2015 respectively.

Funding and treasury policy

The Shanghai Ganglian Group adopt a prudent funding and treasury policy towards their overall business operations with an aim to minimise financial risks. Future projects will be financed by cash flows from operations, capital raised by means of equity financing or borrowings.

Foreign exchange management

The Shanghai Ganglian Group adopt are limited liability companies incorporated in the PRC and most of their monetary assets, liabilities, incomes and expenses were denominated in RMB. The Shanghai Ganglian Group did not use any derivative financial instruments for currency hedging purposes.

Hedging instrument

The Shanghai Ganglian Group had no hedging instruments as at 31 December 2013, 2014 and 2015.

Capital commitment

As disclosed in the 2013, 2014 and 2015 annual report, the Shanghai Ganglian Group had no material capital commitment as at 31 December 2013, 2014 and 2015.

Significant investments held and their performance

The Shanghai Ganglian Group has long-term equity investments in the below associated companies during the years ended 31 December 2013, 2014 and 2015.

	% of equity interests held by Shanghai Ganglian Group For the year ended 31 December			Carrying amount of associated companies For the year ended 31 December		
	2013	2014	2015	2013	2014	2015
				RMB	*RMB*	*RMB*
淄博隆眾信息技術有限公司/ 山東隆眾信息技術有限公司 (Shandong Longzhong Information Technology Co. Ltd.*)	25%	25%	–	9,144,779	8,702,075	–
上海西鋼電子商務有限公司 (Shanghai Xigang Ecommerce Co., Ltd*)	49%	49%	–	1,960,716	1,966,180	–
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	40%	40%	44.44%	3,634,424	2,633,418	5,944,399
上海金意電子商務有限公司 (Shanghai Jinyi Ecommerce Co., Ltd.*)	48%	49%	49%	1,842,935	9,254,220	9,341,014
山東鋼聯電子商務有限公司 (Shandong Ganglian Ecommerce Co., Ltd*)	2.86%	–	–	2,000,000	–	–
杭州高達軟件系統股份有限	10%	–	–	12,000,000	–	–
誠融(上海)動產信息服務有限公司 (Cheng Rong (Shanghai) Real Estate Information Service Co., Ltd*)	–	–	27%	–	–	25,640,033
上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*)	–	–	40%	–	–	4,289,247
Total				30,582,854	22,555,893	45,214,693

The share of losses of the associated companies were RMB1.5 million, RMB1.4 million and RMB2.1 million for the years ended 31 December 2013, 2014 and 2015 respectively.

Significant acquisitions and disposals

During the year ended 31 December 2013, the Shanghai Ganglian Group has invested approximately RMB7.4 million in the associated companies.

During the year ended 31 December 2014, the Shanghai Ganglian Group has no material acquisition and disposal.

During the year ended 31 December 2015, the Shanghai Ganglian Group disposed 25% equity interest of an associated company for a consideration of RMB12 million and 49% equity interest of an associated company for a consideration of RMB1,960,000. The Shanghai Ganglian Group invested RMB35.8 million to three associated companies.

Contingent liabilities

As disclosed in the 2013, 2014 and 2015 annual report, the Shanghai Ganglian Group had no material contingent liabilities as at 31 December 2013, 2014 and 2015.

Charge on assets

As at 31 December 2013, the bank borrowings amounted to RMB126.9 million are secured by the parent company, shareholder, inventories and fixed bank deposits.

As at 31 December 2014, the bank borrowings amounted to RMB196.3 million are secured by the parent company, shareholder, properties and land use right.

As at 31 December 2015, the bank borrowings amounted to RMB151.0 million are secured by the parent company, properties and land use right.

Employee information

The Shanghai Ganglian Group has 906, 1,490 and 1,486 employees as at 31 December 2013, 2014 and 2015 respectively.

Remuneration policy

The Shanghai Ganglian Group adopted remuneration policy based on the position and performance of the employees. During the years ended 31 December 2013, 2014 and 2015, the total staff remuneration of the Shanghai Ganglian Group amounted to RMB62.5 million, RMB124.7 million and RMB183.3 million respectively.

Set out below is the management discussion and analysis on Shanghai Ganglian for the three months ended 31 March 2015 and 31 March 2016. The following financial information is based on the unaudited financial information of Shanghai Ganglian, which was prepared under China Accounting Standards for Business Enterprises, as set out in this Appendix to this circular.

Background

Shanghai Ganglian is a company established under the laws of PRC and its shares are listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange since 8 June 2011. Its registered and issued capital was RMB156,000,000 as at 31 March 2016. Shanghai Ganglian and its subsidiaries ("**Shanghai Ganglian Group**") is an e-commerce operator of B2B information and transaction for steels and other commodities.

Revenue

Shanghai Ganglian Group is principally engaged in (i) provision of e-commerce trading through www.banksteel.com; (ii) supplying information of steel and other commodities through www.mysteel.com and (iii) other services, which accounted for 99.37%, 0.62% and 0.01% of the total revenue for the three months ended 31 March 2016 respectively.

Cost of sales

The cost of sales accounted for approximately 99.0% and 99.0% of the total revenue for the three months ended 31 March 2015 and 2016 respectively.

Selling expenses

The selling expenses primarily included salaries, warehouse rentals and office expenses, which in aggregate accounted for approximately 75.2% and 87.9% of the total selling expenses for the three months ended 31 March 2015 and 2016 respectively.

Administrative expenses

The administrative expenses primarily included salaries, project development expenses, depreciation, office expenses and taxes which in aggregate accounted for approximately 73.4% and 70.9% of the total administrative expenses for the three months ended 31 March 2015 and 2016 respectively.

Finance cost

The finance costs mainly included interest expenses on borrowings, other finance charges, interest income from bank deposits and gains from foreign exchange.

Other income

Other income mainly consisted of government subsidy. Other income was approximately RMB3.4 million and RMB2.6 million, which included RMB3.4 million and RMB2.5 million of government subsidy for the three months ended 31 March 2015 and 2016 respectively.

Property, plant and equipment

Property, plant and equipment was approximately RMB222.2 million and RMB218.3 million as at 31 December 2015 and 31 March 2016 respectively.

Available-for-sale financial assets

Available-for-sale financial assets, which included equity investments in private companies, were approximately RMB66.0 million and RMB75.7 million as at 31 December 2015 and 31 March 2016 respectively.

Long-term equity investments

Long-term equity investments, which included investments in associates, amounted to RMB45.2 million and RMB51.0 million as at 31 December 2015 and 31 March 2016 respectively.

Inventories

Inventories accounted for approximately 13.3% and 10.6% of total assets as at 31 December 2015 and 31 March 2016 respectively.

Prepayment

Prepayment accounted for approximately 43.9% and 47.1% of total assets as at 31 December 2015 and 31 March 2016 respectively. As at 31 March 2016, the prepayment was approximately RMB1,622.1 million in which approximately RMB1,621.9 million will be due within one year and approximately RMB0.2 million will be due within one to two years.

Bank and cash balance

Bank and cash balances, which were all denominated in RMB, accounted for approximately 18.7% and 26.5% of the total assets of the Shanghai Ganglian Group as at 31 December 2015 and 31 March 2016 respectively.

Receipt in advance

Receipt in advance included prepayment from customers and deferred income (due within one year) and they accounted for approximately 43.9% and 47.1% of total assets as at 31 December 2015 and 31 March 2016 respectively.

Borrowings (current and non-current portion)

Borrowings, which were repayable within one year, accounted for approximately 4.7% and 3.6% of the total liabilities of the Shanghai Ganglian Group as at 31 December 2015 and 31 March 2016 respectively. Non-current portion of borrowings accounted for approximately 4.1% and 2.6% of the total liabilities of the Shanghai Ganglian Group as at 31 December 2015 and 31 March 2016 respectively. The current and non-current borrowings are denominated in RMB and secured by land and buildings of Shanghai Ganglian. The annual interest rates of borrowings are within the range between 4.5% and 6.4%.

Other payables

Other payables included mainly shareholders' loans, current account with related parties, construction cost accruals and guarantee deposits of borrowings. Other payables accounted for approximately 47.4% and 29.6% of the total liabilities of the Shanghai Ganglian Group as at 31 December 2015 and 31 March 2016 respectively.

Period to period comparisons

(i) Comparison for the three months ended 31 March 2016 to the three months ended 31 March 2015

For the three months ended 31 March 2016, the Shanghai Ganglian Group recorded a revenue of approximately RMB5,972.3 million, representing an increase of approximately 81.1% as compared with that of approximately RMB3,298.7 million for the three months ended 31 March 2015. Such increase was primarily due to increased number of e-commerce trading volume and customers through www.banksteel.com. As disclosed in the 2016 first quarter report of Shanghai Ganglian, the business model of www.banksteel.com is getting more mature and popular among the industry.

The cost of sales increased approximately 81.1% from approximately RMB3,265.9 million for the three months ended 31 March 2015 to approximately RMB5,914.1 million for the three months ended 31 March 2016 due to the substantial increase of revenue.

The Shanghai Ganglian Group recorded a gross profit of approximately RMB58.2 million, representing an increase of approximately 77.8% from a gross profit of approximately RMB32.8 million for the three months ended 31 March 2015. According to the 2016 first quarter report, the improvement of gross profit was mainly due to the expansion of the e-commerce platform.

The selling expenses was decreased by approximately 24.9% from approximately RMB41.4 million for the three months ended 31 March 2015 to approximately RMB31.1 million for the three months ended 31 March 2016. Such decrease was the result of the implementation of stringent control of selling expenses.

The administrative expenses was increased by approximately 12.9% from RMB23.0 million for the three months ended 31 March 2015 to RMB26.0 million for the three months ended 31 March 2016. The increase was mainly attributable to higher amount of research and development costs.

The reversal of asset impairment loss was RMB8.0 million for the three months ended 31 March 2016, representing the reversal of inventory impairment loss.

Due to the reasons stated above, the Shanghai Ganglian Group turned from a net loss after taxation of approximately RMB29.5 million for the three months ended 31 March 2015 to a net profit after taxation amounted to approximately RMB5.7 million for the three months ended 31 March 2016.

Cash flow position

The Shanghai Ganglian Group recorded a net operating cash outflow amounted to approximately RMB224.7 million and approximately RMB47.3 million for the three months ended 31 March 2015 and 2016 respectively As disclosed in the 2016 quarter report, the reduction of cash outflow was due to the inventory build-up for sale in the same period in 2016.

The cash flow in relation to investing activities was changed from cash inflow of approximately RMB8.3 million for the three months ended 31 March 2015 to cash outflow of approximately RMB21.5 million for the three months ended 31 March 2016. It was mainly due to the increase in long-term equity investment in associated companies.

The net cash inflow of financing activities increased from approximately RMB447.1 million for the three months ended 31 March 2015 to approximately RMB657.2 million for the three months ended 31 March 2016. It is mainly attributed to the issue of shares in a subsidiary.

The Shanghai Ganglian Group recorded a net cash inflow approximately RMB230.7 million and approximately RMB588.4 million for the three months ended 31 March 2015 and 2016 respectively.

During the three months ended 31 March 2015 and 2016, the Shanghai Ganglian Group financed its operation through operating cash flows and borrowings.

Segment information

The table bellows set out the revenue by service line.

	For the three months ended 31 March	
	2015	**2016**
	RMB	*RMB*
Provision of e-commerce trading	3,261,403,784	5,934,717,943
Supplying information of steel and other commodity through www.mysteel.com	37,293,224	37,022,599
Other services	–	578,313
Total	3,298,697,008	5,972,318,855

All revenue for the three months ended 31 March 2015 and 2016 are all derived from China.

Liquidity and financial resources

As at 31 March 2016, the current ratio (calculated by current assets divided by current liabilities) of the Shanghai Ganglian Group was approximately 1.28.

As at 31 March 2016, the Shanghai Ganglian Group had (i) short term borrowings of RMB88.8 million; and (ii) long term borrowings of RMB65.0 million (iii) shareholder's loan of RMB578 million as at 31 March 2016. The gearing ratios (being total borrowings and shareholders' loans over the total equity) of the Shanghai Ganglian Group were approximately 77% as at 31 March 2016.

Funding and treasury policy

The Shanghai Ganglian Group adopt a prudent funding and treasury policy towards their overall business operations with an aim to minimise financial risks. Future projects will be financed by cash flows from operations, capital raised by means of equity financing or borrowings.

Foreign exchange management

The Shanghai Ganglian Group are limited liability companies incorporated in the PRC and most of their monetary assets, liabilities, incomes and expenses were denominated in RMB. The Shanghai Ganglian Group did not use any derivative financial instruments for currency hedging purposes.

Hedging instrument

The Shanghai Ganglian Group had no hedging instruments as at 31 March 2016.

Capital commitment

As disclosed in the 2016 first quarter report, the Shanghai Ganglian Group had no material capital commitment as at 31 March 2016.

Significant investments held and their performance

The Shanghai Ganglian Group has long-term equity investments in the below associated companies as at 31 March 2016.

	% of equity interests held by Shanghai Ganglian Group as at 31 March 2016	Carrying amount of associated companies as at 31 March 2016 *RMB*
上海領建網絡有限公司 (Shanghai Linjian Network Co., Ltd.*)	44.4%	3,610,340
誠融(上海)動產信息服務有限公司 (Cheng Rong (Shanghai) Real Estate Information Service Co., Ltd*)	27%	24,965,368
上海智維資產管理有限公司 (Shanghai Intellectual Property Management Co., Ltd.*)	40%	20,610,589
內蒙古鋼銀信息科技有限公司 (Inner Mongolia Ganglian Information Technology Co., Ltd*)	20%	1,861,143
Total		51,047,440

The share of losses of the associated companies was RMB2.4 million for the three months ended 31 March 2016.

Significant acquisitions and disposals

During the three months ended 31 March 2016, the Shanghai Ganglian Group invested RMB18 million to two associated companies.

Contingent liabilities

As disclosed in the 2016 first quarter report, the Shanghai Ganglian Group had no material contingent liabilities as at 31 March 2016.

Charge on assets

As at 31 March 2016, the bank borrowings amounted to RMB163.8 million are secured by the parent company, properties and land use right.

Employee information

The Shanghai Ganglian Group has 1,462 employees as at 31 March 2016.

Remuneration policy

The Shanghai Ganglian Group adopted remuneration policy based on the position and performance of the employees. During the three months ended 31 March 2016, the total staff remuneration of the Shanghai Ganglian Group amounted to RMB45.8 million.

Asset Valuation Report on the Valuation of the Entire Equity Interests of Shareholders of Beijing Zhixing Ruijing Technology Co., Ltd in Relation to the Proposed Acquisition of Assets by Share Issuance and Cash Payment by Shanghai Ganglian E-Commerce Holdings Co., Ltd

CanWin Ping Bao [2016] No. 262

CanWin Appraisal Co., Ltd

1 July 2016

CONTENTS

STATEMENT OF CERTIFIED PUBLIC VALUER

1. To the best knowledge of the certified public valuer, the matters stated in the valuation report are objective.

2. The certified public valuer has no current or anticipated interest in the valuation target and no personal interest in the entrusting party and the concerned parties; and has no bias on the entrusting party and the concerned parties.

3. The analysis and conclusions in this valuation report are formed under the principles of independence, objectiveness and fairness, which are subject to the assumptions and limitations in the valuation report.

4. The valuation conclusions are valid only for the valuation benchmark date specified in the valuation report. The users of the valuation report shall obtain reasonable assurance about the validity period of the valuation report based on the asset condition and changes in market conditions after the valuation benchmark date.

5. The certified public valuer and the appraisal institution have the professional qualifications and relevant professional valuation experiences required in this valuation engagement; save as the works completed by the appraisal institution or experts as disclosed in the valuation report, no work results by other appraisal institutions or experts have been applied during the valuation process.

6. The certified public valuer and their business assistants have conducted on-site survey on the valuation target.

7. The objective of the certified public valuer conducting the asset valuation engagement is to estimate the value of the valuation target and to express professional opinions therefor. The certified public valuer accepts no responsibilities for the decision of the concerned parties. The valuation conclusion shall not be construed as a guarantee of the realisable value of the valuation target.

8. The responsibilities of the certified public valuer are to conducting valuation on the valuation target and to express professional opinions according to the relevant laws, regulations and criteria for asset valuation. The entrusting party and the concerned parties are responsible for providing required information and assuring the authenticity, legality and completeness thereof, as well as the appropriate usage of the valuation report.

9. The certified public valuer has paid necessary attention to the legal titles of the valuation target, but will not to make any form of guarantee on the legal titles of the valuation target.

10. The usage of the valuation report is limited to the valuation purposes stated in the valuation report. The signing certified public valuer and the appraisal institution accept no responsibility for the consequences resulted from any improper usage.

Asset Valuation Report
on the Valuation of the Entire Equity Interests of Shareholders of Beijing Zhixing Ruijing Technology Co., Ltd in Relation to the Proposed Acquisition of Assets by Share Issuance and Cash Payment by Shanghai Ganglian E-Commerce Holdings Co., Ltd

CanWin Ping Bao [2016] No. 262

SUMMARY

The following is an excerpt from the valuation report. For detailed information of this valuation and a reasonable understanding of the valuation conclusions, please read the valuation report thoroughly and carefully.

I. The entrusting party and the valuated entity and other users of the valuation report

The entrusting party of this asset valuation is Shanghai Ganglian E-Commerce Holdings Co., Ltd (hereinafter "Shanghai Ganglian"), and the valuated entity of this asset valuation is Beijing Zhixing Ruijing Technology Co., Ltd (hereinafter "Zhixing Ruijing").

According to "The Asset Valuation Engagement Letter", other users of this valuation report are the valuation report users as stipulated by PRC laws and regulations.

II. Valuation purpose

Shanghai Ganglian proposed to acquire the equity interests of Zhixing Ruijing by share issuance and cash payment. According to the agreement of the valuation engagement letter, valuation is required for the value of all the interests of shareholders of Zhixing Ruijing.

The purpose of the valuation is to provide reference relating to the value of the entire interests of shareholders of Zhixing Ruijing for such economic behaviour.

III. Target and scope of valuation

According to the agreement of the valuation engagement letter, the valuation target is the entire interests of shareholders of Zhixing Ruijing in relation to the abovementioned economic behaviour.

The scope of valuation covers all assets and related liabilities of Zhixing Ruijing, including current assets, non-current assets and current liabilities. In accordance with the audited financial statements as at 29 February 2016 provided by Zhixing Ruijing, the carrying amounts of assets, liabilities and shareholders' interests are RMB128,619,625.92, RMB74,243,884.24 and RMB54,375,741.68 respectively.

IV. Type of value and its definition

The type of value for this valuation is market value.

Market value represents the estimated value for which the valuation target will be exchanged on the valuation benchmark date between a willing buyer and a willing seller in an arm's length transaction wherein the parties have each acted rationally and without compulsion.

V. Valuation benchmark date

The valuation benchmark date is 29 February 2016.

VI. Valuation method

According to the relevant conditions such as the valuation target, the type of value and the information collected, the income approach and the market approach were adopted for this valuation.

VII. Valuation conclusions

After comprehensive analysis, the conclusions for this valuation have been arrived at using the income approach. The appraised value of the entire interests of shareholders of Zhixing Ruijing is RMB2,084,239,700.00 (in words: RMB Two Billion Eighty-Four Million Two Hundred Thirty Nine Thousand and Seven Hundred).

VIII. Validation period of the valuation conclusions

The validation period of the valuation conclusions is one year, from the valuation benchmark date 29 February 2016 to 28 February 2017.

IX. Special issues affecting the valuation conclusions

1. As at the valuation benchmark date, Zhixing Ruijing is facing the following pending litigations, which may affect the relevant assets.

   (1) Zhixing Ruijing applied for arbitration to Beijing Arbitration Commission for, among other things, the demand for payment of contract debts. Such applications have been accepted, details of which are as shown below:

No.	Name of respondent	Request for arbitration	Case No.	Current stage
1	Huatune Technology Co., Ltd.	Demand for payment of contract debts of RMB125,000	(2016) Jing Zhong Cai Zi No. 0816	Under arbitration
2	OAXIS China Co., Ltd.	Demand for payment of contract debts of RMB121,700	(2016) Jing Zhong Cai Zi No. 0817	Under arbitration

   (2) Zhixing Ruijing (as a defendant) is facing four pending litigations, details of which are as shown below:

No.	Name of plaintiff	Cause of action	Latest judgement	Current stage
1	Panorama Media (Beijing) Ltd	Infringement of image	To compensate for economic loss of RMB16,200	Under appeal
2	Liu Shishi (劉詩施)	Infringement of portrait rights	To publish an apology statement on website throughout a period of ten days; to compensate for economic loss of RMB15,000	
3	Tong Liya (佟麗婭)	Infringement of portrait rights	To publish an apology statement on website throughout a period of ten days; to compensate for economic loss of RMB15,000	

No.	Name of plaintiff	Cause of action	Latest judgement	Current stage
4	Zhang Peimeng (張培萌)	Infringement of portrait rights	To publish an apology statement on website throughout a period of ten days; to compensate for economic loss of RMB10,000	Under appeal

The relevant litigation costs have been taken into account in using the income approach for this valuation.

Zhixing Ruijing has undertaken that, as at the valuation benchmark date, save as the abovementioned matters, it has no other contingencies (such as charges on assets, pledges, external guarantees, pending litigations, significant financial commitments).

2. According to the relevant information provided by the entrusting party, HC INTERNATIONAL, INC. (Chinese name: 慧聰網有限公司, hereinafter "HC") will carry out internal reorganization for the equity interests, assets and personnel of the business of ZOL (中關村在線) with Zhixing Ruijing as the integration subject in respect of such economic behaviour, particularly:

(1) Transfer of equity interests of the Target Company: Guo Jiang (郭江) and Liu Xiaodong (劉小東), the existing shareholders of Zhixing Ruijing, will transfer the entire equity interests in Zhixing Ruijing held by them to Beijing Huicong Construction Information Consulting Co., Ltd. and Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership). Upon the completion of such equity transfer, Beijing Huicong Construction Information Consulting Co., Ltd. and Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership) will hold as to 60% and 40% of Zhixing Ruijing respectively.

(2) Transfer of assets, businesses and personnel: HC and other companies controlled by HC will transfer the assets, personnel and contracts related to the operation of Zhixing Ruijing to Zhixing Ruijing.

(3) Termination of all the VIE agreements entered into between Zhixing Ruijing, Beijing Orange Triangle Technology Co., Ltd. and Orange Triangle, Inc..

According to the "Framework Agreement Relating to Assets Acquisition through Share Issuance and Cash Payment by Shanghai Ganglian E-Commerce Holdings Co., Ltd and Beijing Huicong Construction Information Consulting Co., Ltd., Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership), HC INTERNATIONAL, INC."

(《上海鋼聯電子商務股份有限公司與北京慧聰建設信息諮詢有限公司、西藏銳景慧傑創業投資合夥企業(有限合夥)、HC INTERNATIONAL, INC.之發行股份及支付現金購買資產框架協議》) (hereinafter the "Reorganization Agreement"), the amount due to the offshore or onshore companies controlled by HC for Zhixing Ruijing is arranged to be exempt from payment by or refunded to Zhixing Ruijing after payment as a result of signing the structured contract for the period from transaction benchmark date to the date of termination of the structured contract.

According to the arrangement of the aforesaid internal reorganization plan and Reorganization Agreement, this valuation is assumed as follows:

(1) According to the Exclusive Licensing Agreement on Intellectual Property signed between Zhixing Ruijing and Orange Triangle, Inc., Zhixing Ruijing shall pay licensing fee in accordance with 12% of its total annual revenue to Orange Triangle, Inc. Such fee is derived from the VIE structures. According to the aforesaid internal reorganization plan, when estimating the revenue in this valuation, the cost of such licensing fee is no longer considered separately.

(2) According to the Exclusive Technical Services Agreement signed between Zhixing Ruijing and Beijing Orange Triangle Technology Co., Ltd., the related party, Zhixing Ruijing shall pay technical service fee of RMB5 million per year to Beijing Orange Triangle Technology Co., Ltd. Such fee is derived from the VIE structures. According to the aforesaid internal reorganization plan, when estimating the revenue in this valuation, the personnel of Beijing Orange Triangle Technology Co., Ltd. will be transferred to Zhixing Ruijing and the relevant fee and expenses will be considered, and the cost of such technical service fee is no longer otherwise considered.

As at the issue date of this valuation report, the aforesaid internal reorganization has not yet been implemented.

Please read the asset valuation report thoroughly and carefully for the special issues and the restrictions on the use of the valuation report.

