



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The board (the "Board") of 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 nine months ended 30th September 2015 (the "Reporting Period"), respectively, together with the comparative figures for the corresponding periods ended 30th September 2014 to the shareholders of the Company.

Financial Highlights

	Unaudited Nine months ended 30th September	
	2015 RMB'000	2014 RMB'000
Revenue	665,515	722,920
Gross profit	568,529	670,191
EBITDA*	106,434	209,294
Profit attributable to equity holders	51,294	160,641
Diluted EPS	0.0696	0.2329

Key Financial Figures for the nine months ended 30th September 2015

- **Revenue** was approximately **RMB665.5 million**, decreased by approximately RMB57.4 million, or decreased approximately 7.9%, when compared to approximately RMB722.9 million recorded for the corresponding period in 2014.
- **Gross Profit Ratio** was approximately **85.4%**, decreased by approximately 7.3 percentage points over the same period last year.
- The Group's **EBITDA*** was approximately **RMB106.4 million**, decreased by approximately RMB102.9 million from approximately RMB209.3 million in the first nine months of 2014.
- **Profit Attributable to Equity Holders** of the Company was approximately **RMB51.3 million** during this Reporting Period, while it was approximately RMB160.6 million for the same period in 2014, representing a decrease of approximately 68.1%.
- The **Diluted EPS** was **RMB0.0696**, decreased by approximately 70.1%, when compared to RMB0.2329, on a period-on-period basis.

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

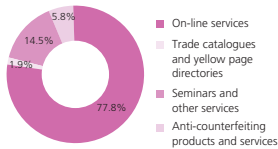


FINANCIAL AND BUSINESS REVIEW

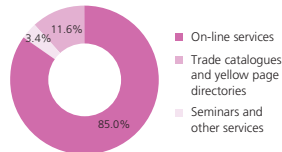
Revenue Analysis	On-line services RMB'000	Trade catalogues and yellow page directories RMB'000	Seminars and other services RMB'000	Anti-counterfeiting products and services RMB'000	Total RMB'000
First nine months of 2015	517,527	12,763	96,657	38,568	665,515
First nine months of 2014	614,018	24,706	84,196	–	722,920
Variance	(15.7%)	(48.3%)	14.8%	–	(7.9%)

Revenue Spreads

2015 First Nine Months Revenue



2014 First Nine Months Revenue



During the Reporting Period, the Group recorded a revenue of approximately RMB665.5 million (2014: RMB722.9 million), including the revenue at approximately RMB102.5 million from “中關村在綫” (www.zol.com.cn) (“ZOL”).

The revenue was derived from the segments of on-line services, trade catalogues and yellow page directories, seminars and other services and anti-counterfeiting products and services, of which breakdowns are stated in the above table and charts. As a consequence of the new addition of the segment of anti-counterfeiting products and services and completion of acquiring “ZOL”, our overall gross profit ratio has decreased by approximately 7.3 percentage points to approximately 85.4% (2014: 92.7%).

The Group decreased its selling and marketing expenses from approximately RMB393.2 million for the nine months ended 30th September 2014 to approximately RMB374.9 million in the same period of 2015 which was mainly due to the decrease in agency costs, sales staff salaries and commissions.



The profit attributable to equity holders of the Company had decreased to approximately RMB51.3 million for the nine months ended 30th September 2015, representing a decrease of approximately 68.1% as compared to the same period last year. The Board believes that the said decrease is mainly due to, among other things, the slowdown of the economic growth of the PRC, the decrease in number of fee-paying users resulting in a decline in the Group's revenue, and the increase in input of resources by the Group on the B2B 2.0 business which included transactions and internet finance.

