



HC INTERNATIONAL, INC.
慧聪网有限公司

Stock Code 股票代码: HK2280

1ST QUARTERLY REPORT 2015





MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The board (the “Board”) of the directors (the “Directors”) of HC International, Inc. (the “Company”) hereby announces the unaudited financial results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31st March 2015, together with the comparative figures for the corresponding period ended 31st March 2014 to the shareholders of the Company.

Financial Highlights

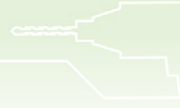
	Three months ended 31st March (Unaudited)	
	2015 RMB'000	2014 RMB'000
Revenue	211,529	223,893
Gross profit	192,023	207,165
EBITDA*	45,092	59,247
Profit attributable to equity holders	25,012	42,283

Unaudited Key Financial Figures For The First Quarter of 2015

- **Revenue** was approximately **RMB211.5 million**, decreased by approximately RMB12.4 million, or decreased 5.5%, when compared to approximately RMB223.9 million recorded for the corresponding period in 2014.
- The Group’s **EBITDA*** was approximately **RMB45.1 million**, decreased 23.9% when compared to approximately RMB59.2 million in the first quarter of 2014.
- **Profit Attributable to Equity Holders** of the Company was approximately **RMB25.0 million** during the first quarter of 2015, while it was approximately RMB42.3 million in the same period a year before, representing a decrease of 40.8%.
- **Total Comprehensive Income** was approximately **RMB91.2 million**, increased 118.8% when compared to approximately RMB41.7 million in the same period of 2014.
- The **Fully Diluted EPS** was **RMB0.0365, decreased by approximately 40.7%**, when compared to RMB0.0615 in the first quarter of 2014, on a year-on-year basis.

Note: *Profit before interest, income tax, depreciation, amortization of intangible assets, land use rights and share based payment

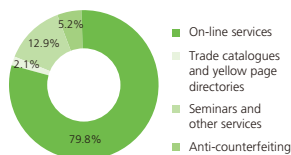




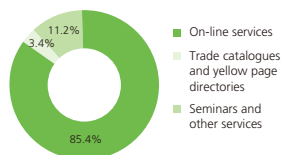
FINANCIAL AND BUSINESS REVIEW

Revenue Analysis	On-line services RMB'000	Trade catalogues and yellow page directories RMB'000	Seminars and other services RMB'000	Anti-counterfeiting products and services RMB'000	Total RMB'000
First quarter of 2015	168,706	4,452	27,417	10,954	211,529
First quarter of 2014	191,138	7,541	25,214	–	223,893
Variance	(11.7%)	(41.0%)	8.7%	100%	(5.5%)

2015 first three months revenue



2014 first three months revenue



During the period, the Group recorded a revenue of approximately RMB211.5 million (2014: RMB223.9 million).

The revenue was derived from the segments of on-line services, seminars and other services, trade catalogues and yellow page directories, and anti-counterfeiting products and services, of which breakdowns are stated above through table and charts. As a consequence of the new segment, our overall gross profit ratio has decreased to approximately 91% (2014: 93%).

The selling and marketing expenses decreased from approximately RMB129.8 million for the three months ended 31st March 2014 to approximately RMB120.6 million in the same period of 2015 which was mainly due to the decrease of sales commissions and agency costs. Nevertheless, the marketing expenses alone boosted by RMB9.3 million, or an increase of 76%, to a total of RMB21.4 million.

The profit before income tax of the Group for the three months period ended 31st March 2015 was approximately RMB28.6 million (2014: RMB50.0 million). Such decrease was due to higher operating leverage.

The profit attributable to equity holders of the Company had decreased to approximately RMB25.0 million for the three months ended 31st March 2015, decreased by 41% from the same period of last year, as a result of decrease in revenue and the interest expense of convertible bonds.



During the first quarter of 2015, China's economy continued to face challenges and both the required reserve rate and interest rate were further reduced to improve liquidity. Facing such economic situation, some of our SME customers, mainly the small distributors, experienced restructuring or were even out of business, which caused us extra efforts to increase our membership subscribers. Moreover, the smart phones' call-blocking feature has added hurdles to the tele-marketing. Correspondingly, we are seeing certain degree of slowdown in our traditional segments' business growth, which we believe it to be transitional and temporary. Under such circumstances, we find it important to initiate a strategy re-alignment, which is to divert our resources to serving not only SMEs but also the key-account customers.