Asset Valuation Report on the Valuation of the Entire Equity Interests of Shareholders of Beijing Zhixing Ruijing Technology Co., Ltd in Relation to the Proposed Acquisition of Assets by Share Issuance and Cash Payment by Shanghai Ganglian E-Commerce Holdings Co., Ltd

CanWin Ping Bao [2016] No. 262

To Shanghai Ganglian E-Commerce Holdings Co., Ltd.,

CanWin Appraisal Co., Ltd. have been engaged by the Company to perform necessary valuation procedures according to the relevant laws, regulations and principles and standards for assets valuation by adopting income approach and market approach respectively to evaluate the market value of the shareholders' entire equity interests of Beijing Zhixing Ruijing Technology Co., Ltd on 29 February 2016 with respect to the assets to be acquired by the Company through share issuance and cash payment. The assets valuation is set as follows:

I. The entrusting party, the valuated entity and other users of the valuation report

In this asset valuation, Shanghai Ganglian E-Commerce Holdings Co., Ltd. is the entrusting party and Beijing Zhixing Ruijing Technology Co., Ltd is the valuated entity.

(I) Overview of the entrusting party

1. Name: Shanghai Ganglian E-Commerce Holdings Co., Ltd. (上海鋼聯電子商務股份有限公司) ("Shanghai Ganglian")

2. Address: No. 68, Yuanfeng Road, Baoshan District, Shanghai

3. Legal representative: Zhu Junhong (朱軍紅)

4. Registered capital: RMB156,000,000

5. Company nature: limited liability company (listed)

6. Registration number of corporate business license 913100006317557680

7. Issued by: Shanghai Administration for Industry and Commerce

8. Business scope: sales and development of computer software and network technique, network system integration, sales of metallic material, refractory material, building materials, chemical materials (excluding hazardous material), electromechanical equipments, rubber products, wood, black metallic ore and hardware and electrical equipments, advertisement design, advertizing through self-owned media, exhibition service, market information consultation and investigation, (not allowed to engage in social investigation, social investigation and research, public opinion investigation, public opinion poll), affiliated agency, cargo and technical imports and exports business, corporate management and consultation, investment consultation, corporate identity, marketing planning; the call center business of the second type of value-added telecom services (with business scope detailed in the permit in the appendix), information services business of the second type of value-added telecom services (excluding fixed network telephone information services, and internet information services being limited to Shanghai). Items required to be approved by law shall not be carried out until obtaining such approval from the relevant department

(II) Overview of the valuated entity

I) Name, nature and organization of the entity

1. Name: Beijing Zhixing Ruijing Technology Co., Ltd (北京知行銳景科技有限公司) ("Zhixing Ruijing")

2. Address: Floor 8/9, No. 3 Haidian Street (Land No.11-2), Haidian District, Beijing

3. Legal Representative: Liu Xiaodong (劉小東)

4. Registered Capital: RMB10,000,000

5. Company nature: limited liability company (invested or controlled by natural person)

6. Registration number of corporate business license: 91110108306741223D

7. Issued by: Haidian Branch, Beijing Administration for Industry and Commerce

8. Business scope: information services business in the second type of value-added telecom services (internet information service only, which excludes services about news, publication, education, health care, pharmaceuticals and medical devices and electronic

bulletin); technology development, technology transfer, technical consultation, technology promotion, technical services; economic and trade consulting; conference services; contracting exhibition activities; organizing culture and art exchange activities (excluding business performances); corporate planning; designing, producing, acting as agent for and posting advertisement; selling self-developed products; sales of computers, software and auxiliary equipments, communications equipments, electronics, cars, car installation kits, gifts, publications, household appliances, costume, cosmetics and food online. Items required to be approved by law shall not be carried out until obtaining such approval from relevant department

II) Company History

1. Information about the establishment of the company since established

Zhixing Ruijing was established on 11 September 2014 with the initial registered capital RMB1,000,000. Details of the shareholders and their contributions as established are as follows: Yang Fan (楊帆) contributed RMB500,000 (representing 50% of registered capital), Xie Xianju (謝先菊) contributed RMB500,000 (representing 50% of registered capital).

2. Changes in the shareholding of the company

The registered capital of the company was increased to RMB4 million as determined at the company's general meeting on 10 January 2015. The shareholding structure after the capital increase was as follows:

Name of shareholders	**Contribution** *(RMB0'000)*	**Percentage of contribution**
Yang Fan	50	12.5%
Xie Xianju (謝先菊)	50	12.5%
Liu Xiaodong	240	60%
Wang Qian	20	5%
Shi Shilin	20	5%
Yang Ye	20	5%
Total	400	100%

The registered capital of the company was increased to RMB10 million as determined at the company's general meeting on 18 June 2015, among which, the newly increased registered capital of RMB6 million was contributed by a natural person Guo Jiang and Yang Fan, Xie Xianju, Shi Shilin, Yang Ye and Wang Qian transferred their equities held in the corporate to Liu Xiaodong.

After the aforesaid changes in shareholding and capital increases, the registered capital of Zhixing Ruijing is RMB10,000,000 as at the valuation benchmark date, and the shareholding structure is as follows:

Name of shareholders	**Contribution** *(RMB0'000)*	**Percentage of contribution**
Liu Xiaodong	400	40%
Guo Jiang	600	60%
Total	1,000	100%

3. The substance of the company's shareholding structure

On 8 May 2015, HC INTERNATIONAL, INC. (Chinese name: 慧聰網有限公司, hereinafter "HC") purchased the entire equity of Orange Triangle, Inc. (hereinafter "Orange Triangle") from the shareholder of Orange Triangle, Navi-IT Limited (hereinafter "Navi-IT") through shares issuance and cash payment, which further led to the control over Zhixing Ruijing. The shareholders of Navi-IT are Wisedom Limited (a company established according to BVI law and wholly-owned by Liu Xiaodong), Wiki Limited (a company established according to BVI law and wholly-owned by Wang Qian), Yang Ye and Shi Shilin. According to the relevant laws and regulations and the agreed arrangement by the parties of the transaction, as a prerequisite for delivery, Orange Triangle shall build a VIE structure to control Zhixing Ruijing.

(1) Purchasing Orange Triangle and Zhixing Ruijing

On 8 May, 2015, HC signed the "Agreement For The Sale And Purchase Of 100% Shares In Orange Triangle" ("Orange Triangle 100 companies % equity transfer agreement") with Navi-IT and Liu Xiaodong, Wang Qian, Shishi Lin and Yang Ye as guarantees of Navi-IT. Pursuant to the agreement, the price of Navi-IT transferred its entire equity held in Orange Triangle to HC at consideration of RMB1.5 billion, and HC issued shares to the guarantees of Navi-IT and made payment in cash to settle the consideration.

On 18 Jun 2015, Zhixing Ruijing increased its registered capital to RMB10 million by resolution at the general meeting of Zhixing Ruijing, of which the newly increased registered capital of RMB6 million was contributed by natural person Guo Jiang, representing 60% of the company's equity. Yang Fan (楊帆), Xie Xianju (謝先菊), Shi Shilin, Yang Ye and Wang Qian transferred all of their equities in the company to Liu Xiaodong. As a result of the equity transfer, Liu Xiaodong holds 40% of the company's equity.

(2) Building VIE structures

As a prerequisite for delivery, Orange Triangle built the VIE structure as follows:

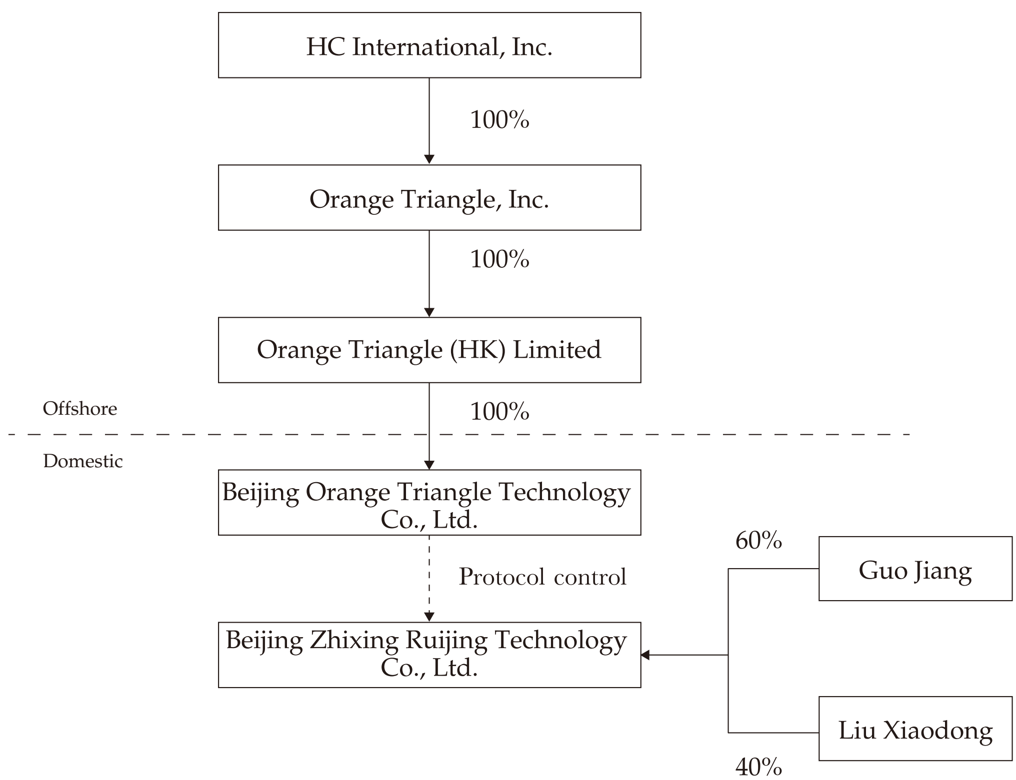
1) On 14 April 2015, OT established Orange Trangle (HK) Limited ("Orange Triangle HK") and holds 100% equity of Hong Kong OT.

2) On 22 May 2015, Liu Xiaodong undertook the foreign exchange registration of offshore investment by individual domestic resident with regarding to the establishment of offshore SPV Wisdom Limited for his equity in Zhixing Ruijing, and Wang Qian undertook the foreign exchange registration of offshore investment by individual domestic resident with regarding to the establishment of offshore SPV Wiki Limited for her equity in Zhixing Ruijing. Shi Shilin and Yang Ye undertook the foreign exchange registration of offshore investment by individual domestic resident with regarding to the establishment of offshore SPV Navi-IT for their equities in Zhixing Ruijing respectively.

3) On 30 June 2015, OT Hong Kong established a wholly foreign-owned enterprise, Beijing Orange Triangle Technology Co., Ltd. ("Orange Beijing") and holds its entire equity. Orange Beijing has the Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and overseas Chinese in the PRC (Shang Wai Zi Jing Zi Zi [2015] No.8205) and Business License of Enterprise Legal Person issued by People's Government of Beijing Municipality. The gross investment is USD150,000 and the registered capital is USD150,000.

4) On 3 July 2015, Orange Beijing signed VIE agreement with Zhixing Ruijing and its shareholders Guo Jiang and Liu Xiaodong. VIE agreement includes: Exclusive Option Agreement, Equity Pledge Agreement, Management and Operations Agreement, Voting Rights Proxy Agreement, Exclusive Technical Services Agreement.

After completion of the above transactions, the shareholding structure and controlling relationship of Zhixing Ruijing are as follows:



III) The following table set out the assets and liabilities position and results of operation of the valuated entity during the last 2 years and up to valuation benchmark date:

Unit: RMB

Name of item	**31 December 2014**	**31 December 2015**	**Benchmark date**
Assets	6,844,727.45	156,336,549.74	128,619,625.92
liabilities	4,529,751.07	102,514,159.43	74,243,884.24
Shareholders' equity	2,314,976.38	53,822,390.31	54,375,741.68

Name of item	**2014**	**2015**	**January to February 2016**
Operating income	1,761,184.08	293,702,959.40	28,275,597.47
Operating cost	0.00	155,427,633.18	17,500,529.74
Total profit	1,478,693.09	52,941,266.01	553,351.37
Net profit	1,314,976.38	42,507,413.93	553,351.37

The financial statements for the above years and as at the benchmark date have been audited by Ruihua Certified Public Accountants, and the Audit Report (Ruihua Shen Zi [2016] - No. 31010034) is unqualified.

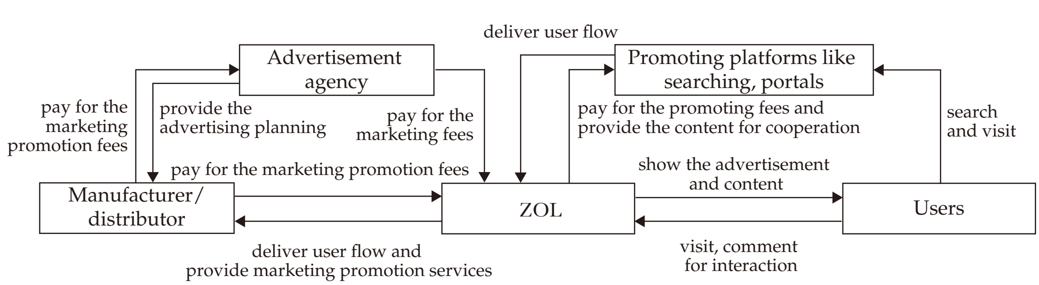
IV) Operations overview of the company

1. Main business and products of the company

Zhixing Ruijing operates the operational websites under the domain names of www.zol.com.cn (中關村在線), www.zol.com (中關村商城), www.ea3w.com (萬維家電網) etc. Among which, ZOL, its domain name was registered in March 1999 and then commenced operation, offers content mainly relating to IT-related products such as handsets and accessories, wearable devices, computers (desktop, laptop and tablets), camera, computer hardware and software, gaming, audio and video products, home appliances, office equipment and automobile accessories. As products and related technologies have been updating rapidly and the IT users often pay close intention to the latest information of new technology and product features as well as the audited data, ZOL keeps updating its content and positions to provide comprehensive information of IT-related products, including specifications, pricing, examination, test reports and future trends. As at February 2016, ZOL (business involved: ZOL, ZOLCOM, WAP website, client) has total registered users of more than 42.86 million; and the average daily page views (PV) on PC and mobile internet device reached 30.13 million times and 25.50 million times respectively, while the corresponding daily unique visitors (UV) of 2.95 million and 3.10 million. ZOL has become the first choice of IT products purchaser and the decision makers in IT field across the country. According to the statistics of China Webmaster, ZOL ranks No.16 among the Chinese websites and No.1 among the Chinese network technology websites on a comprehensive basis.

Leveraging on ZOL's strengths of long-term website operating experience, years of accumulated users and strong brand in IT field, Zhixing Ruijing delves into customers' core demand by integrating various media resources. Since the establishment of ZOL in 1999, it has gradually developed unique competitive advantages and brand effect by grasping the opportunity during the rapid development of Internet and providing the advertisers with high-efficient, accurate, wide-covered, one-stop advertising service by promoting all kinds of IT products through various media channels and resources, and now the leading corporate in the IT vertical industry, field of Internet advertising business. Zhixing Ruijing and ZOL focus on the quantified matching, integration and spreading, thorough monitoring of Internet advertising, and provide high-quality services to advertiser and lock the media channels precisely, and have built several core advantages through the gradual accumulation, such as client resources, channel resources, integration of upstream and downstream resources, talent team, etc, and the marketing ability in IT field is widely recognized and has become an important network promoting platform of certain domestic and international famous IT products manufacturers, such as Jingdong, Lenovo, Samsung, etc.

The main income of Zhixing Ruijing includes advertising income from domestic and foreign manufacturers to post advertisement for relevant products and (or) brand on ZOL and the marketing solutions fees. The main products of Zhixing Ruijing were providing marketing promotion service of technology products. It provides customers (manufacturers/distributors) with comprehensive advertizing promotion and marketing services both online and offline by virtue of its large number of users attracted by the professional contents posted on ZOL and through mobile phone. The main flow chart is shown as below:



2. The current human resource and the employee structure of the company

Zhixing Ruijing has established functional departments as the Editorial Division, the Technical Division, the Design Division, the Market Division, the Sales Division and the Comprehensive Management Division, etc. As at February 2016, the company has employees of 448 in total, among whom, 13 owning master degree and 273 owning bachelor degree, while those with bachelor degree or higher accounting 63% of the all.

3. Information about the main customers of the company

Main customers of Zhixing Ruijing in recent years include 重慶京東海嘉電子商務有限公司, 深圳市神舟電腦股份有限公司，北京恒美廣告有限公司, 北京鵬泰互動廣告有限公司 and 電眾數碼(北京)廣告有限公司.

4. Major suppliers of the Company

Major suppliers of Zhixing Ruijing in recent years include Baidu (China) Co., Ltd, 天津奇思科技有限公司, 奇飛翔藝(北京)軟件有限公司, ChinaNetCenter Corporation (網宿科技股份有限公司), Beijing Branch, RealTrust LLC and so on.

5. Business model

(1) Procurement model

Zhixing Ruijing mainly procures searching engines-based keyword searching advertising. Searching engines set up sale prices according to keywords procured and the bidding for products, pursuant to which Zhixing Ruijing enters into framework contracts with companies which are engaged in operation of searching engine business, and reaches agreements on procurement products and amounts for the year.

Domestic searching engine market is highly concentrated, with three searching engines, namely Baidu, 360 and Sogou playing starring roles. Zhixing Ruijing enters into commercial agreements with searching engines every year, complied with the industry practice. Generally, searching engines will renew framework contracts or promotion agency contacts with keyword searching advertising purchasers at the end of each year or at the beginning of next year, to agree on the valid period, click stream and amount, etc. of the agreements.

(2) Sales mode

Zhixing Ruijing principally provides services to customers of consumer electronics, including brand manufactures of computers, mobile phones, digital cameras, household appliances, office equipment and automotive electronics. Most brand advertising customers have long-term advertising agents. Sales of brand advertising are classified into two modes, namely direct customer sales and channel agent sales. The direct customer mode refers to sales activities to the end customers via directly communicating the demands with customers. During the period, agents will be required to add demands confirmation to complete the placing of orders. Channel agent mode refers to sales activities to customer agents via communicating the demands with customer agents for achieving cooperation. The sales mode of advertising business is detailed as following:

A. Discount + delivery mode

When customers purchase products, give some discounts and arrange delivery resources for every order.

B. Service experiencing pack mode

For new advertising customers with limited budget shortly but with full potential tapped in the future, lower cooperation threshold and grant more resources.

C. Multiple advertising mode

For old customers placing annual orders and having long-term relationship with us, grant additional incentives in the proportion of hard-sell advertising and soft resources based on the amount increased, to encourage them to putting on more advertisements.

(3) Marketing promotion Mode

Provide comprehensive marketing and dissemination for cooperative customers mainly through important events, exhibitions and leaders' opinions.

6. Status and competitiveness of the Company in the industry

(1) Status of the Company in the industry

www.zol.com.cn of Zhixing Ruijing is the nationally biggest IT vertical website. According to the statistics of Webmaster Home (站長之家), www.zol.com.cn ranked 16th in the comprehensive overall rankings of Chinese websites and 1st in the comprehensive overall rankings of technology websites in Chinese websites.

(2) Analysis of competitiveness of the Company

A. The Company positions itself as a focused and professional internet content provider

The content provided by www.zol.com.cn is mainly concerning IT-related products, including mobile phone and accessories, wearable equipment, computers (desktop, notebook and tablet), cameras, hardware and software for computers, games, sound and video products, household appliances, office equipment and vehicle accessories. As products and related technology change rapidly and users of information technology are usually enthusiastic on the latest information of new technology and characteristics of new products as well as data of past reviews, www.zol.com.cn frequently updates its contents and positions itself as a provider of overall information in relation to IT-related products, including specifications, pricing, examination, testing report and future trends. On average, it provides 1,400 original professional articles every day and 200 professional content topics every month, covering almost 50 production lines, from DIY hardware to digital communication products, from office products to business solutions; from commercial information of products to performance testing, from news report to in-depth interviews, with a large number of contents covered in respect of particulars of IT field.

Meanwhile, www.zol.com.cn owns professional products database with the topmost coverage. In addition to providing users with product data, price, picture and information searching on zol.com, the top 4 web portals and almost a hundred online media applied the online standard product database of www.zol.com.cn, with internet coverage reaching the top of the industry.

B. Huge and active user base with wide coverage in China

www.zol.com.cn (including ZOL, zol.com (ZOL商城), WAP Station (WAP站) and customer terminal) has over 42 million registered users at present. Its daily page views (PV) from PC terminal amounted to 30 million times; daily unique visitors (UV) amounted to 2.95 million people; daily page views from mobile terminal amounted to 25.5 million and daily unique visitors amounted to 3.1 million people.

At the same time, www.zol.com.cn has 25 strategic alliance websites in China, covering seven areas, namely Northeast China, North China, Central China, East China, South China, Southwest China and Northwest China. As such, www.zol.com.cn owns deep penetration and wide coverage in China, which enables it to attract domestic and international leading manufacturers of IT-related products putting advertisements on www.zol.com.cn. In addition, huge user base allows www.zol.com.cn to learn preference and taste in the market more easily, which will be beneficial for www.zol.com.cn to provide suggestions for customers as to the future design and production of products with competitiveness.

C. www.zol.com.cn owns industry-recognized brands

www.zol.com.cn has been on operation for more than fifteen years and is recognised as China's leading portal for IT-related products. www.zol.com.cn has established cooperation with several domestic top searching engines and its contents are used as reference by a number of media and websites. With wide coverage of its IT users and IT related products series, www.zol.com.cn has become the first choice to obtain information about IT-related products in China. In 2014, www.zol.com.cn was awarded "The most influential Technology Information Application Award of China Mobile Internet Application 2013–2014 (2013–2014年度中國移動互聯網應用類最具影響力科技信息應用獎)" and "The Most influential IT Information Service/Internet Website Service of China 2013–2014 (2013–2014年度中國互聯網網站服務類／最具影響力IT資訊服務獎)" by iResearch Inc. (independent third party and research institute of Chinese Internet market).

D. A strong technical development, support and content production team

The website of www.zol.com.cn and its online store were developed by the internal development department. The internal development team consists of more than 80 programming staff with enrich knowledge about software development, systems engineering and multimedia application. The internal development department is responsible for the layout and design of the website, module creation for various types of software, system support and maintenance as well as connection with external systems. The content of www.zol.com.cn is from the editorial department which is responsible for writing articles with contents in relation to product examination and testing, market trends, domestic and international exhibitions, trade exhibitions, and investigation results of meetings and product launches. There is more than 200 staff in the editorial department and all of them mainly have IT background. All edited contents on www.zol.com.cn, including computer graphics, videos, static images, audios and advertisements may be completed and issued internally, assuring timely issuance and real time correction.

(III) Relationship between the entrusting party and the valuated entity

Entrusting party proposed to acquire the equity interests of the valuated entity by share issuance and cash payment.

(IV) Other users of the valuation report

According to the asset valuation engagement letter, other users of this valuation report shall be the users under the national laws and regulations.

II. Valuation purpose

Shanghai Ganglian proposed to acquire the equity interests of Zhixing Ruijing by share issuance and cash payment. According to the agreement of the valuation engagement letter, valuation is required for the value of all the interests of shareholders of Zhixing Ruijing.

The purpose of the valuation is to provide reference relating to the value of the entire interests of shareholders of Zhixing Ruijing for such economic behaviour.

III. Target and scope of valuation

According to the valuation engagement letter, valuation target is the entire shareholders' equity interests of Zhixing Ruijing in relation to the above economic behavior.

The scope of valuation covers all assets and related liabilities of Zhixing Ruijing, including current assets, non-current assets and current liabilities. In accordance with the financial statements as at 29 February 2016 audited by Ruihua Certified Public Accountants (special general partnership) and provided by Zhixing Ruijing, the carrying amounts of assets, liabilities and shareholders' interests are RMB128,619,625.92, RMB74,243,884.24, and RMB54,375,741.68 respectively.

Unit: RMB

Items		Original carrying amount	Net carrying amount
I.	Current assets		121,250,965.83
II.	Non-current assets		7,368,660.09
	Including: fixed assets	6,375,266.04	4,807,575.87
	Other intangible assets	1,026,552.71	721,753.46
	Long term deferred expenses		1,839,330.76
	Total assets		128,619,625.92
III.	Current liabilities		74,243,884.24
IV.	Non-current liabilities		
	Total liabilities		74,243,884.24
	Total shareholders' equity		54,375,741.68

1. The carrying amount of current assets is RMB121,250,965.83. Current assets include accounts receivable, prepayments, other receivables and other current assets. Both the balance of accounts receivable RMB79,970,368.50 and bad debts provision RMB399,851.84 represent advertising payments receivable due within one year; other current assets with carrying amount of RMB20,000,000.00 represent wealth management products purchased.

2. There were 1,123 units (sets/items) fixed assets such as equipment in total, with the aggregate original carrying value of RMB6,375,266.04 and net carrying value of RMB4,807,575.87. Equipment entrusted to be valued comprises servers, switches, computers, cameras and office furniture. Of which, servers and switches are mainly under the custody of 北京亞太中立信息技術有限公司 and deposited with BDA data center of Yizhuang Economic and Technological Development Zone, Daxing, Beijing; other equipment are scattered in office zone of the Company.