During the third quarter of 2015, the gross domestic product (GDP) in China grew at 6.9% year-on-year, which has slowed down as compared with the growth rate of 7.0% in both the first quarter and second quarter of 2015. From January 2015 to August 2015, the accumulated profit generated from manufacturers above certain scale decreased by 1.9% as compared with that in the same period of 2014. The decreasing percentage had risen by 0.9% as compared with the accumulated period of January 2015 to July 2015. In September 2015, the Purchasing Managers' Index (PMI) of medium enterprises and small enterprises were 48.5% and 46.8% respectively, both dropped by 1.3% as compared with that in August 2015. Under these economic conditions, certain small and medium enterprises with relatively traditional operation models, mainly the small distributors, were facing more operational difficulties, leading to a reduction of the number of our fee-paying members, which in turn led to a decrease in the Group's revenue in the Reporting Period when compared with the same period last year. In addition, the decrease in net profit for the nine months ended 30th September 2015 as compared with that in the same period in 2014 was led by an increase in input of resources by the Group on the B2B 2.0 business including transactions and internet finance.

Since the beginning of 2015, the transformation of the B2B platform to comprehensive B2B service provider had been accelerated. Also, B2B platform companies had been differentiated in terms of service providing. The restructuring of business layout since 2013 has enabled the Group to create its differentiated B2B ecosystem, including the setting up of online transaction platform, HuiFuBao (慧付寶), and to improve user experience constantly. As for internet financing, from leveraging on the auxiliary internet financing products from the third party to forming a micro-credit financing company with Digital China Holdings Limited by way of joint venture. On 22nd July 2015, the Group acquired 2.49% of the shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company* (內蒙古呼和浩特金谷農村商業銀行股份有限公司) ("Jingu Rural Commercial Bank"), a commercial bank based in Inner Mongolia. Leveraging on HuiFuBao, micro-credit financing company and strategic cooperation with Jingu Rural Commercial Bank, the Group's safe proliferation of internet financing would generate blending effects and continue to brew, ultimately facilitating B2B transactions, assisting in the formation of B2B 2.0 segments.





For business exhibition centre, the Group is committed to develop the O2O business model aiming to facilitate B2B transactions. The construction of two online-to-offline business exhibition centres (each “O2O Business Exhibition Centre”) in Shunde in Foshan, Guangdong Province and Yuyao, Zhejiang Province, are both in progress. The construction of the O2O Business Exhibition Centre in Shunde is expected to be completed by the end of 2015 and to commence operation in the first half of 2016. In order to maintain the financial position for such project, as of the date of this report, the Group has pre-sold the property of such project with a total gross floor area of approximately 67,000 sq.m., with a contracted amount of approximately RMB1,120 million in aggregate. Regarding the O2O Business Exhibition Centre located in Yuyao, Zhejiang Province, the construction has begun in the first half of 2015, and is expected to be completed by the end of 2017. Apart from the household electrical appliance end-products, such project covers plastic and plastic moulds for the manufacturing of household electrical appliances.

Despite the fact that Shunde and Zhongshan accounted for one-third of the manufacturing of household electrical appliances of the country at a production value of more than RMB100 billion, the current B2B transactions of home electrical appliance industry were not mainly realised in Shunde and Zhongshan. With an aim of utilising B2B in household electrical appliance transactions, the Business Exhibition Centre in Shunde is going to adopt the setting of “store in the front, factory at the back” to attract household electrical appliance manufacturers to settle in, including small to middle distributors that are trading cost sensitive, major distributors with specific requirements in product specifications and trading methods, and terminal distributors that serve consumers. Leveraging on the over 20 years of trading experience in the household electrical appliance industry of the Group, the Business Exhibition Centre in Shunde, operating under the model of “O2O”, is going to facilitate the de-stocking of the peripheral household electrical appliance factories and enable them to become more market-sensitive. We also assist the distributors of the household electrical appliance industry in completing online-to-offline B2B transactions. Currently, each household possesses 20 to 30 pieces of household electrical appliances in developed countries, and every Chinese household possesses 5 to 7 items of household electrical appliances in average. This shows huge potential in market growth. Relying on about two-third of household electrical appliances manufacturers in China (the three largest Chinese electrical manufacturers are located at Shunde and Zhongshan in Guangdong, Qingdao in Shandong and Yuyao and Cixi in Zhejiang) and the two O2O Business Exhibition Centres in Yuyao and Shunde, the Group will explore and increase the trading in the household electrical appliance industry.