By acquiring “中關村在綫” (www.zol.com.cn), a leading vertical-interactive portal which offers content and comprehensive IT-related products information, such as specifications, pricing, reviews, test reports and upcoming trends, it is expected that the Group would be benefited from the ZOL's success business model of B2B2C in IT-related sectors and potentially blending such B2B2C business model with our existing verticals which fall within the “fast-moving consumer goods” sector in order to tap into key-account customers.

Up to now, we have been expanding and upgrading our B2B platform and business model to include the online to offline (O2O) business model and establish a more vertical in-depth platform. Also, we are strategically planning for B2B2.0 which is transaction-based, along with internet finance and other B2B related services, to implement product upgrades and innovations. During the reporting period, our SKU (Stock Keeping Unit) had been further strengthened by 16.7% to 280 million up from 240 million as of the end of 2014. In order to achieve a sound balance of the ecosystem of the B2B platform, we have been providing high quality procurement service for buyers to facilitate the strike between demand and supply.

Despite the weakening results on the segments of traditional B2B1.0, we have never been so excited about the future prospects of the B2B e-commerce overall. We think we are witnessing, while be a significant part of, the gradual maturing of B2B e-commerce that involves: internet technologies, internet finance, O2O business models, logistics, mobile terminals & applications, anti-counterfeit deployment and etc., which focus around merchants, and potentially pointing to the direction of B2B transactions eventually. We strongly believe that our relentless efforts will bring us to our destiny that definitely will be more blossoms with the patience and supports from our fellow investors.

On behalf of the Board, I would like to take this opportunity to thank the management team and every staff member of the Group for their on-going dedication and hard work.

Guo Jiang

Executive Director and Chief Executive Officer

Beijing, PRC, 15th May 2015





UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Three Months Ended 31st March 2015

	Note	Three months ended 31st March	
		2015 RMB'000	2014 RMB'000
Revenue		211,529	223,893
Cost of revenue		(19,506)	(16,728)
Gross profit		192,023	207,165
Other income		545	2,414
Selling and marketing expenses		(120,590)	(129,842)
Administrative expenses		(46,270)	(35,761)
Operating profit		25,708	43,976
Finance income		11,364	6,283
Finance cost		(10,668)	(231)
Share of post-tax losses of associates		(1,301)	–
Share of post-tax profits of joint ventures		3,469	–
Profit before income tax		28,572	50,028
Income tax expense	2	(7,360)	(8,984)
Profit for the period		21,212	41,044
Other comprehensive income/(loss): <i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale financial assets		69,409	–
Currency translation difference		591	642
Total comprehensive income for the period		91,212	41,686
Profit attributable to:			
– equity holders of the Company		25,012	42,283
– non-controlling interests		(3,800)	(1,239)
		21,212	41,044



		Three months ended 31st March	
	<i>Note</i>	2015 RMB'000	2014 RMB'000
Total comprehensive profit attributable to:			
– equity holders of the Company		95,012	42,925
– non-controlling interests		(3,800)	(1,239)
		91,212	41,686
Earnings per share attributable to equity holders of the Company			
Basic earnings per share:	3	0.0375	0.0639
Diluted earnings per share:	3	0.0365	0.0615
Dividends	4	–	–





NOTES TO THE ACCOUNTS

1 General information and basis of preparation

(a) General information

HC International, Inc. (the “Company”) and its subsidiaries (collectively referred as the “Group”) organise a business-to-business (B2B) community across the People’s Republic of China (the “PRC” or “China”) by providing business information through both on-line and off-line channels. The Group operates an on-line marketplace and provides industrial search result prioritizing services through its business-to-business website “hc360.com”. The Group also publishes its own trade catalogues and yellow page directories in China. The Group is in the process of constructing a B2B household electrical appliances business exhibition centre, through the operation of which provides vertical in-depth services and one-stop solution for B2B buyers and sellers.

On 8th October 2014, the Group had acquired 北京兆信信息技術股份有限公司 (Beijing Panpass Information Technology Co., Ltd) (“Panpass”), which is engaged in providing anti-counterfeiting products and services to enterprises in the PRC.