3 Zhixing Ruijing's intangible assets include the following general office software, trademarks, domain names and computer software copyrights:

(1) Intangible assets reported by the Company and included in the accounts

The carrying amount of other intangible assets is RMB721,753.46, of which the balance is RMB721,753.46 and the provision is nil. Other intangible assets comprise Yonyou software, 抵扣認證軟件 and domain names purchased from outside parties. Domain names are set out as follows:

No.	Domain name	Registration time	Expiry time
1.	ea3w.com	2004.10.14	2018.10.14
2.	zol.com	1996.02.17	2019.02.18
3.	zol.com.cn	1999.03.01	2020.03.01

(2) Intangible assets reported by the Company but not yet included in the accounts

1) 1 trademark right is set out as following:

Trademark	Registration No.	Category	Valid period
www.ea3w.com	5927048	38	2010.06.07–2020.06.06

2) 17 domain names are set out as follows:

No.	Domain names	Registration time	Expiry time
1	7r.com.cn	2006.11.09	2020.11.09
2	ea3w.com.cn	2004.10.14	2018.10.14
3	ea3w.net	2007.01.10	2017.01.10
4	ea3w-img.com.cn	2009.11.18	2016.11.17
5	ztuan.com.cn	2011.11.17	2018.11.17
6	zcdn.com.cn	2010.11.19	2020.11.19
7	zol-img.com	2009.11.18	2016.11.18
8	userlogin.com.cn	2007.05.10	2016.05.10
9	softsoso.cn	2007.03.09	2017.03.09
10	xiaoshuoku.com.cn	2007.03.9	2017.03.9
11	w8.com.cn	2005.12.13	2016.12.12
12	7e.com.cn	2005.10.08	2016.10.07
13	zol-img.com.cn	2008.05.22	2016.05.20
14	ea3w.asia	2008.03.24	2017.03.24
15	ea3w.中國	2012.10.29	2017.10.29
16	zol.co	2010.07.02	2017.07.01
17	zol.asia	2008.07.29	2017.07.29

Note: Domain names 7, 8 and 13 in above table have been automatically renewed.

3) 8 computer software copyrights are set out as follows:

No.	Registration No.	Software names	Completion date of development	Date of first publication	Acquisition method	Rights scope
1	2014SR206005	ZOL生意寶軟件 V3.0	2014.11.18	Non-published	Originally acquired	Entire rights
2	2014SR204731	ZOL模擬攢機軟件 V1.0	2014.11.17	Non-published	Originally acquired	Entire rights
3	2014SR204183	Cubane searching service software V1.1.0	2014.10.12	Non-published	Originally acquired	Entire rights
4	2014SR204175	ZOL_Iphone customer terminal software V3.8.2	2014.10.26	Non-published	Originally acquired	Entire rights
5	2014SR203953	Matrix junk short message filtering system software ("spam filtering" for short) V1.0	2014.10.29	Non-published	Originally acquired	Entire rights

No.	Registration No.	Software names	Completion date of development	Date of first publication	Acquisition method	Rights scope
6	2014SR203925	ZOL_Android customer terminal software V3.7.1	2014.11.19	Non-published	Originally acquired	Entire rights
7	2015SR060702	中關村在線產品庫系統V3.2	2015.3.20	Non-published	Originally acquired	Entire rights
8	2015SR075071	Zhongguancun online searching system	2015.3.16	Non-published	Originally acquired	Entire rights

Entrusted valuation target and valuation scope are consistent with the valuation target and valuation scope in above economic behavior.

IV. Value types and its definitions

(I) Value types and its selection: value types of asset valuation comprise two types, being market value and value other than market value (investment value, value in use, liquidation value, residual value, etc.). Pursuant to factors such as the purposes of this valuation, market conditions and self-conditions of valuation target, market valuation was selected as the value type of valuation conclusion in this valuation report by valuators and entrusting party after full communication.

(II) Definition of market value: market value is defined as the estimated amount for which valuation target should normally exchange on the benchmark date valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted rationally and without compulsion.

V. Valuation benchmark date

The valuation benchmark date of this project is 29 February 2016.

To make the valuation benchmark date closer to the date of economic behavior and assessment to be conducted, 29 February 2012 was fixed as the valuation benchmark date and some agreements were reached in the valuation engagement letter.

VI. Valuation assumptions

1. *Basis of assumptions*

(1) This valuation is based on the ownership change of property right interests of the assets to be valued. The ownership change of property right interests includes all and partial ownership changes of the interests;

(2) This valuation is based on the assumption of open market transactions;

(3) This valuation is assumed that the valuated entity will remain the status quo and continue to operate based on the intended operating target. That means all assets of the valuated entity will be used according to the existing purposes and ways, without consideration of changing the existing purposes or maintaining the existing purposes while changing planning and the way of usage;

(4) This valuation is based on relevant legal documents, various types of accounting documents, accounting records and other information provided by the valuated entity which are true, complete, legitimate and reliable;

(5) This valuation is assumed that the macro environment is relatively stable. That means there's no change in the existing macro economy, politics, policies of the PRC and the industrial policies in which the valuated entity is involved, or the changes thereof could be clearly forecasted; the monetary and financial policies of the PRC remain unchanged in general, and the there's no change in prevailing interest and exchange rates of the PRC, or the changes thereof could be clearly forecasted; there's no change in the taxation policies, tax types and tax rates of the PRC, or the changes thereof could be clearly forecasted;

(6) This valuation is assumed that the operating environment for the corporation is relatively stable. That means there is no significant change in the operating environment such as the society, politics, laws and economy in the area where the principal place of business of the corporation located and its business is involved and the corporation could carry out operating activities in the established business scope without any policy, law or artificial barriers.

2. *Details of assumptions*

(1) It is assumed that valuated entity is in full compliance with all relevant laws and the regulations and its acquisition and use of all its assets are in compliance with the national laws, regulations and regulatory documents;

(2) It is assumed that the operating revenue, costs and expenses, and expenditures for renovation are evenly occurred by the valuated entity during each year;

(3) It is assumed that the accounting policies adopted by the valuated entity during the period of revenue forecast are consistent with those adopted on the benchmark date of valuation in all material aspects;

(4) It is assumed that there is no other force majeure or unforeseeable factor that has material adverse impact on the corporation.

3. *Specific assumptions*

According to the relevant information provided by entrusting party and the Framework Agreement entered into between Shanghai Ganglian E-Commerce Holdings Co., Ltd. and Beijing Huicong Construction Information Consulting Co., Ltd., Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership) and HC International, Inc. relating to Share Issuance and Assets Acquisition through Cash Payment (《上海鋼聯電子商務股份有限公司與北京慧聰建設信息諮詢有限公司、西藏銳景慧杰創業投資合夥企業(有限合夥)、 HC INTERNATIONAL, INC.之發行股份及支付現金購買資產框架協議》) (hereinafter the "Reorganization Agreement"), HC will carry out internal reorganization for the equity interests, assets and personnel of the business of ZOL (中關村在線) with Zhixing Ruijing as the integration subject in respect of such economic behaviour, particularly including:

(1) Transfer of equity interests of the Target Company: Guo Jiang (郭江) and Liu Xiaodong (劉小東), the existing shareholders of Zhixing Ruijing, will transfer the entire equity interests in Zhixing Ruijing held by them to Beijing Huicong Construction Information Consulting Co., Ltd. and Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership). Upon the completion of such equity transfer, Beijing Huicong Construction Information Consulting Co., Ltd. and Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership) will hold as to 60% and 40% of Zhixing Ruijing respectively.

(2) Transfer of assets, businesses and personnel: HC and other companies controlled by it will transfer the assets, personnel and contracts, etc. related to the operation of Zhixing Ruijing to Zhixing Ruijing.

(3) Termination of all the VIE agreements entered into between Zhixing Ruijing and Beijing Orange Triangle (北京橙三角) and Orange Triangle.

According to the Reorganization Agreement signed by the transaction parties, the amount due to the offshore or onshore companies controlled by HC for Zhixing Ruijing during the period from transaction benchmark date to the date of termination of the structured contract is arranged by HC to be exempt from payment by or refunded to Zhixing Ruijing after payment as a result of signing the structured contract.

According to the arrangement of the aforesaid internal reorganization plan and Reorganization Agreement, the assumption of this valuation is as follows:

(1) According to "the Exclusive Licensing Agreement on Intellectual Property" signed between Zhixing Ruijing and Orange Triangle, the related party, Zhixing Ruijing shall pay licensing fee of 12% of its total annual revenue to Orange Triangle. Such fee is derived from the VIE structures. According to the internal reorganization plan of HC applied on Zhixing Ruijing, when forecasting the revenue in this valuation, the cost of such licensing fee is no longer considered separately.

(2) According to "the Exclusive Technical Services Agreement" signed between Zhixing Ruijing and Orange Beijing, the related party, Zhixing Ruijing shall pay technical service fee of RMB5 million per year to Orange Beijing. Such fee is derived from the VIE structures. According to the internal reorganization plan of HC applied on Zhixing Ruijing, when forecasting the revenue in this valuation, the personnel of Orange Beijing will be transferred to Zhixing Ruijing and the relevant fee and expenses will be considered, and the cost of such technical service fee is no longer otherwise considered.

(3) As at the valuation benchmark date, Zhixing Ruijing is recognized as a new high-tech enterprise and its enterprise income tax rate is 15%. This valuation is assumed that such company is able to be continuously recognized as a new high-tech enterprise in the future and continues to be entitled to the preferential enterprise income tax rate of 15% in the coming years.

(4) As at the valuation benchmark date, Zhixing Ruijing held the "Business License for Telecommunication and Information Services" (《電信與信息服務業務經營許可證》) (License No.:京ICP證150096號) reviewed and issued by Beijing Communications Administration on 1 February 2016, the business type of which is the information service (only for internet information service) of the second category of value-added telecommunication business, with a valid period from 1 February 2016 to 15 February 2020. This valuation is assumed that the Company is able to extend the validity after this business license expires and it would not have an adverse effect on the Company's business.

According to the requirements of the assets valuation, the valuators believed that these precedent conditions are justified on the valuation benchmark date. When the economic environment changes substantially in the future, the valuators will not take responsibility for different valuation results arising from the changes of the precedent conditions.

VII. Basis of valuation

(I) Basis of laws and regulations

1. "Companies Law", "Contract Law", "Securities Law", "Patent Law", "Trademark Law", "Patent Law", etc.;

2. Other laws and regulations related to assets valuation.

(II) Basis of valuation standards

1. "Asset Valuation Standards – Basic Standards" (《資產評估準則—基本準則》) and "Code of Professional Ethics for Asset Valuation – Basic Standards" (Caizhengbu Cai Qi [2004] No. 20) (《資產評估職業道德準則—基本準則》(財政部財企[2004]20號));

2. "Guidelines for Certified Public Valuators Concerning Legal Ownership of Valuation Target" (Hui Xie [2003] No. 18) (《註冊資產評估師關注評估對象法律權屬指導意見》(會協[2003] 18號));

3. "Asset Valuation Standards – Valuation Report" (Zhong Ping Xie [2011] No. 230) (《資產評估準則—評估報告》(中評協[2011]230號));

4. "Asset Valuation Standards – Valuation Procedures" (Zhong Ping Xie [2007] No. 189) (《資產評估準則—評估程序》(中評協[2007]189號));

5. "Asset Valuation Standards – Engagement Letter" (Zhong Ping Xie [2011] No.230) (《資產評估準則—業務約定書》(中評協[2011]230號));

6. "Asset Valuation Standards – Working Papers" (Zhong Ping Xie [2007] No. 189) (《資產評估準則—工作底稿》(中評協[2007]189號));

7. "Asset Valuation Standards – Machinery and Equipment "(Zhong Ping Xie [2007] No. 189) (《資產評估準則—機器設備》(中評協[2007]189號));

8. "Guidelines for Types of Value of Assets under Valuation" (Zhong Ping Xie [2007] No. 189) (《資產評估價值類型指導意見》(中評協[2007]189號));

9. "Code of Professional Ethics for Asset Valuation – Independence" (Zhong Ping Xie [2012] No. 248) (資產評估職業道德準則—獨立性》(中評協[2012] 248號));

10. "Asset Valuation Standards – Making Use of Experts" (Zhong Ping Xie [2012] No. 244) (《資產評估準則—利用專家工作》(中評協[2012]244號));

11. "Assets Valuation Standards – Enterprise Value" (Zhong Ping Xie [2011] No. 227) (《資產評估準則—企業價值》(中評協[2011]227號));

12. "Guidelines on Quality Control of Business Operations of Valuation Institutions" (Zhong Ping Xie [2010] No. 214) (《評估機構業務質量控制指南》(中評協[2010]214號));

13. "Instruction for Specialist of Asset Evaluation No.6 – Evaluation Report Disclosure for Key Asset Restructure of Listed Company" (Zhong Ping Xie [2015] No. 67 (《資產評估專家指引第6號—上市公司重大資產重組評估報告披露》(中評協[2015] 67號)).

(III) Basis of ownership

1. Business License, Articles of Association, capital verification reports;

2. Business contracts, agreements, evidences (vouchers) of fund appropriation, accounting statements and other accounting information in relation to acquisition and usage of assets and rights;

3. Certification of ownership including invoices;

4. Relevant certification of ownership including domain name, trademark and software copyright;

5. Other evidences of property rights.

(IV) Basis of pricing

1. Application for valuation provided by the valuated entity;

2. Audit report as at the valuation benchmark date and financial audit report of precedent two years of the valuated entity;

3. Regulatory documents including relevant policies, regulations, measures for implementation issued by Beijing Municipal People's Government and related government authorities;

4. Information of the valuated entity on historical production and operation, business planning and revenue forecast;

5. Industry statistics, analysis of market development and trend, relevant information of companies engaging similar business;

6. Relevant data searched from "Wind Information" terminal or "Royal Flush Financial Database";

7. Exchange rate table and lending rates as at the valuation benchmark date published by the People's Bank of China;

8. Accounting standards for enterprises and other accounting regulations and systems, departmental rules, etc.;

9. "Framework Agreement entered into between Shanghai Ganglian E-Commerce Holdings Co., Ltd. and Beijing Huicong Construction Information Consulting Co., Ltd., Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership) and HC International, Inc. relating to Share Issuance and Assets Acquisition through Cash Payment" (《上海鋼聯電子商務股份有限公司與北京慧聰建設信息諮詢有限公司、西藏鋭景慧杰創業投資合夥企業(有限合夥)、HC INTERNATIONAL, INC.之發行股份及支付現金購買資產框架協議》);

10. Supporting information collected by professional valuators for asset verification, survey, inspection, analysis, etc.;

11. Other information.

VIII. Macro economy and industrial analysis

1. Analysis of macro and regional economic factors affecting operation of enterprise

(1) Analysis of macro-economic factors

According to the information on the website of National Bureau of Statistics, the GDP in 2015 was RMB67,670.8 billion, up by 6.9% year-on-year in terms of comparable prices, the growth rate hit its new low for the past 25 years. By quarters, the first quarter achieved a year-on-year increase of 7.0%, the second quarter achieved an increase of 7.0%, the third quarter achieved an increase of 6.9% and the fourth quarter achieved an increase of 6.8%. By industries, the added value of the primary industry amounted to RMB6,086.3 billion, representing a year-on-year increase of 3.9%; the added value of the secondary industry amounted to RMB27,427.8 billion, representing an increase of 6.0%; the added value of the tertiary industry amounted to RMB34,156.7 billion, representing an increase of 8.3%. By quarter-on-quarter comparison, GDP for the fourth quarter increased 1.6%.

1) Achieving a good harvest in agricultural production again

The national grain output in 2015 was 621.43 million tons, representing an increase of 14.41 million tons or 2.4% over the prior year. In which, summer grain output was 141.12 million tons, representing an increase of 3.3%; early rice yield was 33.69 million tons, representing a decrease of 0.9%; autumn grain yield was 446.62 million tons, representing an increase of 2.3%. Grain output was 572.25 million tons, representing an increase of 2.7% over the prior year. Cotton output was 5.61 million tons, representing a decrease of 9.3% over the prior year. The meats of pigs, cattle, sheep and poultry production output for the whole year was 84.54 million tons, representing a decrease of 1.0% over the prior year, of which, pork output was 54.87 million tons, representing a decrease of 3.3%. The output of poultry's eggs was 29.99 million tons, representing an increase of 3.6% over the prior year; milk output was 37.55 million tons, representing an increase of 0.8%.

2) The upgrading of the industry was notable.

The total value added of the industrial enterprises above designated size in 2015 was up by 6.1% at comparable prices. An analysis by types of ownership showed that the value added growth of the state holding enterprises went up by 1.4% over the previous year, that of the collective enterprises up by 1.2%, share-holding enterprises up by 7.3% and a 3.7% growth for enterprises funded by foreign investors or investors from Hong Kong, Macao and Taiwan. In terms of the three major sectors, the value added of the mining increased by 2.7% over the previous year, the manufacturing up by 7.0% and the production and supply of electricity, thermal power, gas and water up by 1.4%. New industries were growing rapidly. In 2015, the value added of the high-tech industry increased by 10.2% over the previous year, or 4.1 percentage points faster than that of the industrial enterprises above designated size, accounting for 11.8% of the total value added of the industrial enterprises above designated size, 1.2 percentage points higher over the previous year. Of this total, aviation, spacecraft and equipment manufacturing went up by 26.2%, electronic and communication equipment manufacturing up by 12.7%, information chemical manufacturing up by 10.6% and pharmaceutical manufacturing up by 9.9%. In 2015, the sales ratio of the industrial enterprises above designated size was 97.6%. The export delivery value of the industrial enterprises above designated size reached RMB11,858.2 billion, representing a decrease of 1.8% as compared with last year. In December, the value added of the industrial enterprises above designated size was up by 5.9% year-on-year, or 0.41% month-on-month.

From January to November, the total profits made by the industrial enterprises above designated size amounted to RMB5,538.7 billion, representing a year-on-year decrease of 1.9%. The costs for per-hundred-yuan turnover of primary activities of the industrial enterprises above designated size reached RMB85.97, and the profit rate from their primary activities was 5.57%.

3) The growth of investment in fixed assets slowed down.

In 2015, the investment in fixed assets (excluding rural households) was RMB55,159.0 billion, a nominal year-on-year growth of 10.0%. The actual growth after deducting price factors was 12.0%, representing a drop of 2.9 percentage points over the previous year. Of this total, the investment by state holding enterprises amounted to RMB17,893.3 billion, up by 10.9%; private investment reached RMB35,400.7 billion, up by 10.1%, accounting for 64.2% of the total investment. In terms of different industries, the investment in the primary industry amounted to RMB1,556.1 billion, up by 31.8% over the previous year; that in the secondary industry was RMB22,409.0 billion, up by 8.0%; and that in the tertiary industry was RMB31,193.9 billion, up by 10.6%. In 2015, the amount in place for investment was RMB57,378.9 billion, up by 7.7% over the previous year. Specifically, the state budget went up by 15.6%, domestic loans was down by 5.8%, self-raising funds increased by 9.5% and foreign investment decreased by 29.6%. The total planned investment in newly-started projects in 2015 was RMB40,808.4 billion, representing a growth of 5.5% over the previous year. In December, investment in fixed assets (excluding rural households) increased by 0.68% month-on-month.

In 2015, the total investment in real estate development was RMB9,597.9 billion, a nominal year-on-year growth of 1.0% or an actual growth of 2.8% after deducting price factors. Of this total, the investment in residential buildings went up by 0.4%. Floor space of houses newly started was 1,544.54 million square meters, representing a decrease of 14.0% over the previous year. Specifically, the floor space of residential buildings started in the year went down by 14.6%. The floor space of commercial buildings sold was 1,284.95 million square meters, up by 6.5% over the previous year. Of this total, that of residential buildings sold went up by 6.9%. The sales of commercial buildings amounted to RMB8,728.1 billion, up by 14.4% over the previous year. Of this total, that of residential buildings went up by 16.6%. The land space purchased by real estate development enterprises was 228.11 million square meters, down by 31.7% over the previous year. By the end of December, the floor space of commercial buildings for sale was 718.53 million square meters, up by 15.6% over the end of the previous year. The funds in place for real estate development enterprises in 2015 reached RMB12,520.3 billion, up by 2.6% over the previous year.

4) Market sales grew rapidly.

In 2015, the total retail sales of consumer goods reached RMB30,093.1 billion, a nominal year-on-year growth of 10.7% or an actual growth of 10.6% after deducting price factors. Of this total, the retail sales of consumer goods of units above designated size stood at RMB14,255.8 billion, up by 7.8%. Analyzed by different areas, the retail sales of consumer goods in urban areas reached RMB25,899.9 billion, up by 10.5% over the previous year, and that in rural areas stood at RMB4,193.2 billion, up by 11.8%. Grouped by consumption patterns, the total income of catering industry was RMB3,231.0 billion, up by 11.7% over the previous year; and the retail sales of goods were RMB26,862.1 billion, up by 10.6%. In particular, the retail sales of units above designated size reached RMB13,389.1 billion, up by 7.9%. In December, the total retail sales of consumer goods grew by 11.1% year-on-year (an actual growth of 10.7% after deducting price factors), or 0.82% month-on-month.

In 2015, the online retail sales reached RMB3,877.3 billion, up by 33.3% over the previous year. Specifically, the online retail sales of physical goods amounted to RMB3,242.4 billion, up by 31.6%, accounting for 10.8% of the total retail sales of consumer goods; the online retail sales of non-physical goods amounted to RMB634.9 billion, up by 42.4%.

5) The imports and exports decreased on a year-on-year basis.

The total value of imports and exports in 2015 was RMB24,584.9 billion, down by 7.0% over the previous year. Specifically, the value of exports was RMB14,135.7 billion, down by 1.8%; and that of imports was RMB10,449.2 billion, down by 13.2%. The trade surplus was RMB3,686.5 billion. In December, the total value of imports and exports was RMB2,475.7 billion, down by 0.5% year-on-year. Of this total, the value of exports was RMB1,428.9 billion, up by 2.3%; and that of imports was RMB1,046.8 billion, down by 4.0%.

6) The consumer price increased moderately.

In 2015, the consumer price went up by 1.4% over the previous year. Specifically, the price went up by 1.5% in urban areas and 1.3% in rural areas. Grouped by commodity categories, prices for food rose by 2.3%; tobacco, liquor and articles up by 2.1%; clothing up by 2.7%; household facilities, articles and maintenance services up by 1.0%; health care and personal articles up by 2.0%; transportation and communication down by 1.7%; recreational, educational and cultural articles and services up by 1.4%; and housing up by 0.7%. In terms of food prices, that for grain grew up by 2.0%, oil or fat down by 3.2%, pork up by 9.5% and fresh vegetables up by 7.4%. In December, consumer prices went up by 1.6% year-on-year, or up by 0.5% month-on-month. In 2015, the producer prices for industrial products went down by 5.2% over the previous year. In December, the price dropped by 5.9% year-on-year, or 0.6% month-on-month. In 2015, the purchasing price for industrial producers was down by 6.1% over the previous year. In December, the price was down by 6.8% year-on-year, or 0.7% month-on-month.

7) Residents' income increased steadily.

In 2015, the national per capita disposable income was RMB21,966, a nominal growth of 8.9% over last year, or an actual growth of 7.4% after deducting price factors. In terms of permanent residence, the per capita disposable income of urban households was RMB31,195, a nominal growth of 8.2%, or an actual growth of 6.6% after deducting price factors; the per capita disposable income of rural residents was RMB11,422, a nominal growth of 8.9%, or an actual growth of 7.5% after deducting price factors. The per capita income of urban households was 2.73 times that of the rural households, 0.02 less than last year. The median of national disposable income was RMB19,281, a nominal increase of 9.7%. Taking the per capita disposable income of nationwide households by income quintiles, that of the low-income group reached RMB5,221, the lower-middle-income group RMB11,894, the middle-income group RMB19,320, the upper-middle-income group RMB29,438 and the high-income group RMB54,544. The Gini Coefficient for national income in 2015 was 0.462. The number of rural migrant workers in 2015 was 277.47 million, which was 3.52 million more than that in last year, or up by 1.3%. Specifically, the number of local and outside migrant workers were 108.63 million and 168.84 million respectively, up by 2.7% and 0.4%. The average monthly income of migrant workers was RMB3,072, up by 7.2%.

8) Economic structure was optimized and upgraded.

The industrial structure was further optimized. In 2015, the value added of the tertiary industry accounted for 50.5% of GDP, 2.4 percentage points higher than last year, 10.0 percentage points higher than that of the secondary industry. The structure of domestic demand was further improved. In 2015, the final consumption expenditure accounted for 66.4% of GDP, 15.4 percentage points higher than last year. The balance of regional structure was strengthened. The value added of industries above designated size in the central and western regions increased by 7.6% and 7.8% over last year, 0.9 and 1.1 percentage points faster than that in the eastern region respectively. Investment in fixed assets in the central region (excluding rural households) went up by 15.7%, 3.0 percentage points faster than that in the eastern region. Energy conservation and consumption reduction continued to make new achievements. In 2015, the energy consumption per unit of GDP decreased by 5.6% over last year.

9) Money supply maintained a steady growth.