For B2B1.0 segments, the Group develops and utilises “Cai-Gou-Tong” and “Mai-Mai-Tong”, both internet software and the mobile terminals, to promote transactions between buyers and sellers and by relying on hc360.com and technical service agreement with companies such as Baidu, we provide efficient searching servicing for our customers. In addition, via the controlling interests of 56% equity interests in Beijing Panpass Information Technology Company Limited, the Group has an advantageous position in the technology and management aspects of consumer goods anti-counterfeiting products and services.



The Group is of the view that, in such situation, acquisition of B2B vertical portals of potential industries and commencement of strategic cooperation will promote the development on the potential of business growth for the business of B2B1.0 and lay a foundation for the business of B2B2.0 so as to build the Group's own B2B ecosystem.

On 3rd July 2015, the Group completed the acquisition of ZOL, a domestically leading technological vertical-interactive portal which offers satisfactory and comprehensive IT-related product information, such as specifications, pricing, reviews, test reports and upcoming trends, and was undergoing resource consolidation. By combining the core technological strengths of the Group and ZOL, the Group is going to develop a new product for the provision of precise services to small to medium sized enterprises and medium-sized enterprises of the IT industry, increasing the added value of the original product. The ZOL's B2B2C business model on top of the B2B1.0 in the IT industry propel the Group in achieving its objective to be embedding the business to business to customer ("B2B2C") business model into industries in the market with enormous market potential yet insufficiently developed, such as, household electrical appliances, automobile goods, building materials, furniture and renovation and clothing, providing the Group's clients with products and services of "B2B1.0+B2B2C".

The Group's Stock Keeping Unit (SKU) had been further strengthened by 72.9% to 415 million as of 30th September 2015 from 240 million as of the end of 2014.

The Board believes the Group is witnessing, while be a significant part of, the gradual maturing of B2B e-commerce that involves: internet technologies, internet finance, O2O business models, mobile terminals & applications, anti-counterfeit deployment and etc. The business of the B2B2.0 is going to reshape client's experience and ultimately contribute to the Group's earnings. The Board strongly believes that the Group's relentless efforts in building the B2B ecosystem will definitely blossom into more fruitful and brighter results 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, People's Republic of China, 3rd November 2015





MANAGEMENT DISCUSSION AND ANALYSIS

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 publish its business information on the internet pursuant to certain contractual arrangements (the “Contractual Arrangements”). The Group relies 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 and the 2015 interim report of the Company for further details of the Contractual Arrangements.

北京橙三角科技有限公司 (Beijing Orange Triangle Technology Co., Ltd. (“Orange Beijing”), a wholly owned subsidiary of the Company entered into certain structured contracts (the “Structured Contracts”) with Beijing Zhixing Ruijing Technology Co., Ltd. (“Beijing Zhixing Ruijing”) and/or its shareholders on 3rd July 2015. Pursuant to the Structured Contracts, Orange Beijing or Orange Triangle Inc. 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. Orange Beijing relies on Structured Contracts to control the finance and operation of Beijing Zhixing Ruijing so as to obtain the economic benefits and the rights to variable returns from Beijing Zhixing Ruijing. Please also refer to the announcements of the Company dated 17th March 2015, 8th May 2015 and 3rd July 2015 respectively and the circular of the Company dated 4 June 2015 for further details.

For the Reporting Period, saved as disclosed in this report, there was no material change in the Contractual Arrangements, the Structured Contracts and/or the circumstances under which they were adopted.