As at 31st March 2015, the B2B household electrical appliances business exhibition centre (“the business exhibition centre”) was under development and a substantial amount of construction cost had been incurred. Deposits from pre-sale of properties of the business exhibition centre and related government grants were received as at 31st March 2015.

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, the 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 unaudited condensed consolidated first quarterly financial information are presented in thousands of units of RMB (RMB’000), unless otherwise stated. The unaudited condensed consolidated first quarterly financial information has been approved for issue by the board of directors on 15th May 2015.

(b) Basis of preparation

This unaudited condensed consolidated first quarterly financial information for the three months ended 31st March 2015 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The unaudited condensed consolidated first quarterly financial information should be read in conjunction with the annual report of the Group for the year ended 31st December 2014.

This unaudited condensed consolidated first quarterly financial information has been prepared 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.



2 Income tax expense

	Three months ended 31st March	
	2015 RMB'000	2014 RMB'000
Current income tax		
– Hong Kong profits tax (i)	–	–
– The PRC enterprise income tax (“EIT”) (ii)	(6,690)	(2,928)
Deferred income tax	(670)	(6,056)
	(7,360)	(8,984)

- (i) No Hong Kong profits tax has been provided for as there was no assessable profit arising in Hong Kong for the period (2014: Nil).
- (ii) The PRC corporate income tax represents taxation charged on assessable profits for the period at the rates of taxation prevailing in the cities in the PRC in which the Group operates. The subsidiaries of the Group established in the PRC are generally subject to income tax on their taxable income at a combined national and local tax rate of 25%. Certain subsidiaries enjoy tax preferential rights and subject to a tax rate of 15% during the period.

3 Earnings per share

The calculation of basic earnings per share for the three months ended 31st March 2015 is based on the respective unaudited profit attributable to the equity holders of the Company approximately RMB25,012,000 (2014: RMB42,283,000) and the weighted average of approximately 667,225,000 (2014: 661,514,000) ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options and convertible bonds, the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options and convertible bonds. The number of shares as above is compared with the number of shares that would have been issued assuming the exercise of the share options and conversion of convertible bonds.

4 Dividend

No dividend was paid or declared by the Company during the period (2014: Nil).



5 Other reserves

	Group									
	Share premium	Convertible bond reserve	Merger reserve	Share-based compensation reserve	Share redemption reserve	Exchange reserve	Available-for-sale financial assets reserve	Other reserve	Share held for share reward scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1st January 2014	633,269	-	109,817	60,797	496	(12,833)	-	(17,493)	(107,814)	666,239
Exercise of share options	3,709	-	-	-	-	-	-	-	-	3,709
Share based compensation-value of employee services	-	-	-	8,301	-	-	-	-	-	8,301
Currency translation difference	-	-	-	-	-	642	-	-	-	642
At 31st March 2014	636,978	-	109,817	69,098	496	(12,191)	-	(17,493)	(107,814)	678,891
Balance at 1st January 2015	640,820	50,858	109,817	81,801	496	(10,478)	16,067	(17,421)	(130,952)	741,008
Exercise of share options	72	-	-	-	-	-	-	-	-	72
Share based compensation-value of employee services	-	-	-	7,473	-	-	-	-	-	7,473
Fair value gain on available-for-sale financial assets, net of deferred tax	-	-	-	-	-	-	69,409	-	-	69,409
Currency translation difference	-	-	-	-	-	591	-	-	-	591
At 31st March 2015	640,892	50,858	109,817	89,274	496	(9,887)	85,476	(17,421)	(130,952)	818,553



CONTRACTUAL ARRANGEMENTS

In light of the relevant PRC laws and regulations restricting the participation and operation of internet content services by foreign investors, the Group has engaged Beijing Huicong Construction Information Consulting Co., Ltd. (北京慧聰建設信息諮詢有限公司) (“Huicong Construction”) to operate its online platform, and disseminate its business information on the internet pursuant to certain contractual arrangements (the “Contractual Arrangements”). The Group depends on the Contractual Arrangements in respect of its online services. Please also refer to the prospectus of the Company dated 8th December 2003, the announcement of the Company dated 25th September 2014 in relation to the transfer of listing, and the 2014 annual report of the Company for further details of the Contractual Arrangements.