By the end of December 2015, the balance of broad money (M2) was RMB139.23 trillion, an increase of 13.3% compared with that at the end of last year; the balance of narrow money (M1) was RMB40.10 trillion, up by 15.2%; and the balance of cash in circulation (M0) was RMB6.32 trillion, up by 4.9%. At the end of December, the amount of outstanding loans was RMB93.95 trillion, while the amount of outstanding deposits was RMB135.70 trillion. In 2015, the newly increased loans reached RMB11.72 trillion, an increase of RMB1.81 trillion; the newly increased deposits were RMB14.97 trillion, or RMB1.94 trillion more than last year. The social financing reached RMB15.41 trillion.

10) Population and employment situation were generally stable.

By the end of 2015, the total population of mainland China was 1,374.62 million (including population of 31 provinces, autonomous regions and municipalities, and servicemen in CPLA; but not including residents in the Hong Kong SAR, Macao SAR, Taiwan Province and overseas Chinese), an increase of 6.80 million over that at the end of last year. In 2015, the number of births was 16.55 million and the birth rate was 12.07%; the number of deaths was 9.75 million with a death rate of 7.11%; the natural growth rate was 4.96%, a decrease of 0.25 in a thousand. In terms of gender, the male population was 704.14 million, and the female population was 670.48 million; the sex ratio of total population was 105.02 (the female is 100); the sex ratio at birth was 113.51. Population at the working age of 16-60 (excluding 60) was 910.96 million, a decrease of 4.87 million as compared with that at the end of last year, accounting for 66.3% of the total population; population aged 60 and over was 222.00 million, accounting for 16.1% of the total population; population aged 65 and over was 143.86 million, accounting for 10.5% of the total population. In terms of the urban-rural structure, the urban population was 771.16 million, an increase of 22.00 million over the previous year; and the rural population was 603.46 million, a decrease of 15.20 million. The proportion of the urban population to the total population was 56.1%. The population who reside in areas other than their household registration and have been away from there for over 6 months reached 294 million, which was 3.77 million less than that in last year. Specifically, the migrant population was 247 million, or 5.68 million less. At the end of 2015, the total number of employed persons was 774.51 million and the number of urban employed persons was 404.10 million.

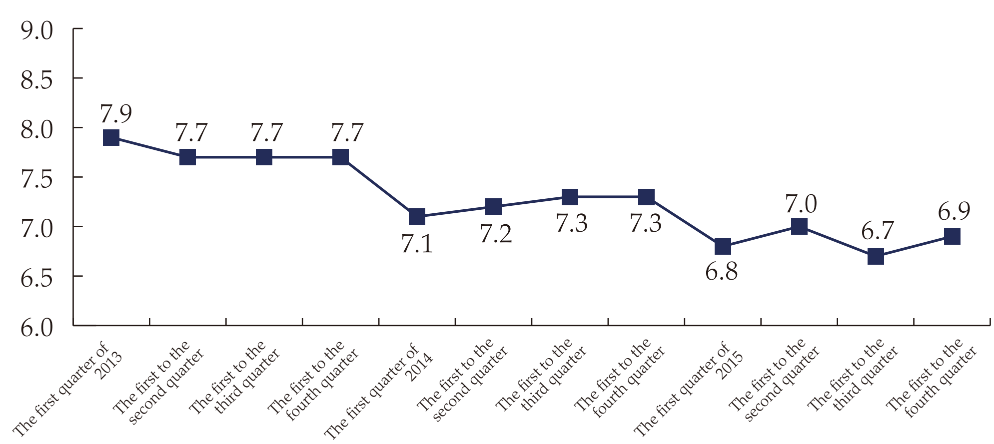
Generally speaking, China's economy has maintained within a proper range in 2015. The economic structure has been further optimized, the transformation and upgrading fastened, the new impetus accumulated and the people's life improved. However, at the same time, we must be aware that the international environment is still complicated, the domestic structural transformation and upgrading are in a crucial period during which challenges need to be overcome and problems need to be resolved and the task of comprehensively deepening the reform is still heavy. For the next step, China will focus on the supply-side structural reform so as to promote the steady development of the national economy.

(2) Analysis of regional economic factors

In 2015, Beijing's gross regional product was RMB2,296.86 billion, representing a year-on-year growth of 6.9% at comparable prices with a decreasing growth rate of 0.4 percentage points over last year. In terms of industries, the added value of the primary industry was RMB14.02 billion, down by 9.6%; the added value of the secondary industry was RMB452.64 billion, up by 3.3% with a decreasing growth rate of 3.6 percentage points over last year; the added value of the tertiary industry was RMB1,830.2 billion, up by 8.1% with an increasing growth rate of 0.6 percentage points.

Calculated by permanent population, per capita gross regional product of Beijing reached RMB106,000 (US$17,064 at annual average exchange rate).

The quarter cumulative growth rate of gross regional product in Beijing since 2013 (%)



1) The traditional agriculture continued to shrink while the urban agriculture developed steadily

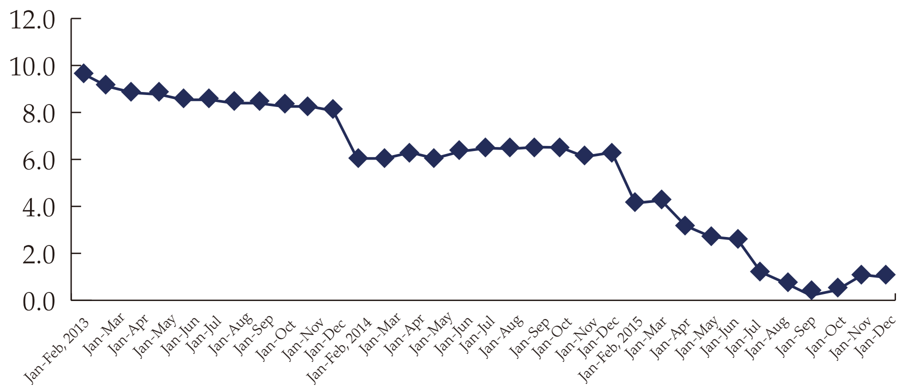
In 2015, Beijing actively promoted the adjustment of agricultural structure and mode to develop the efficient water-saving agriculture. Thus the scale of the traditional agriculture further shrank, but the urban agriculture like leisure tourism developed well. The added value of the primary industry was down by 9.6% from last year at comparable prices. The scale of breeding continued to shrink with decreases of 7% of the number of pig slaughter, 3.8% of milk production and 0.3% of egg production. Sown area of grain and the cultivation area of vegetables and edible fungus continued to decrease, representing year-on-year decreases of 13.1% and 5.6% respectively; the output of grain, vegetables and edible fungus in 2015 decreased 2% and 13.1% respectively.

The urban agriculture like leisure tourism, in line with the city function, developed steadily. In 2015, the revenue of tourism parks amounted to RMB2.63 billion, up by 5.6% over last year; the revenue of folk tourism was RMB1.29 billion, up by 14.2% over last year.

2) Industrial output slowed down while tending toward stability, performance and efficiency of enterprises improved

In 2015, industrial added value of above-scale enterprises in Beijing recorded a year-on-year increase of 1% based on comparable prices, but 5.2 percentage points lower than the growth rate in the previous year. In view of the trend of the year, there were signs of stable growth amid a general slow-down. Growth slowed down gradually for the first three quarters, but the growth rate for the year rebounded with the drives of a series of policies stabilizing growth and the launch of new products to the market after October. The added value of above-scale hi-tech manufacturers recorded a year-on-year increase of 6.7%, representing 21.3% in industrial added value of above-scale enterprises and an increase of 0.5 percentage points from last year. In the key industries, added value of automobile manufacturing industries increased 8.3%, added value of computer, communication and other electronic equipment manufacturing industry increased 7.3% and added value of medicine manufacturing industry increased 7.2%.

Monthly cumulative growth rate of industrial added value of above-scale enterprises in Beijing since 2013 (%)



Sales value achieved by the above-scale industrial enterprises in Beijing was RMB1,740.82 billion, representing a year-on-year decrease of 3%, of which export delivery value decreased 23.9% to RMB107.33 billion and domestic output value decreased 1.2% to RMB1,613.5 billion.

From January to November, profit achieved by the above-scale industrial enterprises in Beijing was RMB128.87 billion, representing a year-on-year increase of 5.4%, profit margin of principal business reached 7.6%, representing a year-on-year increase of 0.6 percentage points and overall labour productivity amounted RMB325,000/person, representing a year-on-year increase of 0.7%.

3) The tertiary industry had good prospect, enterprises performance improved fast

In 2015, the tertiary industry in Beijing had good prospect, of which advantageous industries such as finance, information and technology service sectors grew at a faster pace. Finance industry achieved added value of RMB392.63 billion, representing an increase of 18.1%; information transmission, software and information technology service sectors achieved added value of RMB237.27 billion, representing an increase of 12%; science research and technology service sectors achieved added value of RMB182.06 billion, representing an increase of 14.1%. Decrease in wholesale and retail, lease and commercial services sectors narrowed and achieved added value of RMB240.03 billion and RMB176.68 billion respectively, representing a decrease of 1.2% and 1.7% respectively, the decrease narrowed 1 and 0.3 percentage points respectively compared with the first to third quarter. In addition, public service sector was relatively smaller in scale, but its growth maintained at a satisfactory pace, of which the added value of hygiene and social affairs increased 13.7%, the added value of water conservancy, environment and public utility management sectors increased 13.3% and the added value of education increased 11.8%.

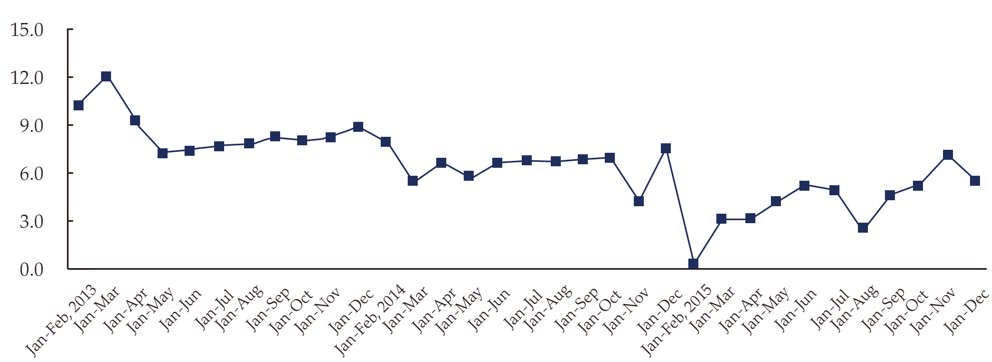
From January to November, above-scale tertiary industrial enterprises in Beijing achieved profit of RMB2 trillion, representing a year-on-year increase of 23.8% and continuously maintaining a fast growth of over 20%.

4) Fixed assets investment recovered gradually from its low, investment structure was optimized

In 2015, investment in Beijing began at low, growth rate of investment picked up with the gradual commence of some projects. Social fixed assets investment completed for the whole year was RMB799.09 billion, representing a year-on-year increase of 5.7%, of which completed private investment was RMB329.62 billion, representing an increase of 25.8%.The growth rate was 20.1 percentage points higher than the average of overall investment of the city and became the major strength driving growth of overall investment in the city, attributed 41.2% of the overall investment of the city and which was an increase of 6.5 percentage points compared with last year. Completed infrastructure investment was RMB217.45 billion, representing an increase of 7.7%, attributed 27.2% of the overall investment of the city and which was a 0.5 percentage points increase compared with last year.

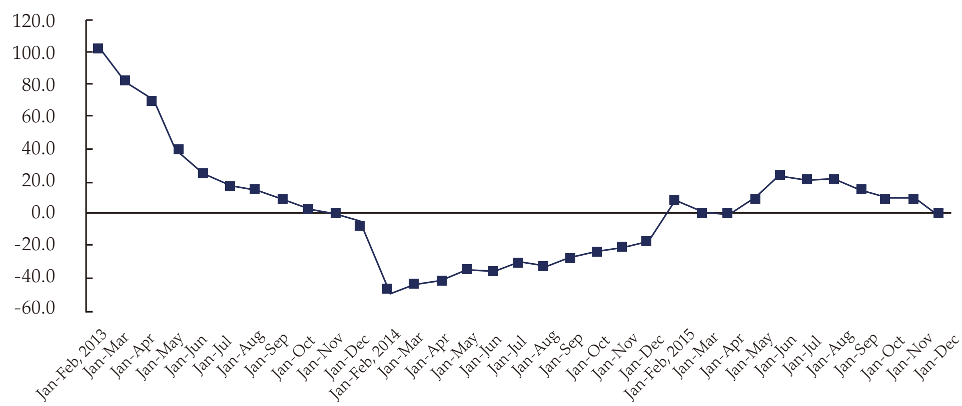
In terms industries, investment completed in the primary industry was RMB11.1 billion, representing a decrease of 32.2%; investment completed in the secondary industry was RMB67.71 billion, representing a decrease of 5.5% and investment completed in the tertiary industry (including the real estate development) was RMB720.28 billion, representing an increase of 7.8%.

Monthly cumulative growth rate of all social fixed assets investment in Beijing since 2013 (%)



In 2015, investment completed in property development in Beijing was RMB422.63 billion, representing an increase of 8.1%, of which investment in residential properties was RMB196.27 billion, whose scale was unchanged from last year. New construction area for commodity housing of the year was 27.902 million square meters, representing an increase of 11.5%, of which new construction area for commodity residential properties was 11.992 million square meters, representing a decrease of 8%. Sales area of commodity housing sold was 15.547 million square meters, representing an increase of 6.6%,of which sales area of commodity residential properties was 11.273 million square meters, representing a decrease of 1.2%.

Monthly cumulative growth rate of sales area of commodity residential properties in Beijing since 2013 (%)

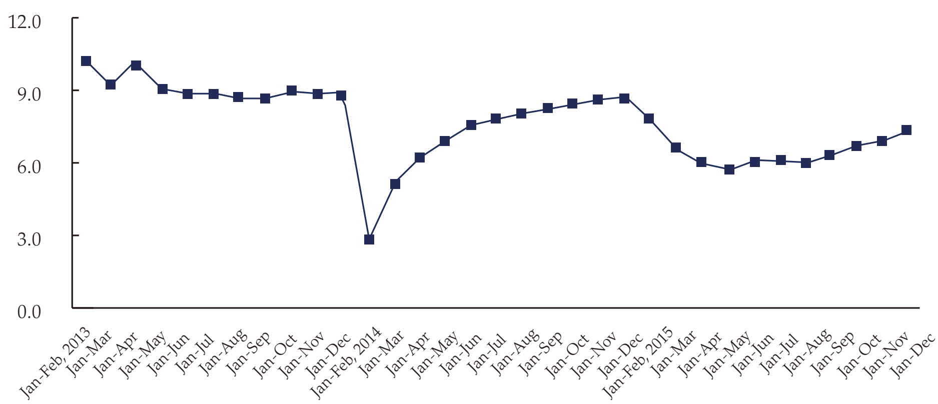


5) Consumer market was stable, online consumption displayed impressive momentum

In 2015, Beijing achieved total market consumption RMB1.86 trillion billion, representing a year-on-year increase of 8.7%, of which total retail sales of consumer goods achieved was RMB1,033.8 billion, representing an increase of 7.3% and whose growth rate decreased 1.3 percentage points compared with last year; services consumption achieved was RMB830.8 billion, representing an increase of 10.5%, a 1 percentage point increase compared with last year.

In commercial consumption, enterprises above designated size in wholesale and retail industry achieved the online retail sales value of RMB201.69 billion, representing a year-on-year increase of 40.2%, attributed 19.5% of total retail sales of consumer goods in the city, which was the major driver of the growth of retail sale value driving the retail sale value in the city to increase 6 percentage points. In service consumption, communication, medical and healthcare service consumption grew at a faster pace with thrived demand, and their growth rate reached 16.3% and 16.2% respectively.

Monthly cumulative growth rate of total retail sales of consumer goods in Beijing since 2013 (%)



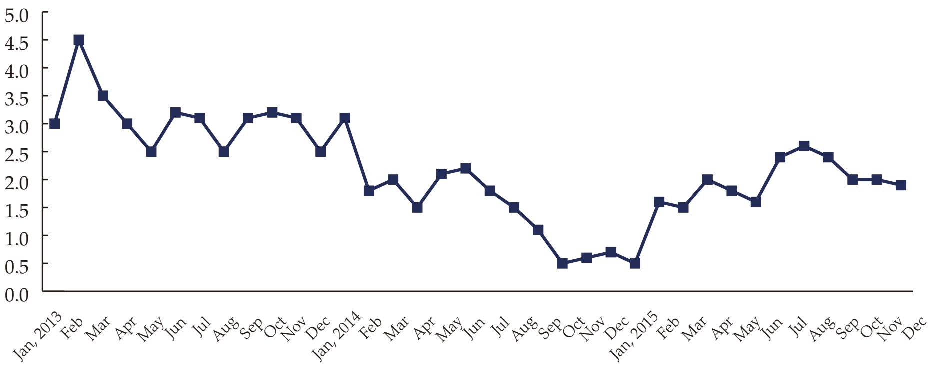
6) Drop in total import and export value widened

In 2015, Beijing district achieved total import and export value of USD319.59 billion, representing a year-on-year decrease of 23.1% and the drop was widened by 19.7 percentage points compared with last year, of which total import value was USD264.92 billion, representing a decrease of 25% and the drop was widened by 21.3 percentage points; total export value was USD54.67 billion, representing a decrease of 12.3% and the drop was widened by 11.1 percentage points.

7) Consumer prices increased mildly, producer's price maintained the same

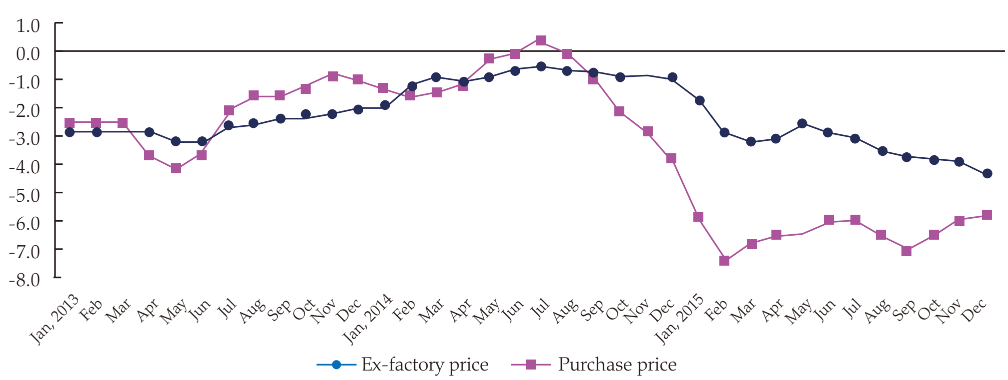
In 2015, overall consumer price in Beijing increased 1.8% compared with last year, and its growth was the lowest in the recent 5 years and of which, consumer price increased 0.3%, price of service items increased 4.2%. There's "seven increase and one decrease" in the price of eight commodities and service items: food price increased 1.6%, tobacco and wine and supplies increased 2%, clothing increased 3.6%, home appliances and maintenance services decreased 0.1%, medical and healthcare and personal products increased 0.2%, transportation and communications increased 2.8%, entertainment, education and culture products and services increased 0.8%, residential products increased 2.6%. In December, the total consumer price recorded a year-on-year increase of 2% and a month-on-month increase of 0.2%.

Year-on-year change in consumer price in Beijing since 2013 (%)



In 2015, ex-factory price and purchase price of producer in Beijing recorded a year-on-year decrease of 3.1% and 6.3% respectively; in December, year-on-year decrease was 4.2% and 5.6% respectively and month-on-month decrease was 0.5% and 0.7% respectively.

Year-on-year change in ex-factory and purchase price of producer in Beijing since 2013 (%)



8) Residents income increased steadily

In 2015, per capita disposable income of residents in Beijing was RMB48,458, representing a year-on-year increase of 8.9% and an actual increase of 7% (excluding price factor), of which per capita disposable income of urban residents was RMB52,859, representing an increase of 8.9% and per capita disposable income of rural residents was RMB20,569, representing an increase of 9%. Excluding price factor, the actual increase in income of urban and rural residents was 7% and 7.1% respectively, which was in line with the economic growth. The growth rate of income of rural residents was faster than that of urban residents for 7 consecutive years and the gap between the income of urban and rural areas was further narrowed.

9) Both the increment and growth rate of permanent population decreased

At the end of 2015, permanent population in Beijing was 21.705 million, an increase of 189,000 from the end of last year, representing an increase of 0.9%; a decrease of 179,000 in increment and a decrease of 0.8 percentage points in growth rate compared with last year. Of which, permanent immigrated people was 8.226 million, an increase of 39,000 from the end of last year, representing an increase of 0.5%; a decrease of 121,000 in increment and a decrease of 1.5 percentage points in growth rate.

In general, economy in Beijing ran steadily, realized steady growth and enjoyed good momentum in 2015. In the new year, although the domestic and international economic climate remained complicated, the reform of capital economic structure adjustment is in critical stage, the tasks of mitigating non-capital functions, handling "big city diseases" and so on remain difficult. In the next step, Beijing will implement the spirits of Central Economic Work Conference, Central City Work Conference and Municipal Party Committee Plenary Session, continuously promote the economy of the city to develop steadily and healthily and achieve a good opening for the "Thirteenth Five-Year Plan".

2. *Current situations and development prospects analysis of the industry in which the enterprise belongs to*

(1) Principal policy regulation of the industry

1) Competent authority and regulatory system of the industry

Zhixing Ruijing principally engages in the business of internet advertising service which belongs to the business of internet and related service (I64) according to the Guidelines for the Industrial Classification of Listed Companies (as revised in 2012) promulgated by the CSRC.

Internet advertisings place advertisements for advertisers using internet as medium, therefore they are controlled by the State in terms of advertising industry and internet industry.

A. Management system and competent authority of advertising industry

Currently, advertising industry in PRC implements a management system which combines government's regulation and industry self-regulation. The competent authority of advertising industry in PRC is State Administration for Industry and Commerce which is responsible for the supervision and administration of advertising release and advertising business.

Self-regulation management organization of advertising industry in PRC include China Advertising Association, China Advertising Association of Commerce, the Association of Accredited Advertising Agencies of China, etc., which primarily engage in formulating self-regulation rules of the industry, carrying out activities such as reviewing the qualification of the industry, industry training, academic research in theory, international exchange and cooperation.

B. Management system and competent authority of internet industry

Government competent authority of internet industry is the competent authority of information industry of the State Council, i.e. MIIT and telecom management authorities in provinces, autonomous regions and municipalities. According to relevant laws and regulations, the related competent authorities such as state news, publication, education, sanitation, pharmaceutical supervision and administration, radio and television, industrial and commercial administration and public security and state security should implement supervision and administration on the content of internet information involving specific areas or contents by law during respective terms of reference.

Self-regulation supervision organization of internet industry is Internet Society of China. The Society is set up by China internet industry and the related enterprises and public institutions voluntarily. Its main function is to promote communication between government competent authorities and enterprises in the industry, formulate and implement industry criterion and self-regulation convention, maximizing the effect of industry self-regulation, etc.