For the Reporting Period, none of the structured contracts under the Contractual Arrangements nor the Structured Contracts had been unwound as none of the restrictions that led to the adoption of the said structured contracts had been removed.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th September 2015, the Group had 3,121 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. Share options and share awarded are granted to employees based on individual performance. Other benefits to the Group’s employees include medical insurance, retirement schemes, training programs and educational subsidies.



Capital structure

During the Reporting Period, a total of 157,529,485 ordinary shares of the Company (“Shares”) were issued upon the exercise of share options and the acquisition of Orange Triangle Inc. The total number of issued Shares was 824,696,103 as at 30th September 2015.

Charges on Group assets

As at 30th September 2015, the Group has bank borrowings amounting to RMB274.9 million and undrawn banking facilities of RMB12 million, which are mainly secured by properties and land use rights.

Exchange risk

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

Contingent liabilities

As at 30th September 2015, the Group had no material contingent liabilities.

Material acquisition

Further to the entering into of the letter of intent dated 17th March 2015, on 8th May 2015, the Company (as purchaser), NAVI-IT Limited (the “Seller”) and Mr. Liu Xiaodong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (the “Seller 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. for a consideration of RMB1,500,000,000.

The consideration is proposed to be settled as to 30% (being United States dollars (“US\$”) equivalent to the amount of RMB450,000,000) in cash and as to 70% (being US\$ equivalent to the amount of RMB1,050,000,000) by allotment of 155,684,485 new Shares (the “Consideration Shares”) at HK\$8.5 each (as to 40% to Mr. Liu Xiaodong, as to 25% to Ms. Wang Qian, as to 20% to Mr. Shi Shilin and as to 15% to Ms. Yang Ye, respectively, and subject to the adjustment mechanism stipulated in the Sale and Purchase Agreement). The allotment had been approved by shareholders of the Company (the “Shareholders”) in the extraordinary general meeting held on 19th June 2015.

On 2nd June 2015, the Seller, the Company and the Seller Guarantors entered into a supplemental agreement (the “Supplemental Agreement”), pursuant to which the Company and the Seller Guarantors agreed that in case the proposed repurchase and cancellation of such Consideration Shares cannot be implemented as a result of the failure to obtain the approvals from the creditors





of the Company or the Shareholders for the reduction in capital of the Company or approvals from the relevant regulatory authorities, the Seller Guarantors or their designated persons undertake that the relevant parties shall dispose of all such Consideration Shares in the market and return all the proceeds to the Company within six months (instead of nine months as set out in the Sale and Purchase Agreement) commencing from the date of confirmation of failure of obtaining the relevant approvals.

On 3rd July 2015, the Group has fulfilled all the conditions precedent set out in the Sale and Purchase Agreement. The acquisition of 100% of share capital of Orange Triangle Inc. has been completed accordingly. As the conditions precedent of the Sale and Purchase Agreement was fulfilled, Orange Beijing, which is indirectly wholly and beneficially owned by Orange Triangle Inc., entered into a series of structured contracts (the "Structured Contracts") with Beijing Zhixing Ruijing and/or its shareholders on 3rd July 2015. Pursuant to the Structured Contracts, Orange Beijing or Orange Triangle Inc. 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. In addition, 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 announcements of the Company dated 8th May 2015 and 3rd July 2015 respectively for further details.

Resignation of Executive Director

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

Adoption of new 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 adopted on 30th November 2003 was terminated while share options granted remain valid. A new share option scheme (the "2015 Share Option Scheme") in compliance with the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange has been adopted, and was duly approved by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 22nd May 2015. Please refer to the circular of the Company dated 5th May 2015 for further details of the adoption of the 2015 Share Option Scheme, including its terms and conditions.

Increased in authorised share capital

Pursuant to a resolution of Shareholders passed on 19th June 2015, it was resolved that the authorised share capital of the Company be increased to HK\$200,000,000 divided into 2,000,000,000 shares of HK\$0.10 each by the creation of an additional 1,000,000,000 shares of HK\$0.10 each. The increase in authorised share capital provides the Company with flexibility for fund raising by allotting and issuing Shares in future for future investment opportunities. For further details, please refer to the announcements of the Company dated 13th May 2015 and 19th June 2015 respectively.