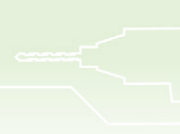
DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2015, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules, were as follows:

(a) Directors’ and chief executive’s long positions in the shares of the Company (“Shares”)

Name of Director	Class of		Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
	Shares	Capacity						
Guo Jiang	Ordinary	Beneficial owner/ family interest	79,425,146 (Note 1)	10,784,625 (Note 1)	-	-	90,209,771 (Note 1)	13.52%
Guo Fansheng	Ordinary	Beneficial owner	57,749,015	-	-	-	57,749,015	8.65%
Li Jianguang	Ordinary	Interest of controlled corporation	-	-	32,000,384 (Note 2)	-	32,000,384 (Note 2)	4.80%
Lee Wee Ong	Ordinary	Beneficial owner	4,850,672 (Note 3)	-	-	-	4,850,672 (Note 3)	0.73%





(b) Directors' short positions

Name of Director	Class of Shares	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
Guo Jiang	Ordinary	Beneficial owner	5,000,000	-	-	-	5,000,000	0.75%

Notes:

1. Such interest in the Company comprises:
 - (a) 61,158,771 Shares of which 5,150,625 Shares are held by Ms. Geng Yi, who is Mr. Guo Jiang's spouse;
 - (b) 13,910,000 underlying Shares derived from the awarded shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17th November 2011; and
 - (c) 15,134,000 underlying Shares derived from the share options granted under the share option scheme adopted on 30th November 2003 of which 5,634,000 underlying Shares derived from the share options granted to Ms. Geng Yi under the share option scheme.

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. The references to 32,000,384 shares of the Company relate to the same block of shares of the Company held by Callister Trading Limited, the entire share capital of which is owned by Mr. Li Jianguang. Accordingly, Mr. Li Jianguang is deemed, or taken to have, interested in the said 32,000,384 shares of the Company pursuant to the SFO.
3. Such interests in the Company comprises: (i) 2,350,672 Shares, (ii) 1,000,000 underlying shares derived from the awarded share granted to Mr. Lee Wee Ong under the employees' share award scheme of the Company adopted by the Board on 17th November 2011 and (iii) 1,500,000 underlying Shares derived from the share options granted under the Share Option Scheme.

Save as disclosed above, none of the Directors and chief executive of the Company has 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Pursuant to written resolutions of the shareholders of the Company dated 30th November 2003, two share option schemes, a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme"), were adopted by the Company. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme were summarised in the paragraph headed "Share options" under the section headed "Statutory and General Information" in Appendix V of the prospectus of the Company dated 8th December 2003. All options granted under the Pre-IPO Share Option Scheme had been exercised or lapsed, and no such option is outstanding.



OUTSTANDING SHARE OPTIONS

Share Option Scheme

Following the listing of the Shares being transferred from Growth Enterprise Market to the Main Board of the Stock Exchange on 10th October 2014, the Share Option Scheme was terminated while share options granted remain valid. It is proposed that a new share option scheme (the "2015 Share Option Scheme") in compliance with the Listing Rules be adopted. The proposed adoption is still conditional, and will be considered at an extraordinary general meeting of the Company to be held on 22nd May 2015 (or any adjournment thereof). Please refer to the circular of the Company dated 5th May 2015 for further details of the proposed adoption of the 2015 Share Option Scheme, including its conditions.

As at 31st March 2015, options to subscribe for an aggregate of 32,791,000 Shares granted pursuant to the Share Option Scheme were outstanding. Details of which were as follows:

Name of grantee	Date of grant	Exercise price per share HK\$	Number of share options				As at 31st March 2015 (Note 1)
			As at 1st January 2015	Granted during the period	Exercised during the period	Lapsed during the period	
Directors							
Guo Jiang	23rd June 2006	1.49	1,000,000				1,000,000
	11th July 2007	1.24	2,200,000				2,200,000
	29th September 2008	0.604	1,500,000				1,500,000
	7th April 2010	0.82	4,800,000				4,800,000
Lee Wee Ong	3rd April 2013	4.402	1,500,000				1,500,000
Senior management							
Geng Yi	23rd June 2006	1.49	434,000				434,000
	29th September 2008	0.604	1,000,000				1,000,000
	7th April 2010	0.82	4,200,000				4,200,000
Guo Gang	28th March 2011	1.108	50,000				50,000
Li Tao	11th July 2007	1.24	220,000				220,000
	29th September 2008	0.604	400,000				400,000
	7th April 2010	0.82	800,000				800,000
Other employees							
In aggregate (Note 2)	23rd June 2006	1.49	94,000				94,000
In aggregate (Note 3)	11th July 2007	1.24	1,955,000		(80,000)		1,875,000
In aggregate (Note 4)	29th September 2008	0.604	100,000				100,000
In aggregate (Note 5)	7th April 2010	0.82	2,418,000				2,418,000
In aggregate (Note 6)	28th March 2011	1.108	200,000				200,000
In aggregate (Note 7)	18th November 2013	9.84	10,000,000				10,000,000
Total			32,871,000		(80,000)		32,791,000