2) Principal laws and regulations and policies for the industry

A. Principal laws and regulations

No.	Name of Regulation	Time of Promulgation	Authority of Promulgation	Principal Contents
1	Telecommunication Regulation of the People's Republic of China (《中華人民共和國電信條例》)	September 2000	the State Council	Stipulating that the State implement licensing system on the operation of telecommunication service according to the classification of telecommunication service; and stipulating the qualification for business of basic telecommunication service and value-added telecommunication service
2	Regulation on Internet Information Service of the People's Republic of China (《互聯網信息服務管理辦法》)	September 2000	the State Council	Standardizing the related subjects and actions of internet information service; the States implement licensing system on operational internet information service and registration system on non-operational internet information services

No.	Name of Regulation	Time of Promulgation	Authority of Promulgation	Principal Contents
3	Decision on Strengthening Internet Information Protection on Networks (《關於加強網絡信息保護的決定》)	December 2012	the Standing Committee of the NPC	Collecting and using personal electronic information of citizen during the business of providers of internet services and other enterprises and public institutions should abide by the legal, rightful and necessary principles, express the purpose, means and scopes of collecting and using information, and should obtain consent of the person whose information is collected and should not break the laws and regulation and the agreement between each other
4	Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》)	January 2013	the State Council	Copyright owners, performers, producers of video and audio recording are protected by Copyright Law and this regulation. Unless otherwise stipulated by laws and administrative regulations, any organization or person who provides works, show, video and audio recording of others to the public over information networks should obtain permission from the right holders and pay the remuneration
5	Information Security Technology: Guideline for Personal Information Protection within Information System for Public and Commercial Services (《信息安全技術：公共及商用服務信息系統個人信息保護指南》)	February 2013	MIIT	Expressly stipulating that sensitive personal information should be on the basis of express consent. Express authorization from the subject of personal information is a must before such collection and usage

No.	Name of Regulation	Time of Promulgation	Authority of Promulgation	Principal Contents
6	Advertising Law of the People's Republic of China (《中華人民共和國廣告法》)	April 2015	the Standing Committee of the NPC	Defining the range of application is adverting activities conducted by advertisers, advertisement operators and releasers in PRC, putting forward principle requirement to content and means of release of advertisement, stipulating advertising sensorship and legal liability arising by false advertising activities
7	Regulations of the People's Republic of China on Administration of Advertising (《中華人民共和國廣告管理條例》)	October 1987	the State Council	Stipulating application condition of advertising company, standardizing the procedure of auditing and approving the registration of advertising business which provides an express guide to the operation and management of advertising company

(2) Major industrial policies

No.	Name of the policy	Promulgation time	Promulgating authority	Main contents
1	Opinions on Implementing Some Policies and Measures for Accelerating the Development of the Service Sector (《關於加快發展服務業的若干政策措施的實施意見》)	March 2008	State Council	Strengthening the planning and the guidance through industrial policies, deepening the reform of the service sector, cultivating leading enterprises and famous brands in the service sector with great efforts, increasing capital investment in the service sector, and strengthening the groundwork of the service sector

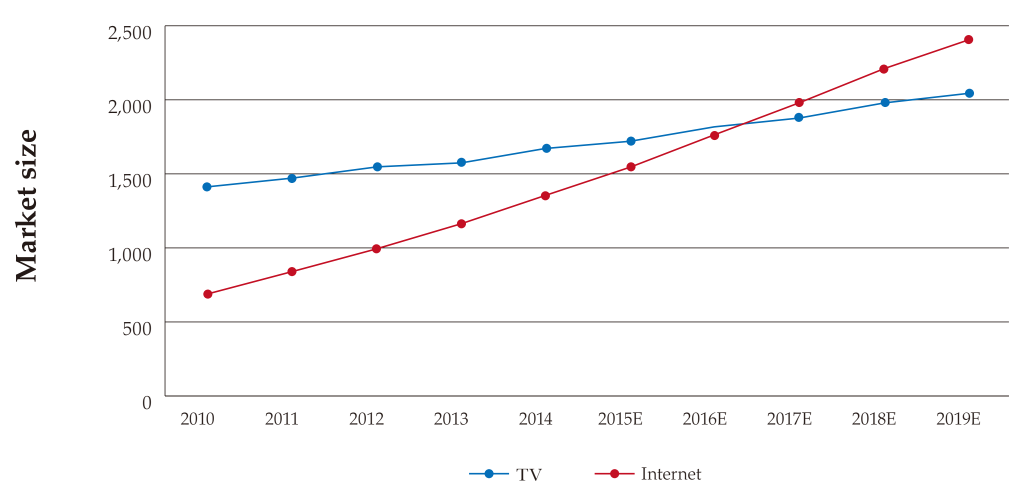
No.	Name of the policy	Promulgation time	Promulgating authority	Main contents
2	Guidance on Promotion of Advertising Industry (《關於促進廣告業發展的指導意見》)	April 2008	State Administration for Industry and Commerce, the NDRC	Supporting the application and promotion of practical new technologies such as digital audio and video, animation and network in the planning, creativity, production and distribution of advertising; supporting the healthy and orderly development of emerging advertising media such as the internet and building video to make them the new growth points of advertising industry
3	Opinions on Promoting the Implementation of Advertising Strategy (《關於推進廣告戰略實施的意見》)	April 2012	State Administration for Industry and Commerce	Developing the business expansion of advertising enterprises using new technology and new advertising format; supporting the healthy and orderly development of emerging advertising media such as the internet and building video to make them the new growth points of advertising industry
4	Development of Advertising Industry in the "Twelfth Five-Year" Plan (《廣告產業發展「十二五」規劃》)	June 2012	State Administration for Industry and Commerce	Supporting the healthy and orderly development of advertising formats utilizing emerging media such as internet, building video, mobile websites, mobile newspapers, mobile TV, webcasting, network television, electronic magazines; supporting the research and development of specialized hardware and software for advertising industry, to create a series of advertising service technical tools with independent intellectual property right as soon as possible, thus facilitating the optimization and upgrading of advertising industry

(3) Situation of the industry

1) Analysis on the development of international internet advertising industry

According to the PWC report, the market size of global internet advertising in 2014 is USD135.42 billion and it is growing at a rate of 12.1% per year. It will reach USD239.87 billion by 2019. The internet advertising has attracted more and more money from advertising budget. By 2017, it will surpass the size of traditional television advertising and become the biggest global advertising market by 2019. Among them, the growth of mobile advertising is most significant, which can be observed from the sales proportion of mobile advertising in the market. In 2010, the sales proportion of mobile advertising was 4.6%, and in 2011, it was 6.1%. In 2012, the sales proportion of mobile advertising was 8.6% and it was increased to 12.5% in 2013, and further increased to 16.7% in 2014. The size of mobile advertising was USD22.626 billion in 2014, increasing at 23.1% per year. It is expected that the size of mobile advertising will reach USD55.771 billion by 2018 and further increased to USD63.878 billion by 2019. Analysis suggests that the expansion of those market mainly benefits from the increase of users of mobile devices such as smart phone, tablets, etc.

Market Size and Outlook of Global Internet Advertising and TV Advertising (unit: US$100 million)



Source: PWC《Global Entertainment and Media Outlook: 2015-2019》

2) Analysis on the present development of the internet advertising industry in the PRC

A. Internet advertising market is developing rapidly with a huge marketspace

In 2015, the market size of internet advertising service provider in the PRC reached RMB213.63 billion, representing an increase of 36.5% as compared with RMB57.1 billion in 2014. There is still an enormous marketspace to explore.

B. Advertising revenue are dispersed to vertical media and mobile terminals as PC terminal portals declines

Traditional advertising business of PC terminals has shrunk. Revenue of many portal PC terminals has shown a significant slowdown. In contrast, vertical media represented by automobiles and real estate has strengthened their market value through innovation of e-commerce business and thus gained marketing fees from advertisers. Meanwhile, mobile terminal advertising is developing rapidly, and financial reports of many internet enterprises disclosed that mobile terminal users and revenue size have increased enormously with a better performance than PC terminal. The mobile terminal has richer usage scenarios and higher advertising interactivity than other media, therefore it has a great market value. It is expected that, in the future, on the one hand, internet enterprises will continue improving advertising interactivity by innovating advertising forms; on the other hand, they will delve into users' demand in different scenarios to improve the value of mobile advertising and provide momentum for the overall market by close connection between advertising and users.

C. Content marketing brings the brand image closer to users' feelings, satisfying the needs of users, advertisers and media

At the early stage of mobile marketing, mobile terminals are restricted by the screen size. Advertisements with low quality badly hurt the users' experience, and small number of advertising places limited the liquidity of media. In the future, however, content marketing organically combines content and advertisement, realizing better connection between users and brand by natural placement of advertisements. An excellent content marketing innovation can even establish a good reputation for the brand. In 2015, content marketing was widely applied in social, information, video and other mainstream apps.

The mobile era brings opportunity for the development of content development. In 2016, content marketing will be used in a wider range, driving a joint development of advertising content production, advertising creativity, advertising technology and other fields in advertising market.

D. Continue and rapid development of video advertising driven by advertising innovation

Internet media and traditional film and television companies strive together in video content production market. The richness of video flow supports the development of video advertising market. At the same time, by placing advertisement in homemade video, video website achieves innovation in advertising form, improves advertisement inventory, and satisfies the marketing demand of advertisers by various means such as theme implantation, culture implantation, props implantation, and lines implantation, providing a new momentum for the development of video advertising market.

E. Mature advertising placement technology further satisfied advertisers' demand for precision marketing

There is an increasing requirement of advertisers for advertising effect, and similarly, brand advertising is also pursuing a precision advertising effect, which replaced the extensive advertising mode that previously adopted by advertises through advertising investment according to their judgement on media attribute. The appearance of the programmed buying technology met advertisers' demand. The year of 2015 was the first year of programmed buying of mobile terminals when advertisers gradually recognized that precision advertising can be achieved by programmed buying technology. In 2016, with the accumulation of experience, service providers will realize more mature technology application, and the advertising effect will be more precise. Firstly, size and liquidity of mobile terminals users data will be improved, which helps to guide the advertising placement better; secondly, rich advertising flow will encourage the media to release more advertising flow for programmed buying. Therefore, more advertisers will increase marketing investment in programmed buying, and the programmed buying will usher in a new chapter in the rapid development.

3) Analysis and forecast of internet advertising industry trend in the PRC

A. Analysis of the internet advertising industry trend in the PRC

a. Mobile terminal delivers high marketing value and market participants actively join in the mobile marketing market

As users are shifting their attention from the PC terminal to the mobile terminal and the environment of the mobile terminal media is constantly improving, the traffic on the mobile terminal is surging, which gradually increase the advertisers' investment in the marketing on mobile terminal. Due to the correspondence between mobile phones and the identities of users, precise marketing can be realized through performing identification. Meanwhile, the high viscosity between users and mobile phones makes the media accessing environment more private, which is helpful to create good communication environment for advertisement and users. The mobile terminal has become an indispensable part of marketing.

The maturity of LBS technology makes the local marketing possible. Precise and high-efficient localizing marketing method would be preferred in the marketing activities characterized in life services and customer import. LBS technology has been widely applied in the mobile marketing area, but there is still much room for improvement for the local marketing: firstly, to locate the scene where users access the media based on the user data analysis so as to realize precise placing of advertisement; secondly, to develop advertisement originality and create an interaction between the users and advertisement by virtue of its interest and good experience; thirdly, to integrate online and offline resources, go smoothly through traffic, payment, travel, etc. and explore the potential space for the localizing marketing.

There is more interactivity between mobile devices and users. Immersion of users in mobile advertisements received leads to more participation. Creative interactive advertising is preferred by advertisers, because brand value can be transmitted imperceptibly through the contents with interactivity and thus brand premium will be improved. The higher possibility of clicking and purchasing activities caused by interactive advertisements helps to improve the efficiency of mobile marketing.

b. While content marketing and native advertising further developed, the contents and advertisements are getting unified

Unlike advertisements abruptly embedded into the content, content marketing provides valuable advertisement information related with the content so as to enhance users' intention to participate and the marketing effect as well as further deepen the media advertising value and finally realize the triple wins for user, media and advertiser. Media improve the quality of advertising traffic by embedding marketing contents into hot contents. Taking video websites for an example, a new way for traffic realization of embedding advertisements into user-generated contents helps build content ecosystem on the media.

Native advertising, the more advanced stage of content marketing, is stricter in the interactivity and placing technology of advertisements. The native advertising traffic is insufficient in the PRC market currently and the platform for traffic management and trade for native advertising has not been built yet. In addition, the automatic generation of content for native advertising is still in its infancy. As the media is still in the exploratory stage regarding to the realization of native advertising, the objective environment for large-scale realization had not been formed yet. The advertisement technology in the PRC market currently develops fast and more market exploration cases of native advertising have come into sight with the technical barriers broken down.

c. Profiles of users can be more precisely described by big data, which efficiently guides the advertisement placing

In the age of big data, user means data and data mean value, and the value of user data is further embodied. With digitalization and labeling of users, various user data are blended to form profiles of users, realizing the precise match of advertisements and users. With understanding and usage of big data by vendors deepening, the data mobility is enhanced and the value of big data to advertisement placing becomes more outstanding. As users are not only featured with attributes like sex, age, region, career, and income, but also their behavior data like visiting, activity frequency and habits, and accompanying with the study on the accessing manner, the users' purchase motivation, the efficiency of advertisement marketing and users' experience can be obtained more accurately based on data through touch point research, which makes it feasible to trace and assess the efficiency of advertisement.

d. Programmatic advertisement buying advances the industry and is gradually becoming mainstream of the market

On the one hand, programmatic advertisement buying is strict in placing technology, industrial division is refined and a unified standard is required for advertiser, media and service provider to realize efficient cooperation between links of the industry chain. On the other hand, programmatic advertisement buying has an established assessment system and advertising monitoring standard, which contributes to the industry transparency and guides healthy development of the market. Compared to the developed programmatic advertisement buying market of America, some parts of the industry chain of domestic programmatic advertisement buying are still absent. It is expected that the data trading mechanism will be gradually established and the data trading market will gradually be mature in the next two years.

e. Multiple services of cross-screen placing has been recognized by the market and the precision of placing has been improved

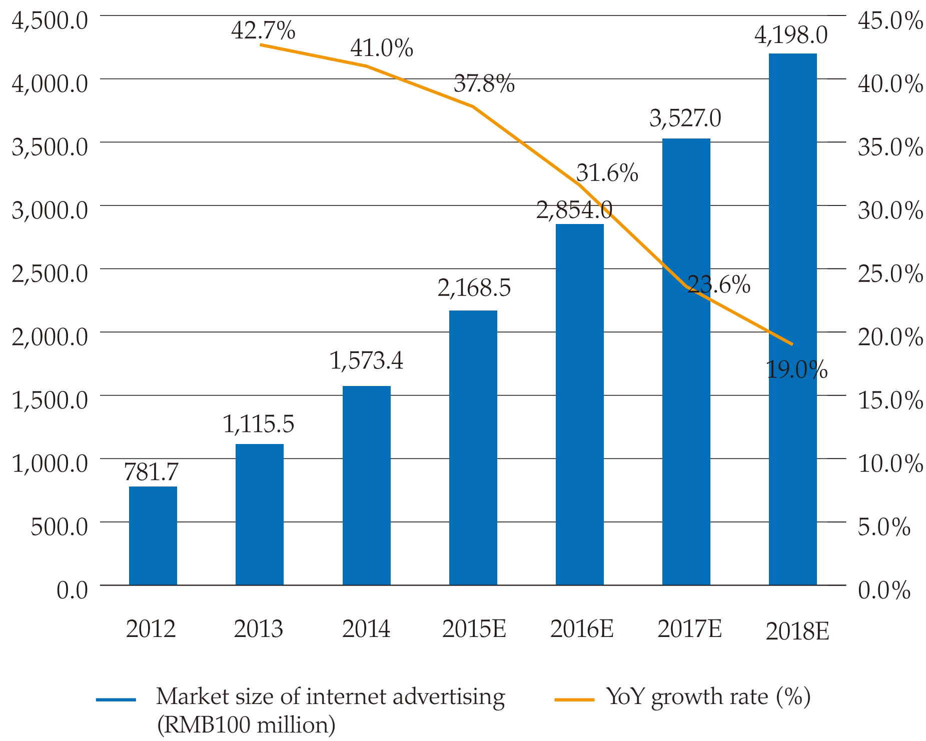
The advertising traffic has been obviously transferred from the Internet to mobile terminal, which creates more opportunities and challenges for cross-screen marketing and brings multiple advantages to the marketing effect. Advertisements can be placed to target groups with specific attributes and behavioral characteristics and the mobile platform has obvious advantages in delivery, interaction and efficiency of advertisement, so the advertising on PC terminal and mobile terminal can complement with each other. Consumers' awareness of the brand can be raised by appropriate frequency control. The marketing value of cross-screen placing procures DSP vendors to further improve the accuracy of placing. The cross-screen tracing technology of advertising monitoring is promoted and service of cross-screen placing is refined.

Some consumers have formed their habits on crossing screen from TV terminal to PC terminal or from PC terminal to mobile terminal and also realized integration of multiple screens. Although currently there is almost no superposition among TV, PC terminal and mobile terminal, the trend of multi-screen integration cannot be ignored. The advertising placement by multi-screen integration has obvious advantages over the past placing method. Users' access to advertisements is more accurate and the advertisement effect is more controllable. More marketing scenes can also be developed based on multi-screen joint display. Thus the marketing value of cross-screen advertising deepens.

B. Forecast of the development of internet advertising industry in the PRC

Internet advertisements include network advertisements mainly on PC terminal and mobile advertisements, excluding the superposition of portals, searches, videos and other mobile terminal advertisements. In 2014, the general market size of the Internet advertising in the PRC valued RMB157.34 billion with a growth rate of 41.0%. The Internet advertising keeps growing fast for years and the market matures at present, which suggests a slowing down in the coming years. The Internet advertising market in the PRC is expected to achieve a breakthrough of RMB400 billion in 2018.

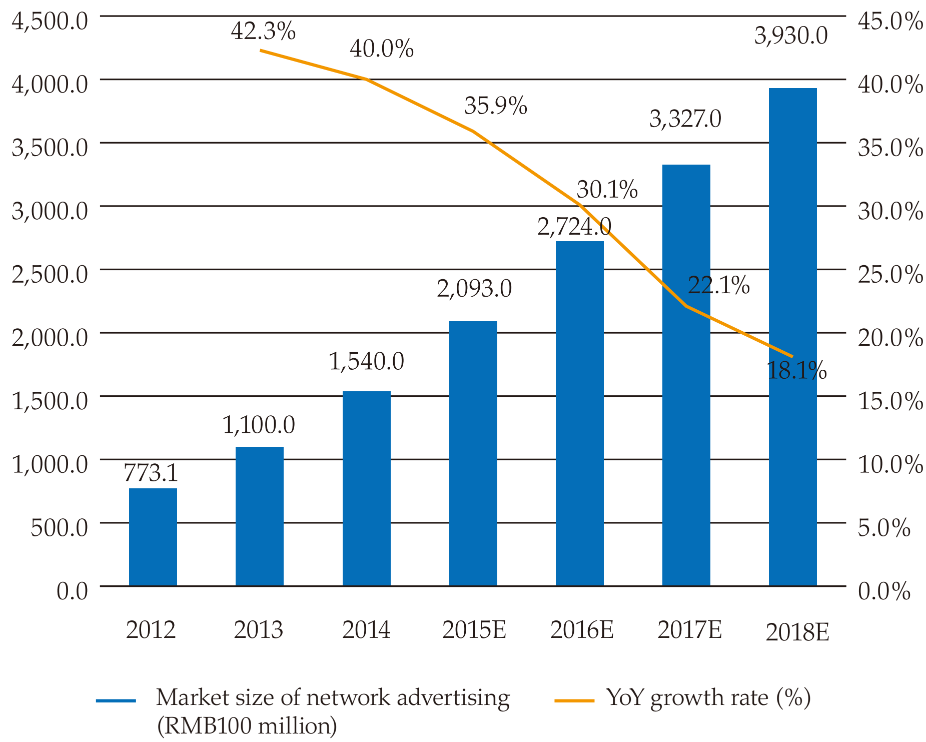
Market Size and Forecast of Internet Advertising in the PRC from 2012 to 2018



Source: iResearch China Internet Advertising Research 2015 (《2015年中國互聯網廣告行業年度監測報告》)

From 2012 to 2014, the market size of the network advertising in the PRC increases from RMB77.31 billion to RMB154.00 billion with a CAGR of 41.1%. The After years of rapid growing in the network advertising, the market size of which will stay at a high level in the next two years. The market size of the network advertising in the PRC is expected to reach RMB393.0 billion in 2018.

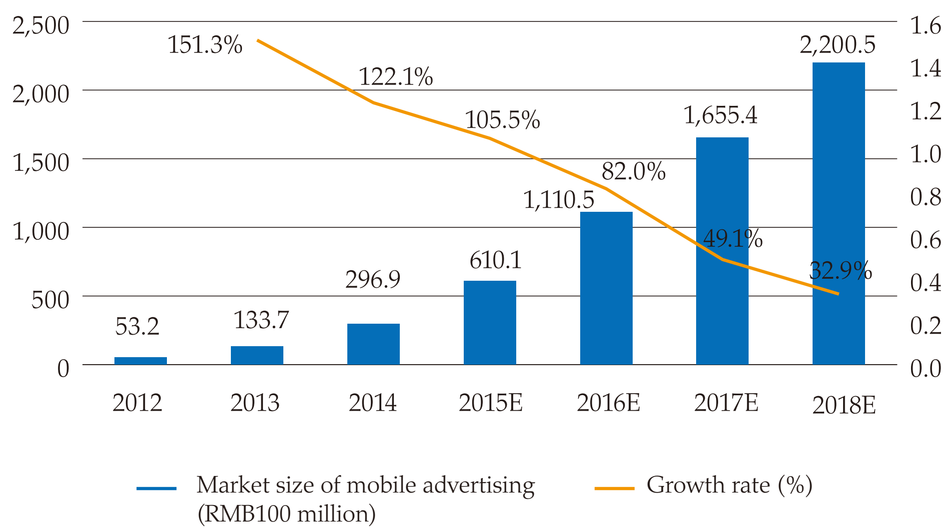
Market Size and Forecast of Network Advertising in the PRC from 2012 to 2018



Source: iResearch China Internet Advertising Research 2015

In 2014, the market size of the mobile advertising reached RMB29.69 billion with YoY growth of 122.1%. The growth of the mobile advertising market in general is much faster than that of the network advertising market. According to the forecast of PWC, the growth of mobile terminal indicates it will surpass other screen terminals in 2018. The popularization of smart terminal devices, the increase in the number of mobile netizens, the development of mobile advertising technology and the improvement of the services are drivers of the development of the mobile advertising market. The classification of mobile terminal devices will become more and more indistinct in the future. The smartphones and tablet computers are getting closer in size. The wearable user interface (eg. watch) will be a more and more influential presence.

Market Size and Forecast of Mobile Advertising in the PRC from 2012 to 2018



Source: iResearch China Internet Advertising Research 2015

4) Analysis and forecast of the development of display advertising

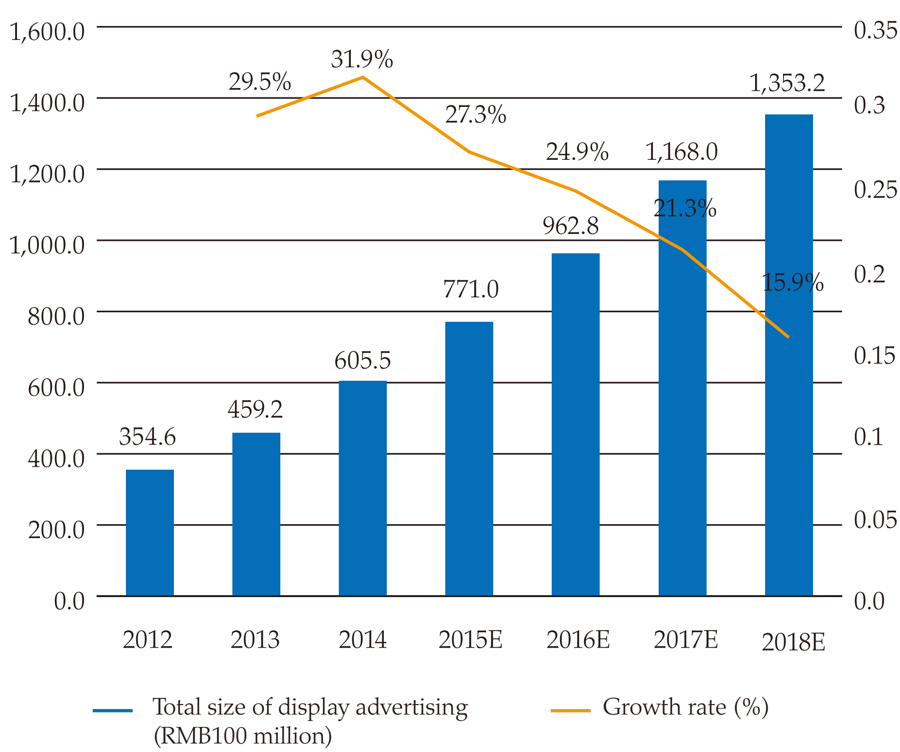
Internet advertising can be classified into display advertising, search engine advertising, content marketing, mobile internet advertising, etc. by means of implementation.

Display advertising displays the marketing contents in forms of text, graphics, rich media, video, etc. at integrated portals, vertical portals and other mainstream websites, which can be immediately seen by internet users when they browse the websites. The information on mainstream websites has strong authority and much browsing traffic, and there is rich display space for advertisements with flexible forms, which is suitable for brand marketing and distribution. Therefore, display advertising is one of the common marketing display forms with larger market shares.

The following picture is the homepage of Zhongguancun Online, and the part in the red circle is a representation of display advertising.

In recent years, display advertising maintains a relative stable growth. In 2014, the market size of display advertising reached RMB60.55 billion, representing a market share of 39.3% of the internet advertising.

Size of Display Advertising in Network Advertising Market of the PRC from 2012 to 2018

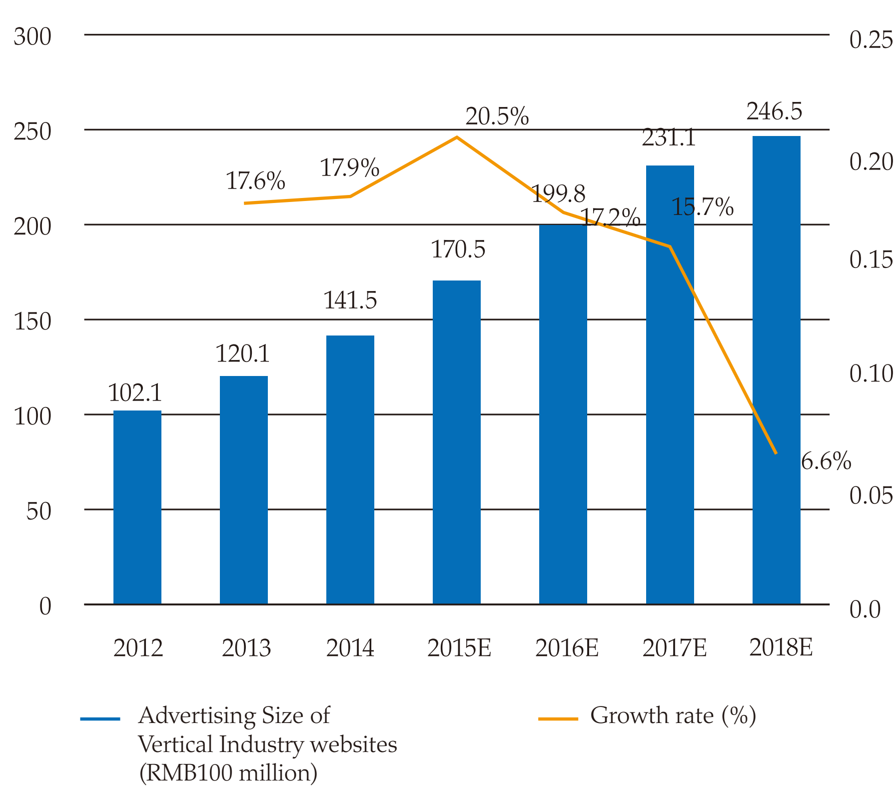


Source: iResearch China Internet Advertising Research 2015

5) Analysis and projection of the development of vertical industry website advertising

Internet advertising market can be classified into search engine, e-commerce websites, portal, independent video websites, vertical industry websites, classification information websites and independent network communities etc. by internet media in different forms. In 2014, the advertising size of vertical industry website was RMB14.15 billion, with a year-on-year increase of 17.9%. The vertical industry websites have a relatively low cost and can reach the target groups more accurately, and thus have gained popularity among advertisers. Due to the positive development of websites related to motor vehicles, real estate, IT products, maternal and child etc., the advertising size of industry website will grow steadily in next few years.

Advertising Size of Vertical Industry Websites in Internet Advertising Market in the PRC from 2012 to 2018



Source: iResearch China Internet Advertising Research 2015

(4) Favorable and unfavorable factors for industry development

1) Favorable factors for the development of the industry

A. Policy Support

As the development of internet advertising industry development is advocated and supported by national policies, the policy environment is relatively favorable. The outline of the "Twelfth Five-Year Plan" of the State outline requires to promote healthy development of the advertising industry, and the "Twelfth Five-Year Plan" for advertising industry development put more meticulous requirement as to "speed up the technological innovation in advertising industry". The SAIC has issued documents several times to support the development and growth of internet advertising industry.

B. The overall repaid development of internet marketing industry supported by macroeconomic development

The development of the advertising industry has been closely associated with the macroeconomic situation. Sustainable and healthy development of the Country's macroeconomic in recent years have laid a solid foundation for the growth of marketing industry in the PRC. It is expected that the Country's macroeconomic growth will remain healthy and stable, which severs as an important backdrop for the rapid development of internet marketing industry.

C. The internet develops rapidly with increasing influence

According to "The 36th Statistical Report on Internet Development in China" issued by the CNNIC, as of June 2015, the total number of internet users has reached RMB668 million, mobile internet users reached RMB594 million, and internet penetration rate was 48.80%. As internet users covers the mainstream of consumption groups and internet penetration rate among people with high school diploma and above was 51.10%, internet advertising is able to accurately target the above social groups with marketing value. Rapid development of internet and continuous increase in internet penetration rate provide a good audience base for internet advertising.

D. Internet advertising techniques continuously improve marketing efficiency

Internet information technology is one of the core competition elements in internet advertising field. Internet advertising has been greatly upgraded in technology since its inception, in particular the application of effect monitoring and precision marketing techniques largely resolve issues such as obscure audience and unclear effect in traditional marketing, which achieved remarkable improvements in marketing efficiency compared with the traditional way. With further development of information technology, some basic technologies such as large-scale distributed computing and massive data mining are gradually mature and well applied, internet advertising will be more capable of gaining in-depth insight into consumer's demand and developing more effective marketing plans so as to better address the client's marketing challenges. By using new technology to enhance marketing efficiency is the primary momentum of organic growth in internet advertising industry.

2) Unfavorable factors for the development of the industry

A. Enterprises' comprehensive service capacity is relatively weak

Currently, internet advertising market of the Country has exceeded RMB two hundred. However, enterprises in the internet advertising industry have relatively weak comprehensive service capability and customer industries served by it are relatively narrow, causing enterprises to focus their business on industries with which they have previous experience with a relatively weak ability in expanding customers across industries. In addition, as most enterprises provided services focused on specific aspects of internet advertising, such enterprises are lack of the capability in integrating marketing comprehensive service.

B. Shortage of professionals is one of the bottlenecks for the development of enterprises

Excellent internet advertising talents are one of the core competitiveness of an enterprise within this field. For such an enterprise, it not only need customer service and strategy personnel that familiar with theories and methods of traditional marketing and various communication means, but also internet technicians can continuously make progress in technology innovation and overcome technical issues. Only by forming a business team in the way of organic integration of all those personnel mentioned above can we provide high-quality internet advertising services to customers.

C. Unsound industry management standard

Construction of legal systems and formulation of industry standards are relatively backward. The construction of legal system for internet advertising and public relation business in the Country is still at its preliminary stage, and there is limited strong legal restrictions and protection in relation to network integrity construction, network intellectual property protection and cybercrime prevention etc.

(5) Cyclicity, regionality and seasonality of the industry

1) Cyclicity

Internet advertising industry is relatively close to the overall macroeconomic development and affected by macroeconomic fluctuations. When the trend of macroeconomic development and social consumption power turned better, the advertisers will increase their marketing efforts invested to promote rapid growth of the internet advertising market size. When the macroeconomic development slowed down, under the influence of weaker social consumption demand, advertisers will correspondingly reduce their marketing investment, causing unfavorable effects on the development of internet advertising industry.

2) Regionality

Internet advertising is not subject to regional restriction in technique, and any regions can carry out internet marketing activities as long as connecting to the internet. However, owing to the imbalanced economic development of all regions in the Country, there is difference in the internet penetration in all regions, and there will be more internet infrastructure, application resources and network users in economically developed regions. According to "Statistical Report on Internet Development in China" (July 2014) issued by the CNNIC, which was shown that the four provinces Beijing, Guangdong, Zhejiang and Jiangsu owned over 45% of IPv4 addresses around the Country in terms of internet resources, while urban netizen size is higher than those in villages in terms of internet users. Therefore, regions and targets of internet advertising activities are focusing on economically developed regions.

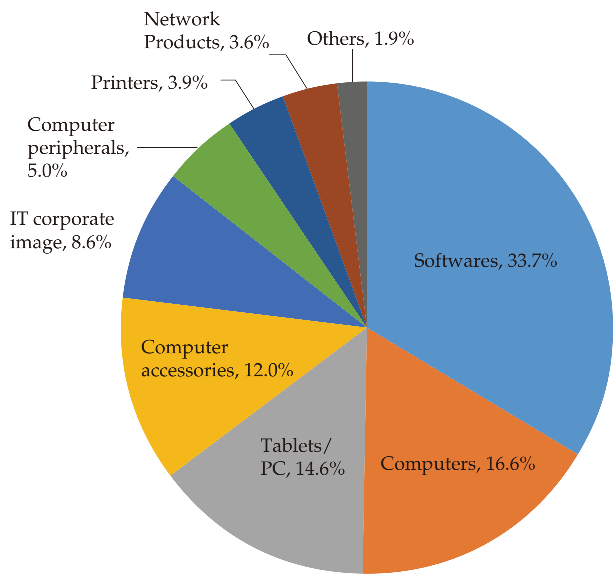
3) Seasonality

The business volume of internet advertising industry in the first half year is generally lower than that in the second half year, showing a certain degree of seasonality, which was mainly related to the product characteristics, sales strategies, budget inputs of the advertisers as well as user's browsing habits. Influenced by advertisers' budget formulation and advertising cycle placed as well as user's browsing habits, the first quarter is usually a stage for establishing budget by customers, and also due to the existence of several important traditional festivals such as the Spring Festival, the first quarter is a low season for internet media with a relatively small delivery quantity incurred during the quarter. As customers determined their annual marketing budget and socio-economic activities for the year were gradually expanded, the delivery quantity of internet marketing were increased progressively, the marketing delivery quantity of the second quarter usually accounts for a larger share of the first half year. Owing to the new school season, traditional marketing holidays (such as National Day, Double Eleven, and Christmas) as well as year-end promotions, internet marketing is turning into a peak season in the third and fourth quarter, contributing a large number of marketing activities which improve the business of internet advertising industry.

(6) Relevance between the enterprise's industry and the upstream and downstream industries, and favorable and unfavorable impacts of development of upstream and downstream industries on the enterprise's industry

Advertisers are not only the demanding party of internet advertising, but also the downstream customers of internet advertising industry. Generally, such advertisers are manufacturers of various industries' terminal products or service providers who usually purchase advertising resources from media platforms such as vertical websites directly or through advertising agencies. With the continuous development of the PRC's macroeconomic, rapid emergence of internet media as well as lower cost of internet marketing, more and more advertisers have participated in internet marketing. And the composition of such advertisers are becoming more diverse, with not only well-known brands, but also many small and media-sized enterprises. Compared with traditional marketing, internet marketing is low-cost and highly accurate, therefore, many advertisers are willing to further increase their internet marketing input budget. As of December 2015, enterprises around the country carried out marketing activities using internet are 33.8%, indicating that internet is still the most popular channel to promote business compared with other channels.

As an IT vertical website, major downstream customers of Zhongguancun Online are advertisers who are IT industry manufacturers or platforms. In 2014, 38.0%, 28.1% and 12.3% of the media placement of the PRC's IT advertisers were placed at IT vertical websites, portals websites and video websites, respectively. IT advertising industry segments are as follows:



Source: iResearch China Internet Advertising Research 2015

The development situation of major IT advertising industries mentioned above has a close relationship with the development of IT products internet advertising industry. In recent years, as IT products being replaced rapidly and new products being piled up one after another, the development of IT products internet advertising industry has been greatly benefited; meanwhile, owing to the emergence of vertical e-commerce platforms and video websites and the increase in market share of search engine advertising market, there are also more choices available for internet advertising forms and channels. Advertisers tend to adjust advertising placement channels according to their own strategic needs, causing different impacts on IT products internet advertising industry segments.

Internet media platform is part of the internet advertising industry and is at the downstream of the industry chain within the industry, which can provide information display and interaction platforms for other media platforms and advertisers, and services to other media platforms as well as guidance for users to visit. Presently, there is a complete line of internet media platforms in different forms, mainly including various websites such as integrated portals, vertical websites, search engines, and video websites, wherein the search engines are the main carrier of internet advertising platforms as well as main supplier and downstream of the target company. Search engines are websites in which internet users can directly search relevant information by entering keywords. And their main businesses are search engine advertising including keywords paid-ranking services, keywords input custody and search results optimization etc. According to iResearch, in 2014, the income scale of the PRC's search engine enterprises has reached RMB59.98 billion, representing a year-on-year increase of 51.9%, and their market scale is expected to be RMB16.764 million in 2018. Search engine market has a higher concentration, among which Baidu is the industry leader, accounting for 81.8% of domestic search engine's market size in 2014.

If search engine market's concentration and users' stickiness in the future are continuously improved, it might improve the purchasing cost of internet advertising enterprises which will affect the profits. However, with the rapid development of the internet technologies, prices of sources provided by the search engine industry will gradually decline if there are increased competition in search engine market and decline in market concentration or changes in users' habits, which will be favorable to the business development of vertical websites.

IX. Valuation approaches

(I) Selection of valuation approaches

According to the current asset valuation standards and related provisions, the basic valuation approaches of enterprise value are asset-based approach, market approach and income approach.

The business model of Zhixing Ruijing has gradually become stable and mature. As existing business content and scope continue, future earnings can be reasonably predicted, and the discount rate corresponding to the risk of enterprise's future earnings can also be reasonably estimated, therefore, income approach can be adopted in this valuation.

Since there are comparable listed companies in the market with similar asset size and structure, operating scope and profitability as the valuated entity, therefore, market approach can be adopted in this valuation.

Zhixing Ruijing is an internet enterprise with better profitability. Asset-based approach valuation is unable to identify and valuate values of those intangible assets with a greater impact on overall value such as customer resources, goodwill, human resources, and technical operational capacities, therefore, asset-based approach cannot be adopted in this valuation.

We have combined the objects and purposes in this evaluation and the information collected by the appraisers, and consequently determined to adopt income approach and market approach respectively to evaluate shareholders' total equity value in Zhixing Ruijing.

After a full and comprehensive analysis on various preliminary valuation conclusions based on the actual conditions, and taking into consideration of different valuation approaches and reasonableness of preliminary valuation conclusions, on the basis of the above-mentioned valuation approaches, we determined to choose one of valuation results as the valuated target's valuation conclusion.

(II) Income approach briefing

Income approach is a valuation method which determines value of the valuated targets through the capitalization or discounting of its expected income.

I) Preconditions for applying income approach

1. The price paid by an investor when he/she is making investment in an enterprise shall not exceed the present value (discounted by future earnings) of the enterprise or similar enterprises who have equal degree of risks.

2. Being able to reasonably predict the enterprise's future income.

3. Being able to reasonably estimate the discount rate corresponding to the degree of risk of the enterprise's future income.

II) Models of income approach

We have combined the purposes and targets of this valuation, and consequently determined to adopt the discounted free cash flow model for enterprises to determine enterprises' free cash flow value as well as analyze the company's surplus assets, value of non-operating assets so as to determine its overall value, and deduct the company's interest-bearing debts so as to determine the value of the company's shareholders' total equity value. Specific formulas are:

Shareholders' total equity value = Overall value of enterprise – Interest-bearing debts

Overall value of enterprise = Valuation value of enterprise's free cash flow + Value of non-operating assets + Value of surplus assets

Valuation value of enterprise's free cash flow = $\sum_{t=1}^{n} \frac{CEF_t}{(1+r_t)^t} + P_n \times (1+r_n)^{-n}$

In the formula: n – explicit forecast years

CFF_t – enterprise's cash flow in the t-th year

r – weighted average cost of capital

t – the t-th year in the future

P_n – continuous value after the n-th year

III) Determination of income approach's valuation parameters

1. Determination of income period and forecast period

We assumed that the company's duration is a perpetual period, then the income period shall be an unlimited period. We adopted segment method to predict the company's income, which divided the company's future income into income during the explicit forecast period and income after the explicit forecast period, wherein we have comprehensively considered the cyclicity of industry products and of its own development for a clear determination on a forecast period. It is more appropriate to take the year of 2021 as the division point according to valuators' market research and prediction.

2. Amount of income-determination of cash flow

We adopted the enterprise's free cash flow for the caliber of expected income in this evaluation, and related formulas are as follows:

Enterprise's free cash flow = Profits before interests and after taxes + Depreciation and amortization – Increase in amount of working capital – Capital expenditure

Profits before interests and after taxes = Operating income – Operating cost – Operating taxes and surcharges – Management fees – Operating expenses – Finance costs (exclusive of interest expense)- Asset impairment losses + Non-operating income – Non-operating expenses – Income tax

3. Determination of discount rate

(1) Calculation model of discount rate

Valuation value of an enterprise's free cash flow corresponds to the equity value of the enterprise's owner and creditor, and the corresponding discount rate is the weighted average cost of capital (WACC) of the enterprise's capital.

$$WACC = K_e \times \frac{E}{E+D} + K_d \times (1-T) \times \frac{D}{E+D}$$

In the formula: WACC – Weighted average cost of capital;

Ke – Cost of equity capital;

Kd – Cost of debt capital;

T – Income tax rate;

D/E – Enterprise's capital structure.

The cost of debt capital is selected based on the one-year benchmark lending rate.

The cost of equity capital is calculated in accordance with the CAPM model commonly used internationally, and the related formula is as follows:

$$Ke = Rf \times Beta \times ERP + Rc$$

In the formula: Ke – Cost of equity capital

Rf – Risk-free return rate

Beta – Systematic risk coefficients of equity

ERP – Market risk premium

R_e – Enterprise's specific risk adjustment coefficient

(2) *Calculating process of relevant parameters in the model*

1) Determination of risk-free return rate

Treasury yields are generally considered as risk-free. As of the valuation benchmark date, valuators found the trading of long-term treasury bonds (remaining life is over 10 years from its expiration) in the treasury bonds market, and took average annual yield to maturity as the risk-free return rate.

2) Determination of capital structure

We searched the capital structure of relevant listed companies as of the valuation benchmark date in Shanghai and Shenzhen through "iFinD Financial Database (同花順金融資料庫)", and take its arithmetic average as the value of the company's target capital structure.

3) Determination of systematic risk coefficient Beta on equity

After searching Beta coefficient containing financial leverage of listed companies in the industry in the past 2 years in Shanghai and Shenzhen through "iFinD Financial Database", we adjusted each beta to Beta coefficient excluded financial leverage factors though the formula $ß_u = ß_1 \div [1+(1-T)\times(D\div E)]$ (in the formula, T is tax rate, $ß_1$ is Beta coefficient containing financial leverage, $ß_u$ is Beta coefficient excluding financial leverage factors, $D\div E$ is capital structure). And we calculated Beta coefficient containing financial leverage of the valuated entity though the formula $ß_1 = ß_u \times [1+(1-t) D/E]$.

4) Calculation of market risk premium

Securities trading index is used to reflect the comprehensive index of stock transactions at the stock market, valuators selected CSI300 Index as an indicator of investment income at the stock market, and made a forecast of the annual income from 2001 to 2015 according to basic data that are trading closing prices of each year-end chosen by Wind Info's data system.

We made calculation and then obtained the arithmetic average and geometric average return rate of CSI300 Index's component stocks of each year, and took the weighted average of all component stocks' arithmetic or geometric average return rate as the return rate of the stock market for each year, and then compared with the risk-free return rate for each year to obtain the ERP in the stock market for each year.

The geometric average return rate could better reflect long-term trend of return rate in stock market, therefore, we took ERP's arithmetic average estimated by geometric average return rate as the risk premium of the current domestic stock market.

5) Determination of enterprise's specific risk adjustment coefficient

We comprehensively determined enterprise's specific risk adjustment coefficient based on the analysis of the company's size risks, operation risks, management risks, financial risks and market risks.

(3) Value of non-operating assets and surplus assets

Non-operating assets (liabilities) refer to assets (liabilities) unrelated to enterprise operating income.

Surplus assets refer to the part of operating assets which exceed the asset scale required by the corporation to operate normally, including surplus cash and cash equivalents, and marketable securities.

Upon the analysis, the non-operating assets of Zhixing Ruijing include loans to related party (accounted for under other receivables) and wealth management products purchased from banks (accounted for under other current assets). The non-operating liabilities are the license fees payable to Orange Triangle, the related party (accounted for under payables). As to the above non-operating assets and non-operating liabilities, the appraised value is determined by its verified book value.

(4) Value of interest-bearing liabilities

As at the valuation benchmark date, Zhixing Ruijing did not have any interest-bearing liabilities.

(III) Overview of market approach

The market approach refers to a valuation method by make comparisons between valuation target and comparable listed companies or comparable transaction cases in order to determine the value of valuation target.

I) Preconditions for application of the market approach

1. There is an adequately developed and active capital market;

2. There are sufficient comparable companies which are identical or similar to valuation target in the capital market, or there are sufficient transaction cases in the capital market;

3. The market information, financial information and other relevant information on comparable companies or transaction cases can be collected and obtained;

4. It is convinced that the information based on which the valuation is made is representative and reasonable, and is valid as at the valuation benchmark date.

II) Market approach model

Two specific methods commonly used by market approach are listed companies comparison method and transaction cases comparison method.

Listed companies comparison method refers to a specific method of obtaining the listed companies' operating and financial data to calculate an appropriate value ratio and determine the value of valuation target based on comparison and analysis with the valuated enterprises.

Transaction cases comparison method refers to a specific method of obtaining and analyzing transaction data through conducting analysis on sale and purchase, acquisition or merger cases of companies which belong to the same or similar industries with the valuated entity, to calculate an appropriate value ratio or economic indicators and get the value of valuation target based on comparison and analysis with the valuated entity.

As it is hard to collect the information of comparable transaction cases similar to this economic behavior and it cannot be known whether non-market value factors exist therein, this valuation should not adopt the transaction case comparison method. The comparable listed companies' operating and financial data is relatively open and objective, thus with easement in operation. Combining the valuation target, valuation purpose and the information collected for this asset valuation, the valuators applied listed companies comparison method to conduct valuation on the value of the entire interests of the shareholders of Zhixing Ruijing, which was entrusted for valuation. The calculating formula is:

The final assessing results of value of the equity interest = Total investment value ratio × Corresponding parameter of valuated entity × (1 – The discount rate for lack of liquidity) × (1＋Premium of control) – Interest-bearing debts＋Net value of non-operating assets.

Or

The final assessing results of value of the equity interest = Equity interest investment value ratio × Corresponding parameter of valuated entity × (1 – The discount rate for lack of liquidity) × (1＋Premium of control)＋Net value of non-operating assets.

III) Valuation Considerations

1. By analyzing the industry, operation, scale and financial conditions of the valuated entity, the comparable listed companies is determined. The comparable listed companies share similar characteristics in operation and finance with the valuated entities.

Criteria for selection of comparable listed companies are as follows:

(1) With a certain period of listed trading history

Given some statistics and historical data of stock trading required in the valuation using listed companies comparison method, comparable objects are generally required to have a certain period of listing history; On the other hand, the operating conditions of comparable objects shall be relatively stable, and a certain period of trading history will effectively guarantee the stability of such comparable objects' operation. Generally, the listed trading history of comparable objects shall be at least 24 months (2 years).

(2) Engaged in the same or similar operating business for not less than 24 months

Carrying out same or similar business is mainly to meet the requirement that business between comparable objects and valuated entities shall be the same or similar. The requirement of engagement in such operating business for not less than 24 months for comparable objects is mainly to avoid the situation that comparable objects have just started such business due to asset reorganization or others.

(3) With similar production scale of enterprises

Similar production scale of enterprises actually requires the similar asset size and capacity, to increase the comparability. As scale adjustment mode can be adopted to adjust the difference of scale, therefore, the requirement herein can be relaxed when necessary.

(4) With similar operating results of enterprises

Similar operating results mean that comparable objects and valuated assets should have similar operating results. For investors, there are great differences between the investment risk of profit-making enterprises and the investment risk of loss-making enterprises. Therefore, it shall be best to lessen the impact arising from these differences when selecting comparable objects.

(5) With similar expected growth rate

Similar expected growth rate actually requires the similar future growth of the enterprises, to increase comparability. As expected growth rate adjustment can be adopted to amend the difference of growth rate, therefore, the requirement herein can be relaxed when necessary.

(6) Complementary criteria in other aspects

Complementary criteria in other aspects mainly refer to the further requirements of comparable objects in the area of operation, product structure and others to increase comparability between comparable objects and valuated entities if possible. It can ensure higher comparability of comparable objects by setting further comparable conditions in the above aspects.

2. Analysis and adjustment of financial statements

In order to conduct a smooth comparative analysis between comparable companies and valuated entities, the relevant financial data of comparable companies and valuated entities should be integrated into a mutually comparable basis, which includes the comparability adjustment to financial data, adjustment to special matters and others.

3. Analysis and comparison of the key financial indicators between valuated entities and comparable listed companies.

4. Selection of appropriate value ratio

Commonly used value ratio includes earning-based value ratio, revenue-based value ratio, assets-based value ratio and other specific type value ratio. After conducting comparative analysis on the operating scale, gross profit margin, assets size and so on between comparable companies and target companies, the valuators considered that this valuation under market approach properly applied the earning-based value ratio and the value ratios particularly selected are respectively:

(1) EV/EBIT = (Value of the equity interest + Value of creditor's right)/Profit before interest and taxes

(2) EV/EBITDA = (Value of the equity interest + Value of creditor's right)/Profit before interest, taxes, depreciation and amortization

(3) EV/NOIAT = (Value of the equity interest + Value of creditor's right)/ Debt free cash flows

Note: NOIAT = EBIT×(1–T) + depreciation/amortization

(4) P/E (price/earning) = Value of the equity interest / Profit after tax

(5) Value ratio of equity interest to cash flow = Value of the equity interest / Cash flow of the equity interest

5. Adjustment for value ratio of Comparable companies

(1) Details of the adjustment

As there is operating risk (including specific risk of the Company) difference between valuated entities and comparable companies, it is required to make necessary adjustment. We take the discount rate parameter as the reflecting factor for operating risk of valuated entities and comparable companies.