Notes:

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

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

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

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

For the options exercisable at HK\$0.82 granted on 7th April 2010, the relevant grantees may exercise options up to 50% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

For the options exercisable at HK\$1.108 granted on 28th March 2011, the relevant grantees may exercise options up to 50% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first and second anniversaries of the date of the grant of options.

For the options exercisable at HK\$4.402 granted on 3rd April 2014, the relevant grantee may exercise options up to 20%, 40%, 60%, 80% and 100%, of the Shares comprised in his option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of options respectively.

For the options exercisable at HK\$9.84 granted on 18th November 2014, the relevant grantees may exercise options up to 10%, 20%, 40%, 70% and 100%, respectively, of the Shares comprised in his or her option (less any number of Shares in respect of which the option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of options.

2. 2 employees have been granted options under the Share Option Scheme to acquire an aggregate of 94,000 Shares at HK\$1.49 per share.
3. 6 employees have been granted options under the Share Option Scheme to acquire an aggregate of 1,875,000 Shares at HK\$1.24 per share.
4. 1 employee has been granted options under the Share Option Scheme to acquire an aggregate of 100,000 Shares at HK\$0.604 per share.
5. 5 employees have been granted options under the Share Option Scheme to acquire an aggregate of 2,418,000 Shares at HK\$0.82 per share.
6. 2 employees have been granted options under the Share Option Scheme to acquire an aggregate of 200,000 Shares at HK\$1.108 per share.
7. 56 employees have been granted options under the Share Option Scheme to acquire an aggregate of 10,000,000 Shares at HK\$9.84 per share.



8. The fair value of options granted under the Share Option Scheme on 23rd June 2006, determined using the Binomial Model valuation model, was approximately RMB3,919,000. The significant inputs into the model were exercise price of HK\$1.49, standard deviation of expected share price returns of 34.8%, expected life of options ranging from 3.2 to 5.5 years expected dividend paid out rate of 0% and annual risk free interest rate 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
9. The fair value of options granted under the Share Option Scheme on 11th July 2007, determined using the Binomial Model valuation model, was approximately RMB9,390,000. The significant inputs into the model were exercise price of HK\$1.24 standard deviation of expected share price returns of 49.0%, expected life of options ranging from 2.4 to 6.2 years expected dividend paid out rate of 0% and annual risk-free interest rate 4.757%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
10. The fair value of options granted under the Share Option Scheme on 29th September 2008, determined using the Binomial Model valuation model, was approximately RMB2,756,000. The significant inputs into the model were exercise price of HK\$0.604 standard deviation of expected share price returns of 72.2%, expected life of options ranging from 3.8 to 4.8 years expected dividend paid out rate of 0% and annual risk-free interest rate 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
11. The fair value of options granted under the Share Option Scheme on 7th April 2010, determined using the Binomial Model valuation model, was approximately RMB12,527,000. The significant inputs into the model were exercise price of HK\$0.82 standard deviation of expected share price returns of 79.8%, expected life of options ranging from 3.4 to 5.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.865%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
12. The fair value of options granted under the Share Option Scheme on 28th March 2011, determined using the Binomial Model valuation model, was approximately RMB1,377,000. The significant inputs into the model were exercise price of HK\$1.108 standard deviation of expected share price returns of 77.4%, expected life of options ranging from 3.8 to 4.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.82%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
13. The fair value of options granted under the Share Option Scheme on 3rd April 2013, determined using the Binomial Model valuation model, was approximately RMB3,754,000. The significant inputs into the model were exercise price of HK\$4.402 standard deviation of expected share price returns of 75%, expected life of options ranging from 9.1 to 9.6 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.111%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.
14. The fair value of options granted under the Share Option Scheme on 18th November 2013, determined using the Binomial Model valuation model, was approximately RMB50,125,000. The significant inputs into the model were exercise price of HK\$9.84 standard deviation of expected share price returns of 71.5%, expected life of options ranging from 4.7 to 7.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.915%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.