On the other hand, valuated entities and comparable companies may be in different period of enterprise development. For enterprises in relatively stable period, it will grow slowly in the future; for enterprises in early development stage, it may experience a period of rapid growth. In addition, operation capacity of enterprises will also have an impact on the expected future growth rate. Therefore, it needs to make relevant amendments to the growth rate.

As analyzed above, the valuators make adjustments to each value ratio by calculating the adjustment coefficient of the discount rate and expected growth rate.

(2) Adjustment for risk factors

As to income value ratio of the valuated entity, M_S:

$$\frac{1}{M_S} = \frac{FMV_S}{FCF_S} = r_s - g_s = r_G - r_G + r_s - g_G + g_G - g_s$$

$$= r_G - g_G + (r_s - r_G) + (g_G - g_s)$$

$$= \frac{1}{M_G} + (r_s - r_G) + (g_G - g_s)$$

$$M_S = \frac{1}{\frac{1}{M_G} + (r_s - r_G) + (g_G - g_s)}$$

$(r_s - r_G)$ — Coefficient of adjustment for risk factors required to be made because of different discount rate arising from different risk factors between comparable companies and valuated entities;

$(g_G - g_s)$ — Coefficient of adjustment for expected growth rate difference required to be made because of expected growth rate difference between comparable companies and valuated entities.

1) Translation of discount rate

WACC is the basis for after-tax cash flow, which is corresponding to the discount rate of *NOIAT*, but cannot directly being corresponding to *EBIT, EBITDA* or revenue; CAPM is the basis for equity interest cash flow, which is not directly corresponding to net profit. Thus, it is required to carry out translation of basis in respect of the discount rate. Take *EBIT* and net profit as an example, details of the translation is as followed:

Definition: $\delta = \frac{NOIAT}{EBIT}$

According to the definition of WACC,

$$WACC = \frac{NOIAT}{D+E} = \frac{EBIT}{D+E} \times \frac{NOIAT}{EBIT} = \frac{EBIT}{D+E} \times \delta$$

Thus, the adjusted calculating formula for the discount rate corresponding to EBIT is:

$$\frac{EBIT}{D+E} = \frac{WACC}{\delta}$$

Definition: $\mu = \frac{\text{Equity interest cash flow}}{\text{Net profit}}$

According to the definition of CAPM,

$$CAPM = \frac{\text{Equity interest cash flow}}{\text{Value of the equity interest}} = \frac{\text{Net profit}}{\text{Value of the equity interest}} \times \frac{\text{Equity interest cash flow}}{\text{Net profit}} = \frac{\text{Net profit}}{\text{Equity interest cash flow}} \times \mu$$

Thus, the adjusted calculating formula for the discount rate corresponding to net profit is:

$$\frac{\text{Net profit}}{\text{Value of the equity interest}} = \frac{CAPM}{\mu}$$

2) Estimation of the expected growth rate *g*

Expected growth rate is the expected growth rate in perpetuity of the comparable companies and target companies after the valuation benchmark date. In estimating the growth rate, the valuators take simple reproduction as the premise, and have not considered the impact of commodity prices. As it is difficult to effectively estimate the perpetual growth rate of enterprises, long-term growth rate within certain years (CAGR of selected period) is adopted in lieu of the same.

6. Determination of the value of interest-bearing debts

As at the valuation benchmark date, Zhixing Ruijing does not have any interest-bearing debts.

7. Determination of the discount rate for lack of liquidity

As comparable companies are all listed companies, while Zhixing Ruijing is a non-listed company, impact of relevant equity interest for lack of liquidity on its value shall be considered. Comparison between P/E ratio approach for acquisition of non-listed companies and P/E ratio for listed companies has been adopted to estimate the discount rate for lack of liquidity in this valuation.

8. Determination of the premium rate of control

Tradable shares of listed companies are generally representative of the minority interests, and thus have no control over those listed companies. As the equity interest of Zhixing Ruijing in respect of such economic behavior has the control, corresponding premium adjustments shall be made to the control in the calculation of the value of the equity interest in the aforesaid valuated entity. The premium rate of control was determined in this valuation by reference to domestic relevant research results.

9. Determination of the value of the non-operational assets

As to the non-operational assets and liabilities, the appraised value is determined by its verified book value during this valuation.

10. Results analysis of market approach

Value ratios such as NOIAT, EBIT and EBITDA reflect a relationship between overall value and profitability of an enterprise, the formula is as follows:

Final appraised value of equity = Value ratio of full investment × Corresponding parameters of the valuated entity × (1 – Discount rate for lack of liquidity) × (1 + Premium rate of control) – Interest-bearing debts + Net non-operating assets

Value ratios such as equity cash flow and net profit reflect a relationship between equity value and profitability of an enterprise, the formula is as follows:

Final appraised value of equity = Value ratio of equity investment × Corresponding parameters of the valuated entity × (1 – Discount rate for lack of liquidity) × (1 + Premium rate of control) + Net non-operating assets

As there is no clear distinction between influence of each of 5 value ratios above on the value of enterprise or equity value, the arithmetic mean calculated by above formulas may be taken as the appraised value of the entire equity of shareholders of the valuated entity.

X. Valuation process

This asset valuation commenced on 3 March 2016 and the date for valuation report was 1 July 2016. The whole valuation process was divided into five stages:

(I) Stage of acceptance of engagement

On 3 March 2016, a valuation project commenced for the proposed acquisition by Shanghai Ganglian of the equity interest in Zhixing Ruijing through share issuance and cash payment. Shanghai Ganglian officially identified CanWin Appraisal Co., Ltd. (坤元資產評估有限公司) as its valuation institution for this project, defined the basic matters of valuation and determined the purpose, target and scope and benchmark date of the valuation, and an agreement of valuation engagement letter in respect thereof was signed to clarify the mutual responsibilities and obligations.

(II) Stage of preparation

1. Preliminary layout and trainings: Taking into account the characteristics of assets that are entrusted to be evaluated, a targeted layout of the Declaration List for Asset valuation was made. The Major Assets Questionnaire and the Questionnaire for Profits from Main Businesses was also designed. Business training was provided to the coordinators of the entrusting party involved in the asset valuation. Declaration Form of Asset Valuation and all kinds of survey forms were filled out.

2. Design of valuation scheme

   Based on the understanding of the characteristics of the assets, a plan for the performance of the valuation was drawn up. Valuators were identified to form an on-site working group for the asset valuation.

3. Preparation of collection and collation of valuation information

   This task relates to the collection and collation of the market trading price information of the valuation target and the supporting documents of the property right of the valuation target. The working time for this stage is from 4 March 2016 to 7 March 2016.

(III) Stage of verification and spot investigation of assets

Based on a declaration of assets according to facts and an overall self-review over the valuated assets by an enterprise, valuator carried out a thorough verification on assets and liabilities included in the scope of valuation and a systematic investigation on finance and operations of the enterprise. The working time of spot investigation is from 8 March 2016 to 25 March 2016.

1. Processes of asset verification are as follows:

   To guide relevant finance and asset management personnel of the enterprise to accurately and meticulously register and full in the "Declaration Form of Asset Valuation", the "Questionnaire for Assets" and Lists of Information necessary provided by the valuation institution according to its filling requirements on the basis of asset verification, and collect documents such as the supporting document of property ownership of the assets that are entrusted to be evaluated as well as the documents and information that reflect the performance, status, economic and technical indicator.

   Pursuant to the declaration form of assets and liabilities provided by entrusting party and valuated entity, verification on physical assets and monetary claims and debts was made by valuator using different verification methods to ensure the authenticity and accuracy of such assets and liabilities.

   The monetary assets were verified by valuator by checking the daily accounts, taking stock of the cash and reviewing bank statements and the reconciliation statements of the balance of bank deposits;

   In relation to the claims and debts, the valuator confirmed the authenticity of the assets and liabilities by checking the general account and the itemized account and conducting random inspection of the contractual proofs.

   In relation to fixed assets, examination on property right information of machinery equipment, ownership of domain, copyrights of trademarks and computer software was performed by valuator to verify the property rights of assets included in the scope of valuation. As for the significant assets, valuator verified the property rights by verification of asset purchase contracts or agreements, corresponding purchase invoices and supporting documents of property rights. Incomplete and ambiguous information on title of ownership were drawn to the attention of the enterprise for verification or provision of written documents.

2. Spot investigation of physical assets

   According to the Declaration List for Asset valuation, valuator made an inventory and spot investigation of the cash and fixed assets declared with relevant personnel of the enterprise. Given different characteristics and natures of the assets, different survey methods were taken.

3. Survey on value composition of physical assets and business development condition

Valuator carried out a survey on the operations of the enterprise through the collection and analysis of historical operations and future operating planning of the enterprise as well as the interview with the management.

(IV) Stage of evaluation and estimation and summarization

From 26 March to 5 May 2016, based on the working plans which were formulated according to the characteristics of this project and taking into consideration of the pricing principles and valuation models which were determined with respect to the actual condition, the valuator commenced their evaluation and estimation and summarization tasks by referring to the historical data and future operational forecasts provided by the enterprise upon confirmation of the valuation parameters and price criteria.

(V) Stage of internal audit, communication with and reporting to the entrusting party and the valuated entity, as well as report issuance

The valuation report on relevant assets was prepared in accordance with the standardized requirements of CanWin Appraisal Co., Ltd. A three-tier review was conducted on the valuation results and the related asset valuation report pursuant to the prescribed procedures of CanWin Appraisal Co., Ltd. Upon final review and signature by the certified public valuer, the formal asset valuation report was completed and submitted to entrusting party.

XI. Valuation conclusion

1. Valuation results under the income approach

Based on the valuation assumptions disclosed in this report, the valuation result of entire equity value of the shareholders of Zhixing Ruijing under the income approach was RMB2,084,239,700.00.

2. Valuation results under the market approach

Based on the valuation assumptions disclosed in this report, the valuation result of entire equity value of the shareholders of Zhixing Ruijing under the market approach was RMB2,208,000,000.00.

3. *Comparison and analysis of valuation results under both approaches and determination of valuation value*

Valuation results for entire equity value of shareholders of Zhixing Ruijing were RMB2,084,239,700.00 and RMB2,208,000,000.00 under the income approach and the market approach, respectively, the difference of which was RMB123,760,300.00, representing a variance ratio of 5.94%.

Market approach is to assess the enterprise value from the perspective of the overall market performance and future expectations, which objectively reflects the market value of the enterprise determined by the investors under the current state of market supply and demand. The income approach is to estimate the enterprise value based on the enterprise's profitability itself. Both approaches complement each other.

Valuation under the income approach regards projected income of the assets as value standard, reflecting the degree of future profitability of the enterprise. Such profitability is usually subject to various conditions, including macroeconomic condition, government control, industry market environment and the effective utilization of the assets. Market approach is to compare the valuation target with listed companies in the same industry for the appropriate rectification to the known price and economic data to reflect the value under the current market condition. In summary, two valuation approaches reflect the enterprise value from different aspects, thereby resulting in the difference between the conclusions from such approaches.

Income approach, based on future income, concludes more factors that affect the value, and therefore is considered more cautiously than market approach. The domestic stock market remains an emerging market with greater fluctuation, and there may be special factors that affect the share price of the Company. We believe that the valuation results under the income approach provides a more comprehensive and reasonable view on the value of entire equity of shareholders of valuated entity by comparison upon the financial position survey and operating condition analysis on the valuated enterprise and taking into account of target, purpose of this asset valuation, value type and information collected under the requirement of asset valuation standards.

As such, the value of RMB2,084,239,700.00 (RMB TWO BILLION AND EIGHTY FOUR MILLION TWO HUNDRED THIRTY NINE THOUNSAND AND SEVEN HUNDRED in capital letters) arrived at using the income approach finally was taken as the appraised value the entire equity of shareholders of Zhixing Ruijing.

XII. Description on special issues

1. In evaluating the value of the entire equity of shareholders of Zhixing Ruijing, the valuator of the Company conducted necessary verification on the information about valuation target and legal ownership of related assets provided by Zhixing Ruijing and the information sources, and did not find any defect in the information about valuation target and legal ownership of related assets. It was the responsibility of Zhixing Ruijing to provide true, legal and complete information on legal ownership of assets while the valuator assumed the responsibility to conduct necessary verification on the information provided by Zhixing Ruijing. The valuation report cannot serve as a confirmation on and guarantee for the valuation target and legal ownership of related assets. Under the circumstances that the valuated entity does not possess the ownership of the above-mentioned assets, or imposes some restrictions on the ownership of the above-mentioned assets, the valuation results for the above-mentioned assets and the valuation results for the entire equity of shareholders of Zhixing Ruijing will be affected.

2. As at the valuation benchmark date, Zhixing Ruijing had the following lease:

   Zhixing Ruijing and 北京鼎固房地產開發有限公司 entered into the Office Lease Agreement pursuant to which Zhixing Ruijing as a lessee leased the premise 8F, 9F, Block B, Dinghao Electronics Plaza (鼎好電子大廈), Zhongguancun II District, No.3 Hai Dian Street, Haidian District, Beijing as office with a leased area of 4,130.98 sq.m for a term from 1 August 2015 to 9 March 2021. Standard rental of the premise was RMB5 per sq.m per day and the standard property management fee was RMB1 per sq.m per day.

   The relevant forecast made in this valuation under the income approach in accordance with the lease contract signed at the valuation benchmark date by Zhixing Ruijing did not take into consideration of other possible effects of such lease on valuation target and related assets.

3. As at the valuation benchmark date, Zhixing Ruijing had the following matters including pending litigations which may have effect on related assets.

(1) Arbitrations were applied to the Beijing Arbitration Commission by Zhixing Ruijing for the matters such as collection of contract payments, and became accepted, the details of which are as follows:

No.	Name of respondent	Request for arbitration	Case no.	Current stage
1	上海華豚科技有限公司	collection of contract payments of RMB125,000 million	(2016) Jing Zhong Cai Zi No.0816	Under arbitration
2	綠洲奧斯科技(深圳)有限公司	collection of contract payments of RMB121,700 million	(2016) Jing Zhong Cai Zi No.0817	Under arbitration

(2) As defendant, Zhixing Ruijing has four pending litigations, the details of which are as follows:

No.	Name of the plaintiff	Cause of litigation	The latest decision	Current stage
1	Beijing Panoramic Vision Network Science and Technology Limited Company (北京全景視覺網路科技股份有限公司)	Image infringement	Compensation of RMB16,200 for economic losses	On appeal
2	Liu Shishi (劉詩施)	Violation of portrait rights	Statement of apology on the website for 10 days; Compensation of RMB15,000 for economic losses	Under arbitration

No.	Name of the plaintiff	Cause of litigation	The latest decision	Current stage
3	Tong Liya (佟麗婭)	Violation of portrait rights	Statement of apology on the website for 10 days; Compensation RMB15,000 for economic losses	
4	Zhang Peimeng (張培萌)	Violation of portrait rights	Statement of apology on the website for 10 days; Compensation of RMB10,000 for economic losses	On appeal

Related litigation costs have been taken into account in this valuation under income approach.

Zhixing Ruijing undertook that, as at the valuation benchmark date, except for the above matters, the Company did not have other contingencies such as asset mortgage, pledge, external guarantees, pending litigation, material financial commitments.

4. According to the relevant information provided by entrusting party, HC will carry out internal reorganization for the equity interests, assets and personnel of the business of ZOL (中關村在線) with Zhixing Ruijing as the integration subject in respect of such economic behaviour, particularly:

(1) Transfer of equity interests of the Target Company: Guo Jiang (郭江) and Liu Xiaodong (劉小東), the existing shareholders of Zhixing Ruijing, will transfer the entire equity interests in Zhixing Ruijing held by them to Beijing Huicong Construction Information Consulting Co., Ltd. and Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership). Upon the completion of such equity transfer, Beijing Huicong Construction Information Consulting Co., Ltd. and Xizang Ruijing Huijie Entrepreneurship Investment Partnership (Limited Partnership) will hold as to 60% and 40% of Zhixing Ruijing respectively.

(2) Transfer of assets, businesses and personnel: HC and other companies controlled by HC will transfer the assets, personnel and contracts related to the operation of Zhixing Ruijing to Zhixing Ruijing.

(3) Termination of all the VIE agreements entered into between Zhixing Ruijing, Beijing Orange Triangle and Orange Triangle.

According to the Reorganization Agreement signed by the transaction parties, the amount due to the offshore or onshore companies controlled by HC by Zhixing Ruijing is arranged to be exempt from payment by or refunded to Zhixing Ruijing after payment as a result of signing the structured contract for the period from transaction benchmark date to the date of termination of the structured contract.

According to the arrangement of the aforesaid internal reorganization plan and Reorganization Agreement, this valuation is assumed as follows:

(1) According to the Exclusive Licensing Agreement on Intellectual Property signed between Zhixing Ruijing and Orange Triangle, Zhixing Ruijing shall pay licensing fee in accordance to 12% of its total annual revenue to Orange Triangle. Such fee is derived from the VIE structures. According to the internal reorganization plan, when estimating the revenue in this valuation, the cost of such licensing fee is no longer considered separately.

(2) According to the Exclusive Technical Services Agreement signed between Zhixing Ruijing and Beijing Orange Triangle, the related party, Zhixing Ruijing shall pay technical service fee of RMB5 million per year to Beijing Orange Triangle. Such fee is derived from the VIE structures. According to the internal reorganization plan mentioned above, when estimating the revenue in this valuation, the personnel of Beijing Orange Triangle will be transferred to Zhixing Ruijing and the relevant fee and expenses will be considered, and the cost of such technical service fee is no longer otherwise considered.

As at the issuance date of the valuation report, such internal reorganization has not yet implemented.

5. The profit forecast of the valuated entity obtained by the valuation institution is the basis of income approach in this valuation report. The valuer carried out necessary investigation, analysis and judgment on the profit forecast of the valuated entity. Upon several rounds of discussion with the management and substantial shareholders of the valuated entity, and further correction and complement by the valuated entity, the valuation institution adopted and was satisfied with the relevant data in the profit forecast of the valuated entity. The

usage of the profit forecast of the valuated entity by the valuation institution does not constitute a guarantee on the future profitability of the valuated entity.

6. The result of this valuation was the prevailing market value of total shareholders' equity determined based on the purpose of this valuation and the assumptions disclosed in the report. It did not take into account any impact on appraised value caused by any increased or decreased price due to any special transaction methods, or any impact on the asset price caused by any changes in macroeconomic environment and any natural forces and other force majeure. It took into consideration any impact of control premium and liquidity factors on the valuation result in this valuation under market approach.

7. The valuator made assumptions as it considered necessary and reasonable in accordance with current actual situation in evaluating the value of total shareholders' equity, and presented the same in the asset valuation report. Such assumptions are the preconditions based on which the valuator conducted asset valuation. Where there are material changes in future economic environment and assumptions above, the valuator disclaims any liability for different asset valuation result arising from changes in the preconditions.

8. The valuation institution and the valuator disclaim any liability for other possible defects in respect of the valuated entity in this valuation which may have influence on the valuation result if the valuated entity fail to specify and the valuator, in general, will not be aware of such defects based on their practicing experience during such asset valuation.

Users of the valuation report should pay due attention to the impacts of special issues above on the valuation conclusion.

XIII. Restrictions on usage of valuation report

1. This valuation report is only to be used for the valuation purposes and usage as stated thereof.

2. The valuation report is only to be used by valuation report users as stated thereof. Any other third parties may not use or rely upon this report, and the valuated entity assumes no responsibilities for the results caused by improper use of this valuation report and its valuation conclusions by any company or individual.

3. Save as required by laws and regulations or otherwise agreed by the relevant parties, the contents of this valuation report may not be extracted, quoted or disclosed to any public media without the consent of the valuation institution.

4. The valuation conclusion set out in this report is valid for one year commencing from the valuation benchmark date (being 29 February 2016) to 28 February 2017.

CanWin Appraisal Co., Ltd.

Legal Representative:
(Or Authorized Person)

Certified Public Valuer:

Date of Report: 1 July 2016

LETTER OF UNDERTAKING FROM THE ENTRUSTING PARTY

To: CanWin Appraisal Co., Ltd.

We hereby appoint your Company to conduct a valuation on the value of total shareholders' equity of Beijing Zhixing Ruijing Technology Co., Ltd. (北京知行鋭景科技有限公司) in respect of the proposed acquisition of the equity interest in Beijing Zhixing Ruijing Technology Co., Ltd. through share issuance and cash payment by our Company. To ensure an objective, fair and reasonable asset valuation by the valuation institution, we hereby make the following undertakings and assume the corresponding legal responsibilities:

1. The economic behaviors of asset valuation are in compliance with regulations of the PRC;

2. The scope of assets entrusted for valuation is consistent with that of assets involved in this economic behavior and there is no repetition or omission;

3. Information provided is true, accurate and complete, and a full disclosure of relevant material matters is made;

4. We do not interfere with the independent, objective and fair valuation work by valuation institution and valuator;

5. We are subject to supervision and examination by the competent administrative department for valuation.

Entrusting Party: Shanghai Ganglian E-Commerce Holdings Co., Ltd.

Person-in-charge of the Company:

17 June 2016

LETTER OF UNDERTAKING FROM THE VALUATED ENTITY

To: CanWin Appraisal Co., Ltd.

We hereby appoint your Company to conduct a valuation on the value of total shareholders' equity of our Company in respect of the proposed acquisition of the equity interest in our Company through share issuance and cash payment by Shanghai Ganglian E-Commerce Holdings Co., Ltd. To ensure an objective, fair and reasonable asset valuation by the valuation institution, we hereby make the following undertakings and assume the corresponding legal responsibilities:

1. The economic behaviors of asset valuation are in compliance with regulations of the PRC;

2. The scope of assets entrusted for valuation is consistent with that of assets involved in this economic behavior and there is no repetition or omission;

3. Financial accounting and other information provided is true, accurate and complete, and a full disclosure of relevant material matters is made;

4. The ownership of the assets included in the scope of valuation is clear, and the asset ownership certificates provided are legal and valid;

5. The information provided on, among others, production, operations and management of our Company is objective, true, complete and reasonable;

6. As at the valuation benchmark date, our Company has provided contingency and lease events such as asset charge, pledge, pending litigations in relation with the valuation target;

7. Our company has timely provided the subsequent events in relation with the aforesaid valuation target occurred during the period from the valuation benchmark date to the completion date of valuation report;

8. We do not interfere with the independent, objective and fair valuation work by valuation institution and valuator;

9. We are subject to supervision and examination by the competent administrative department for valuation.

Valuated Entity: Beijing Zhixing
Ruijing Technology Co., Ltd.

Person-in-charge of the Company:

17 June 2016

LETTER OF UNDERTAKING FROM THE CERTIFIED PUBLIC VALUER

To: Shanghai Ganglian E-Commerce Holdings Co., Ltd.

Engaged by your company, we conducted a valuation on the total shareholders' equity in Beijing Zhixing Ruijing Technology Co., Ltd. in respect of the proposed acquisition of assets through share issuance and cash payment by your Company as at the valuation benchmark date of 29 February 2016, and an asset valuation report was prepared in respect thereof. On the conditions that assumptions disclosed in this report are satisfied, we hereby undertake that:

1. We have possessed relevant practicing qualifications.

2. The valuation target and the valuation scope are consistent with those as agreed in the valuation engagement letter.

3. Necessary verification has been carried out on the valuation target and its related assets.

4. An appropriate valuation approach has been selected according to asset valuation standards and relevant valuation criteria.

5. Major factors affecting the appraised value have been taken into full consideration.

6. The valuation conclusion is reasonable.

7. The valuation work has been conducted independently without any interference.

Certified Public Valuer:

1 July 2016

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

This circular includes particulars given in compliance with the Buy-Backs Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding 6 May 2016, being the date of the Announcement, and ending on the Latest Practicable Date; (ii) on 26 April 2016 (being the last trading day immediately preceding the date of the Announcement); and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
30 November 2015	4.65
31 December 2015	4.68
29 January 2016	3.57
29 February 2016	4.26
31 March 2016	4.45
26 April 2016	5.24
27 May 2016	4.26
30 June 2016	4.95
29 July 2016	4.52
Latest Practicable Date	5.76

The lowest and highest closing market prices of the Shares as quoted on the Stock Exchange during the period commencing 6 months preceding 6 May 2016, being the date of the Announcement and ending on the Latest Practicable Date were HK$3.33 on 26 January 2016 and HK$5.80 on 23 August 2016, respectively.

There had been no dealings in the Buy-Backs Shares during the period commencing 6 months preceding 6 May 2016, being the date of the Announcement, and ending on the Latest Practicable Date.

3. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are set out below:

Authorised capital:		*HK$*
2,000,000,000	Shares	200,000,000

Issued and fully capital:		*HK$*
1,010,298,103	Shares	101,029,810.30
(88,958,115)	Buy-Backs Shares	(8,895,811.50)
921,339,988		92,133,998.80

All the Shares in issue rank pari passu in all respects with each other including as regards to dividends, voting rights and return of capital. The Shares in issue are listed on the Stock Exchange.