15. The valuation of share options is subject to a number of assumptions and with regard to the subjectivity and uncertainty of the model.
16. In respect of employees resigned during the period whose share options have not been vested, such share options are lapsed, and the share compensation costs recognised previously are credited to condensed consolidated final statement of comprehensive income.
17. The weighted average closing price of the Shares immediately before the date on which these options were exercised was HK\$11.74 per share.

EMPLOYEES' SHARE AWARD SCHEME

On 17th November 2011, the Board adopted an employees' share award scheme pursuant to which existing shares of the Company will be acquired by the trustee from the market at the cost of the Company and be held in trust for the selected employees until such shares are vested with the relevant selected employees in accordance with the provision of the share award scheme. For principal terms of the employees' share award scheme, please refer to the announcement of the Company dated 17th November 2011.

Since the adoption date, a total of 46,881,000 shares has been granted up to the date of this report, representing approximately 7.02% of the issued share capital of the Company as at date of this report. The awarded shares remain outstanding as at 31st March 2015 are set out below:

Name of Grantee	Date of grant	Number of awarded shares	As at 1st January 2015	Granted during the period	Vested during the period	As at 31st March 2015
Directors						
Guo Jiang	20th August 2012	16,700,000	13,917,000			13,917,000
Lee Wee Ong	14th June 2012	3,000,000	1,000,000			1,000,000
Senior management						
Guo Gang	23rd November 2011	300,000	100,000			100,000
Li Tao	23rd November 2011	300,000	100,000			100,000
Other employees						
In aggregate (Note 1)	23rd November 2011	23,581,000	14,633,399			14,633,399
	17th January 2014	3,000,000	3,000,000			3,000,000
Total		46,881,000	32,750,399			32,750,399

Note:

1. 70 employees have been granted an aggregate of 26,581,000 awarded shares.



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

As at 31st March 2015, the interests and short positions of substantial shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

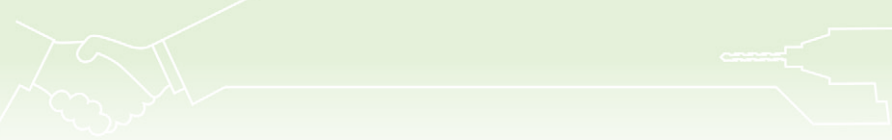
Name of Shareholder	Class of Shares	Long position	Short position	Capacity	Approximate
					percentage of shareholding as at 31st March 2015
Talent Gain Developments Limited	Ordinary	137,758,107 (Note 1)		Beneficial owner	20.65%
Digital China Holdings Limited	Ordinary	137,758,107 (Note 1)		Interest in controlled corporation	20.65%
Geng Yi	Ordinary	90,209,771 (Note 2)	5,000,000	Beneficial owner and Family interest	13.52% (long position) 0.75% (short position)
Credit Suisse Group AG	Ordinary	47,390,777	35,122,000	Interest in controlled corporation	7.10% (long position) 5.26% (short position)

Notes:

- The references to 137,758,107 Shares held by Talent Gain Developments Limited, a wholly-owned subsidiary of Digital China (BVI) Limited, which is a wholly-owned subsidiary of Digital China Holdings Limited.
- Ms. Geng Yi is the spouse of Mr. Guo Jiang. Such interest in the Company comprises: (a) 61,158,771 Shares (long position) and 5,000,000 (short position) of which 56,008,146 Shares (long position) and 5,000,000 (short position) are held by Mr. Guo Jiang and 5,150,625 Shares are held by Ms. Geng Yi; (b) 13,917,000 underlying Shares derived from the awarded shares granted to Mr. Guo Jiang under the employees' share award scheme adopted on 17th November 2011; and (c) 15,134,000 underlying Shares derived from the share options granted under the share option scheme adopted on 30th November 2003 of which 9,500,000 underlying Shares derived from the share options granted to Mr. Guo Jiang under the share option scheme, and 5,634,000 underlying Shares derived from the share options granted to Ms. Geng Yi.

Ms. Geng is deemed, or taken to have, interested in the shares and underlying shares held by Mr. Guo Jiang pursuant to the SFO.





Save as disclosed above, as at 31st March 2015, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares of the Company which are required to be kept under Section 336 of the SFO.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 24th July 2003 with written terms of reference based on the guidelines set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants.

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

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, and the unaudited first quarterly results of the Group for the period ended 31st March 2015.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the management shareholders of the Company and their respective associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the three months ended 31st March 2015.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the three months ended 31st March 2015.

RESIGNATION OF EXECUTIVE DIRECTOR

Mr. Yang Ning resigned as an executive Director and president of the Company with effect from 30th March 2015.



DISCLOSEABLE TRANSACTION IN RELATION TO PURCHASE OF 100% SHARES IN ORANGE TRIANGLE INC. INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Further to the entering into of the letter of intent dated 17 March 2015, on 8 May 2015, the Company (as purchaser), NAVI-IT Limited (as seller) and Mr. Liu Xiadong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (as seller's guarantors) entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, the Seller conditionally agreed to sell, and the Company conditionally agreed to acquire all the issued share capital of Orange Triangle Inc. (the "Target Company") for a consideration of RMB1,500,000,000.

The consideration is proposed to be settled as to 30% (being US\$ equivalent amount of RMB450,000,000) in cash and as to 70% (being US\$ equivalent amount of RMB1,050,000,000) by allotment of 155,684,485 new Shares at HK\$8.5 each (as to 40% to Mr. Liu, as to 25% to Ms. Wang, as to 20% to Mr. Shi and as to 15% to Ms. Yang Ye, respectively, and subject to adjustment mechanism stipulated in the Sale and Purchase Agreement). The allotment is subject to, among other things, shareholders' approval of a specific mandate in a general meeting to be convened and held.

Completion of the transactions contemplated under the Sale and Purchase Agreement is also conditional upon satisfaction of the conditions precedent set out in the Sale and Purchase Agreement.

Subject to fulfillment or waiver (as the case may be) of the conditions precedent set out in the Sale and Purchase Agreement, the Target Company or Orange Beijing (a company to be incorporated under the laws of the PRC and which will be indirectly wholly and beneficially owned by the Target Company) will enter into certain structured contracts (the "Structured Contracts") with Beijing Zhixing Ruijing Technology Co., Ltd. ("Beijing Zhixing Ruijing") and/or its shareholders. Pursuant to such Structured Contracts to be entered, Orange Beijing or the Target Company will provide certain technical consultation and service, including but not limited to technical services support, intellectual property licensing, and business and management consultation, whereas Beijing Zhixing Ruijing will pay the service fee equal to a certain percentage of its net income. Relevant parties will also enter into certain agreements in relation to, among other things, the pledge of, and grant of exclusive acquisition rights of, the equity interests in Beijing Zhixing Ruijing,

Please also refer to the announcement of the Company dated 8th May 2015 for further details, including among others, the principal terms and conditions of the Sale and Purchase Agreement, and the Structured Contracts.





PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The current authorised share capital of the Company is HK\$100,000,000.00 divided into 1,000,000,000 Shares. In order to provide the Company with flexibility for fund raising by allotting and issuing Shares in future for future investment opportunities, the Board proposes to increase the authorised share capital of the Company to HK\$200,000,000.00 by the creation of an additional 1,000,000,000 Shares. The proposed increase in the authorised share capital of the Company is subject to the approval of the Shareholders by way of an ordinary resolution at a general meeting. For further details, please refer to the announcement of the Company dated 13th May 2015.

By order of the Board

HC International, Inc.

Guo Jiang

Chief Executive Officer and Executive Director

Beijing, PRC, 15th May 2015

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

Mr. Guo Fansheng (*Executive Director and Chairman*)

Mr. Guo Jiang (*Executive Director and Chief Executive Officer*)

Mr. Lee Wee Ong (*Executive Director and Chief Financial Officer*)

Mr. Li Jianguang (*Non-executive Director*)

Mr. Guo Wei (*Non-executive Director*)

Mr. Zhang Ke (*Independent non-executive Director*)

Mr. Xiang Bing (*Independent non-executive Director*)

Mr. Zhang Tim Tianwei (*Independent non-executive Director*)