Save for (i) the outstanding 14,964,000 Share Options granted under the share option scheme of the Company adopted on 30 November 2003 pursuant to which Shares may be issued and allotted, (ii) the convertible bonds with an outstanding principal amount of HK$780,000,000 (pursuant to which 69,148,936 Shares may be issued and allotted assuming full conversion at the adjusted conversion price of HK$11.28 (subject to adjustment)), (iii) the convertible bonds with an outstanding principal amount of HK$100,712,500 (pursuant to which 10,071,250 Shares may be issued and allotted assuming full conversion at the initial conversion price of HK$10 (subject to adjustment)); and (iv) the proposed subscription of convertible bonds with an outstanding principal amount of HK$120,000,000 (pursuant to which 30,000,000 Shares may be issued and allotted assuming full conversion at the initial conversion price of HK$4.00 (subject to adjustment)), as at the Latest Practicable Date, there were no outstanding options, warrants, or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into new Shares.

There had been no reorganisation of capital of the Company during the two financial years preceding the date of the Announcement.

Save for the Buy-Backs, (i) since 31 December 2015, the date to which the latest audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date, there had not been any Share buy-backs; and (ii) during the 12 months immediately preceding 30 August 2016, being the date of this circular, the Company had not bought back any Shares.

Save as disclosed below, (i) since 31 December 2015, the date to which the latest audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date, there had not been any other new issue of Shares; and (ii) there had been no other issuance of new Shares during the two years immediately preceding the date of the Announcement:

(a) 150,000 Shares and 50,000 Shares were issued on 9 May 2014 and 29 May 2014 respectively pursuant to the exercise of the Share Options;

(b) 4,200,000 Shares and 100,000 Shares were issued on 21 October 2014 and 28 October 2014 respectively pursuant to the exercise of the Share Options;

(c) 50,000 Shares were issued on 11 November 2014 pursuant to the exercise of the Share Options;

(d) 80,000 Shares were issued on 14 January 2015 pursuant to the exercise of the Share Options;

(e) 500,000 Shares were issued on 9 April 2015 pursuant to the exercise of the Share Options;

(f) 13,000 Shares and 15,000 Shares were issued on 6 May 2015 and 18 May 2015 respectively pursuant to the exercise of the Share Options;

(g) 50,000 Shares were issued on 3 June 2015 pursuant to the exercise of the Share Options;

(h) the HC Consideration Shares were issued on 3 July 2015 at HK$8.50 per Share pursuant to the Sale and Purchase Agreement, details of which are set out in the announcements of the Company dated 8 May 2015 and 2 June 2015 and the circular of the Company dated 4 June 2015;

(i) 310,000 Shares were issued on 27 July 2015 pursuant to the exercise of the Share Options;

(j) 300,000 Shares and 577,000 Shares were issued on 17 August 2015 and 31 August 2015 respectively pursuant to the exercise of the Share Options;

(k) 74,540,000 Shares were issued on 20 November 2015 at the placing price of HK$3.82 per Share pursuant to the placing of Shares, details of which are disclosed in the Company's announcements dated 12 November 2015 and 20 November 2015;

(l) 710,000 Shares were issued on 2 December 2015 pursuant to the exercise of the Share Options;

(m) 150,000 Shares were issued on 2 February 2016 pursuant to the exercise of the Share Options;

(n) 15,134,000 Shares were issued on 7 April 2016 pursuant to the exercise of the Share Options by Mr. Guo and his spouse, Ms. Geng Yi;

(o) 40,000,000 Shares, 15,000,000 Shares and 40,000,000 Shares were issued on 31 May 2016 to Mr. Guo, Mr. Lee Wee Ong and Mr. Liu Jun respectively pursuant to the exercise of the conversion rights under the convertible bonds of the Company issued on 26 May 2016; and

(p) 68,000 Shares were issued on 23 June 2016 pursuant to the exercise of the Share Options.

4. DIVIDENDS

No dividend has been proposed or paid out by the Company to the Shareholders during the two-year period immediately preceding 30 August 2016, being the date of this circular.

The Company's ability to pay dividends to Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to Shareholders. The Company has no plan or intention to alter its present dividend policy.

5. DISCLOSURE OF INTERESTS

(a) Director's Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed

Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange or which are required to be disclosed in this circular pursuant to the Takeovers Code were as follows:

Name of Director	Number of Shares held/ interested	Capacity/ Nature of Interest	Long Position/ Short Position	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Mr. Guo	194,709,771	Beneficial owner/Family interest/Other *(Note 1)*	Long	19.27
	66,000,000	Other *(Note 1)*	Short	6.53
Guo Fansheng	57,749,015	Beneficial owner *(Note 2)*	Long	5.72
Lee Wee Ong	19,850,672	Beneficial owner *(Note 3)*	Long	1.96
Li Jianguang	32,000,384	Interest in controlled corporation *(Note 4)*	Long	3.17

Notes:

1. Such interests in the Company comprise:

   (a) 125,358,771 Shares of which 114,574,146 Shares are held by Mr. Guo and 10,784,625 Shares are held by Ms. Geng Yi, who is Mr. Guo's spouse;

   (b) 8,351,000 underlying Shares derived from the awarded shares granted to Mr. Guo under the employees' share award scheme adopted on 17 November 2011; and

   (c) 61,000,000 Shares which were borrowed by Mr. Guo Jiang from Ms. Geng Yi and Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo, Ms. Geng Yi and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party.

   Mr. Guo is deemed, or taken to have, interested in the Shares and underlying Shares held by Ms. Geng Yi pursuant to the SFO.

2. 57,000,000 Shares were lent to Mr. Guo.

3. Such interests in the Company comprise: (i) 18,350,672 Shares and (ii) 1,500,000 underlying Shares derived from the Share Options held by Mr. Lee Wee Ong.

4. The reference to 32,000,384 Shares relates to the same block of Shares held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li Jianguang. Accordingly, Mr. Li Jianguang is deemed, or taken to have, interested in all the Shares held by Callister Trading Limited pursuant to the SFO.

Save as disclosed above, no other persons acting in concert with Directors are interested in any Shares or convertible securities, warrants, options or derivatives issued by the Company.

(b) Interests of substantial Shareholders and other persons in the Shares and underlying Shares in the Company

As at the Latest Practicable Date, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executive of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which are required to be disclosed in this circular pursuant to the Takeovers Code, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Number of Shares held/ interested	Capacity/ Nature of Interest	Long Position/ Short Position	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Digital China Holdings Limited	166,029,107	Interest in controlled corporation *(Note 1)*	Long	16.43
Geng Yi	194,709,771	Beneficial owner and Family interest *(Note 2)*	Long	19.27
	66,000,000	Family interest *(Note 2)*	Short	6.53
Credit Suisse Group AG	44,590,941	Interest in controlled corporation	Long	4.41
	35,344,000	Interest in controlled corporation	Short	3.50
Mr. Liu	92,273,794	Beneficial owner/ Interest in controlled corporation *(Note 3)*	Long	9.13
Wisdom Limited *(Note 4)*	62,273,794	Beneficial owner	Long	6.16

Notes:

1. The references to 166,029,107 Shares comprise 142,621,107 Shares and 23,408,000 Shares held by Talent Gain Developments Limited and Unique Golden Limited, respectively. Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 861). Therefore, Talent Gain Developments Limited, is deemed to be interested in the Shares held by Unique Golden Limited, and each of Digital China (BVI) Limited and Digital China Holdings Limited is deemed to be interested in the Shares held by Talent Gain Developments Limited and Unique Golden Limited.

2. Please refer to note 1 under the sub-paragraph headed "(a) Director's Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations" for the interests held or deemed to be taken or interested by Ms. Geng Yi under the SFO. Ms. Geng Yi is deemed, or taken to have, interested in the Shares and underlying Shares held by Mr. Guo pursuant to the SFO.

3. Such interests in the Company comprise: (i) 30,000,000 underlying/conversion Shares derived from the proposed subscription of convertible bonds of the Company by Mr. Liu pursuant to the Subscription Agreement; and (ii) 62,273,794 Shares held by Wisdom Limited, the entire share capital of which is owned by Mr. Liu. Mr. Liu is deemed, or taken to have, interested in all the Shares held by Wisdom Limited pursuant to the SFO.

4. Wisdom Limited is a company wholly and beneficially owned by Mr. Liu.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

Save for the service contracts between the Company and each of Mr. Guo Fansheng, Mr. Guo and Mr. Lee Wee Ong for a term of three years from 30th November 2015, 1st August 2015 and 1st July 2015 respectively which may terminated by either party giving three months' prior written notice or otherwise in accordance with the terms of their respective service contracts, as at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period, otherwise than in the ordinary cause of business.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, save for Mr. Guo's involvement in the transactions contemplated under the Framework Agreement (being a party to each of the Termination Agreement, the Equity Transfer Agreement and one of the five proposed subscribers of the Purchaser Fund Raising), (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and (ii) none of the Directors or expert named in this Circular had any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

(a) As at the Latest Practicable Date, save for (i) 61,000,000 Shares which were borrowed by Mr. Guo from Ms. Geng Yi and Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo, Ms. Geng Yi and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party; and (ii) Mr. Guo Fansheng lent 57,000,000 Shares to Mr. Guo as disclosed on page 943 of this circular under paragraph 5(a) of this appendix, none of the Directors and parties acting in concert with any of them had borrowed or lent Shares or any convertible securities, warrants, options or derivatives issued by the Company.

(b) Save for (i) the subscription and issue of convertible bonds of the Company on 9 December 2015 and 26 May 2016 respectively carrying rights to convert 40,000,000 Shares and 15,000,000 Shares at HK$4.00 per Share subscribed by and issued to Mr. Guo and Mr. Lee Wee Ong respectively under the Subscription Agreement; (ii) the exercise of Share Options to subscribe for 9,500,000 Shares and 5,634,000 Shares by Mr. Guo and his spouse at the exercise price of HK$0.954 and HK$0.833 per Share respectively on 7 April 2016; (iii) the purchase of 500,000 Shares, 200,000 Shares, 200,000 Shares, 200,000 Shares, 200,000 Shares, 200,000 Shares and 2,000,000 Shares at the respective total consideration of HK$2,136,320, HK$861,820, HK$844,580, HK$856,500, HK$866,500, HK$848,680 and HK$9,840,000 by Mr. Guo on 19 May 2016, 20 May 2016, 23 May 2016, 24 May 2016, 25 May 2016, 26 May 2016 and 16 June 2016 respectively; and (iv) the conversion of the convertible bonds of the Company issued on 26 May 2016 by Mr. Guo and Mr. Lee Wee Ong to convert 40,000,000 Shares and 15,000,000 Shares at the respective total conversion price of HK$160,000,000 and HK$60,000,000 on 31 May 2016, none of the Directors and their respective concert parties had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

10. MATERIAL CONTRACTS

Save for the following contracts, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by member(s) of the Group within the two years immediately preceding the date of the Announcement and ending on the Latest Practicable Date and are, or may be, material in relation to the business of the Group as a whole:

(a) the cornerstone investment agreement dated 2 July 2014 entered into amongst the Company, Hong Kong Huicong International Group Limited, Cogobuy Group, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited in relation to the subscription of shares of Cogobuy Group up to an aggregate value of US$20,000,000;

(b) the share transfer agreement dated 30 September 2014 and entered into between 廈門鑫百益投資集團有限公司 (Xiamen Xinbaiyi Investment Group Co., Ltd.), 福建東騰投資有限公司 (Fujian Dongteng Investment Co., Ltd.), 福建省中紡大發貿易有限公司 (Fujian Province Zhongfang Dafa Trading Co., Ltd.) and 廈門泰綸絲化工材料有限公司 (Xiamen Tailunsi Chemical Materials Co., Ltd.) as the vendors, and 北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd*) ("**Beijing HC Technology**"), an indirect wholly-owned subsidiary of the Company, 北京錦囊創業投資管理中心(有限合夥) (Beijing Jinnang Chuangye Investment Management Centre (Limited Partnership), 馬偉 (Ma Wei) and 尤勝偉 (You Sheng Wei) as the purchasers, in relation to, among other things, the acquisition by Beijing HC Technology of 16,487,000 shares of 北京兆信信息技術股份有限公司 (PanPass Information Technology Co., Ltd.) in accordance with the terms of the acquisition agreement for an aggregate consideration of RMB108,814,200;

(c) the investment cooperation agreement dated 31 October 2014 and entered into between Hui De Holding Co., Ltd. (慧德控股有限公司) and Beijing International Information in relation to the establishment of Zhejiang Huicong Investment Co., Ltd. (浙江慧聰投資有限公司) with the respective capital contribution amount of RMB200 million and RMB50 million by Hui De Holding Co., Ltd. and Beijing International Information, respectively;

(d) the subscription agreement dated 20 November 2014 and entered into between the Company as the issuer, Credit Suisse (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited in relation to, among other things, the subscription and issue of the bonds with an initial aggregate principal amount of HK$780,000,000 due 2019 issued by the Company pursuant to the subscription agreement;

(e) the Sale and Purchase Agreement;

(f) the sale and purchase agreement dated 22 July 2015 and entered into between 北京慧聰互聯信息技術有限公司 (HC Internet Information Technology Company Limited*), an indirect wholly-owned subsidiary of the Company, as the purchaser and 王鳳鳳 (Wang Feng Feng) as the vendor, for the sale and purchase of 19,300,000 shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("**Hohhot Jingu**") for a consideration of RMB57,900,000;

(g) the Existing Structured Contracts;

(h) the placing agreement dated 12 November 2015 and entered into between the Company as the issuer, and Shenwan Hongyuan Securities (H.K.) Limited as the placing agent, in relation to the placing of up to 74,540,000 shares of the Company at the placing price of HK$3.82 per Share on a best effort basis pursuant to the terms of the placing agreement;

(i) the subscription agreement dated 7 December 2015 and entered into between the Company as the subscriber and Hohhot Jingu, in relation to the subscription for 108,661,533 shares of Hohhot Jingu for a consideration of RMB325,984,599;

(j) the Subscription Agreement (as supplemented by a first confirmation letter dated 29 February 2016 and a second confirmation letter dated 1 April 2016);

(k) the sale and purchase agreement dated 18 December 2015 and entered into between the Company as the purchaser, Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited and Mr Moustache Holdings Limited as the sellers and Mr. Cao Guoxiong, Mr. He Shunsheng, Mr. Chen Xuejun, Mr. Guan Jianzhong and Mr. Liao Bin as the seller guarantors, in relation to the sale and purchase of entire issued share capital of Zhongfu Holdings Limited for an aggregate consideration of HK$170,807,500;

(l) the subscription agreement dated 15 January 2016 entered into between Beijing HC Technology as subscriber and 上海鋼銀電子商務股份有限公司 (Shanghai Gangyin E-Commerce Co., Ltd*) ("**Shanghai Gangyin**") as issuer in respect of the subscription of 22,000,000 shares of Shanghai Gangyin at the total subscription price of RMB99,000,000 (RMB4.5 per subscription share) by Beijing HC Technology;

(m) the capital increase agreement dated 15 March 2016 entered into between Mr. Liu Jun (劉軍), Mr. Song Bingchen (宋冰晨), Mr. Han Gang (韓剛) and Mr. Xu Ke (許可) as subscribers, 深圳市京慧聰網絡科技有限公司 (Shenzhen Jing Huicong Network Technology Company Limited*), an indirect wholly-owned subsidiary of the Company, 北京慧聰互聯信息技術有限公司 (Beijing Huicong Interconnection Information Technology Company Limited*), an indirect wholly-owned subsidiary of the Company and廣州慧聰網絡科技有限公司 (Guangzhou Huicong Network Technology Company Limited*), an indirect wholly-owned subsidiary of the Company ("**Guangzhou Huicong**") in respect of increase in registered capital of Guangzhou Huicong from RMB5,000,000 to RMB8,333,333 and increase in capital reserve by RMB50,000,000 contributed by the subscribers;

(n) the Initial Framework Agreement;

(o) the Supplemental Agreements;

(p) the Partnership Agreement;

(q) the Supplemental Partnership Agreements;

(r) the Supplemental Deed (which contains the terms and conditions of the Buy-Backs);

(s) the Management and Operations Agreement and its termination agreement dated 6 June 2016;

(t) the Asset Transfer Agreement;

(u) the Equity Transfer Agreement;

(v) the Termination Agreement; and

(w) the agreement for sale and purchase dated 5 July 2016 entered into between Hong Kong Huicong International Group Limited, a wholly-owned subsidiary of the Company as purchaser and Sparkling Investment (BVI) Limited as vendor in relation to the sale and purchase of 9,400,000 shares of Digital China Holdings Limited, representing approximately 0.80% of its issued shares, at an aggregate consideration of HK$56,400,000.

11. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was involved in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

12. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up).

13. EXPERTS AND CONSENT

The following is the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Lego Corporate Finance	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the above experts have any shareholding in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts have any direct or indirect interest in any assets which have been, since 31 December 2015 (the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

14. MISCELLANEOUS

(a) The company secretary of the Company is Ms. KWONG Yin Ping Yvonne, who is a Fellow of the Hong Kong Institute of Chartered Secretaries and a Fellow of The Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is situated at 4th Floor, One Capital Place, P.O. Box 847 George Town, Grand Cayman, Cayman Islands and the principal place of business of the Company in Hong Kong is situated at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The correspondence address of Mr. Liu is 9th Floor, Dinghao Building, No. 3 Haidian Street, Haidian District, Beijing, the PRC.

(d) The correspondence address of Ms. Wang is 9th Floor, Dinghao Building, No. 3 Haidian Street, Haidian District, Beijing, the PRC.

(e) The correspondence address of Mr. Shi is Residence of Hexi Town Middle School, Hexi Town, Pingyang County, Zhejiang Province, the PRC.

(f) The correspondence address of Ms. Yang is Flat 1403, Block 2, Xuefukangdu, Daxuexi Road, Saihan District, Hohhot City, the PRC.

(g) The business address of Lego Corporate Finance is Room 1601, 16/F, China Building, 29 Queen's Road Central, Hong Kong.

(h) The business address of Octal Capital Limited is 801-805, 8th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.

(i) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(j) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekday (except public holidays) and the website of the SFC (www.sfc.hk) and the website of the Company (www.hcgroup.com) from the date of this circular up and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2014 and 2015;

(c) the letter from the Board, the text of which is set out on pages 15 to 63 of this circular;

(d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 64 to 65 of this circular;

(e) the letter of recommendation from the Independent Board Committee for Buy-Backs, the text of which is set out on pages 66 to 67 of this circular;

(f) the letter of advice from Lego Corporate Finance, the text of which is set out on pages 68 to 100 of this circular;

(g) the report on the unaudited pro forma financial information of the Remaining Group prepared by PricewaterhouseCoopers, the full text of which is set out in appendix IV to this circular;

(h) the material contracts (including the Supplemental Deed which contains the terms and conditions of the Buy-Backs) referred to under the paragraph headed "Material Contracts" above in this appendix;

(i) the written consent referred to in the paragraph headed "Experts and Consent" in this appendix;

(j) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;

(k) the circular dated 12 January 2016 in relation to the Subscription Agreement;

(l) the circular dated 25 August 2016 is relation to the subscription of shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company; and

(m) this circular.

慧聪网
HC360.com
20 years, young HC!

HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2280)
(Stock Code: 05839)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of HC International, Inc. ("**Company**") will be held on Friday, 23 September 2016 at 4:00 p.m. (or any adjournment thereof) at Tower B, Jingyi Technical Building, No. 9 Dazhongsi East Road, Haidian District, Beijing 100098, the People's Republic of China, for the purpose of considering and, if thought fit, passing the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 30 August 2016 (the "Circular") of which the notice of this Meeting forms part):

ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) conditional upon the passing of the special resolution as set out in the notice convening this Meeting, the conditional framework agreement dated 26 April 2016 (as supplemented by two supplemental agreements dated 30 May 2016 and 29 June 2016 respectively) (the "**Framework Agreement**") (a copy of which is marked "A" and initiated by the chairman of the Meeting for identification purpose and tabled at the Meeting) entered into between the Company, 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd*) (the "**Purchaser**") as purchaser, Beijing Huicong Construction Information Consulting Co., Ltd. (北京慧聰建設信息諮詢有限公司) ("**Beijing Huicong Construction**") and 西藏銳景慧傑創業投資合夥企業 (Xizang Ruijing Huijie Entrepreneurship Investment Partnership*) ("**Xizang Ruijing**") as vendors in relation to the proposed disposal of the entire equity interest in Beijing Zhixing Ruijing Technology Co., Ltd (北京知行銳景科技有限公司) ("**Beijing Zhixing Ruijing**") to the Purchaser for the aggregate consideration of not more than RMB2,080,000,000 and not less than RMB2,000,000,000, which shall be settled by way of the issue and allotment of shares of the Purchaser and payment of cash consideration, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Framework Agreement and the transactions contemplated thereunder."

(2) "**THAT**:

(a) (i) the conditional equity transfer agreement dated 26 April 2016 (the "**Equity Transfer Agreement**") (a copy of which is marked "B1" and initiated by the chairman of the Meeting for identification purpose and tabled at the Meeting) entered into between Mr. Guo Jiang ("**Mr. Guo**"), Mr. Liu Xiaodong ("**Mr. Liu**"), Beijing Huicong Construction and Xizang Ruijing in respect of the transfer of the entire equity interest in Beijing Zhixing Ruijing from Mr. Guo and Mr. Liu to Beijing Huicong Construction and Xizang Ruijing; (ii) the conditional asset transfer agreement dated 26 April 2016 (the "**Asset Transfer Agreement**") (a copy of which is marked "B2" and initiated by the chairman of the Meeting for identification purpose and tabled at the Meeting) entered into between Orange Triangle Inc. and Beijing Zhixing Ruijing in respect of the transfer of, among others, certain intellectual property rights owned by Orange Triangle Inc. from Orange Triangle Inc. to Beijing Zhixing Ruijing; and (iii) the conditional termination agreement dated 26 April 2016 (the "**Termination Agreement**") (a copy of which is marked "B3" and initiated by the chairman of the Meeting for identification purpose and tabled at the Meeting) entered into between Mr. Guo, Mr. Liu, Beijing Orange Triangle Technology Co., Ltd. (北京橙三角科技有限公司), Beijing Zhixing Ruijing and Orange Triangle Inc. in relation to the termination of the Existing Structured Contracts (as defined in the Circular) and the transactions contemplated under the Equity Transfer Agreement, the Asset Transfer Agreement and the Termination Agreement be and are hereby approved, ratified and confirmed; and

(b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Equity Transfer Agreement, the Asset Transfer Agreement and the Termination Agreement and the transactions contemplated thereunder."

(3) "**THAT**:

(a) the conditional supplemental partnership agreement dated 26 April 2016 (as supplemented by the second supplemental partnership agreement dated 4 August 2016 and the third supplemental partnership agreement dated 23 August 2016) (the "**Supplemental Partnership Agreement**") (a copy of which is marked "C" and initiated by the chairman of the Meeting for identification purpose and tabled at the Meeting) entered into between Beijing Huicong Construction and Mr. Liu, Mr. Shi Shilin, Ms. Wang Qian and Ms. Yang Ye (collectively, the "**Zhixing Ex-Shareholders**") in relation to, among others, the Reward Mechanism, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Supplemental Partnership Agreement and the transactions contemplated thereunder."

SPECIAL RESOLUTION

(4) "**THAT**:

(a) the execution, delivery and performance by the Company of the conditional deed supplemental to the Sale and Purchase Agreement (as defined in the Circular) dated 26 April 2016 (the "**Supplemental Deed**") (a copy of which is marked "D" and initiated by the chairman of the Meeting for identification purpose and tabled at the Meeting) entered into between the Company, NAVI-IT and the Zhixing Ex-Shareholders in relation to the Buy-Backs, together with the terms and conditions thereof and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the directors of the Company be and are hereby authorised to determine the manner and terms of the Buy-Backs; and

(c) any one director of the Company, or if the affixation of the common seal of the Company is necessary, any one director of the Company or such other person (including a Director) or persons as the board of directors of the Company may appoint be and is/are hereby authorised for and on behalf of the Company to approve and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in or related to the Supplemental Deed (including but not limited to give instructions to the Escrow Agent to release the Escrow Documents and the Buy-Back Shares, to sign the Pre-signed Document and to terminate the Escrow Agreements) and any and all of the transactions contemplated thereunder or incidental thereto and completion thereof as he/she/they may consider necessary, desirable or expedient."

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

Beijing, the People's Republic of China, 30 August 2016

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

Head Office and Principal Place of Business:
Tower B
Jingyi Technical Building
No. 9 Dazhongsi East Road
Haidian District
Beijing 100098
The People's Republic of China

Notes:

1. Any person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the Meeting or any adjournment thereof in cases where the Meeting was originally held within 12 months from such date.

5. Where there are joint holders of any shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

7. Shareholders should note that the transfer books and register of members of the Company will be closed from 21 September 2016 to 23 September 2016, both days inclusive, and no transfer of Shares can be registered during such period. In order to qualify for attending the Meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20 September 2016.