LETTER OF INTENT IN RELATION TO THE PROPOSED ACQUISITION

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% 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 for a total consideration of RMB120,570,000. The acquiree is principally engaged in the provision of vertical websites in the garment industry in the PRC. 30% of the total consideration shall be paid in cash and the remaining 70% of which shall be paid by way of issuing new shares by the Group as calculated at HK\$10 per share. Please also refer to the announcement of the Company dated 3rd July 2015 for further details.

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF SHARES OF INNER MONGOLIA HOHHOT JINGU RURAL COMMERCIAL BANK LIMITED COMPANY

On 22nd July 2015, 北京慧聰互聯信息技術有限公司 (HC Internet Information Technology Company Limited*), a wholly-owned subsidiary of the Group (“the Purchaser”), entered into a sale and purchase agreement with Mr. Wang Feng Feng, pursuant to which the Purchaser has conditionally agreed to acquire representing approximately 2.49% of the issued share capital of Jingu Rural Commercial Bank for a consideration of RMB57,900,000. The acquisition constitutes a discloseable transaction of the Group under Chapter 14 of the Listing Rules. As the industrial and commercial registration of the change in shareholding of Jingu Rural Commercial Bank was still under progress, the parties to the Sale and Purchase Agreement have further entered into a supplemental agreement (the “Supplemental Agreement”) on 22nd October 2015, pursuant to which the parties agree that all matters incidental to the completion shall be completed within one month from the date of the signing of the Supplemental Agreement. As at the date of this report, the acquisition has not yet been completed. Please also refer to the announcement of the Company dated 22nd October 2015 for further details.

ESTABLISHMENT OF HUICONG FINANCE LEASING COMPANY LIMITED

On 25th 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 100% 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 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. Huicong Finance Leasing is expected to be in full operation by the first quarter of 2016.

* For identification purpose only





UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Nine months ended 30th September	
		2015 RMB'000	2014 RMB'000
Revenue		665,515	722,920
Cost of revenue		(96,986)	(52,729)
Gross profit		568,529	670,191
Other income		2,480	4,316
Selling and marketing expenses		(374,914)	(393,228)
Administrative expenses		(158,173)	(117,014)
Operating profit		37,922	164,265
Finance income		33,216	23,068
Finance cost		(33,851)	(657)
Share of post-tax losses of associates		(2,288)	(289)
Share of post-tax profits/(losses) of joint ventures		10,650	(60)
Profit before income tax		45,649	186,327
Income tax expense	2	(10,791)	(31,772)
Profit for the period		34,858	154,555
Other comprehensive income/(loss) and item that may be reclassified to profit or loss:			
Fair value gain on available-for-sale financial assets		95,097	29,447
Currency translation difference		(17,047)	3,204
Total comprehensive income for the period		112,908	187,206
Profit attributable to:			
– equity holders of the Company		51,294	160,641
– non-controlling interests		(16,436)	(6,086)
		34,858	154,555



		Unaudited Nine months ended 30th September	
	<i>Note</i>	2015 RMB'000	2014 RMB'000
Total comprehensive income attributable to:			
– equity holders of the Company		129,344	193,292
– non-controlling interests		(16,436)	(6,086)
		112,908	187,206
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share:	3	0.0714	0.2426
Diluted earnings per share:	3	0.0696	0.2329
Dividends	4	–	–





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 General information and basis of preparation

(a) General information

The core business of the Group is to organise a B2B (Business-to-Business) community across the PRC by providing business information through both on-line and offline channels.

The Group is principally involved in the following activities in the People's Republic of China (the "PRC" or "China"):

- Providing industrial search result prioritising services through its B2B website "hc360.com" and offering satisfactory and comprehensive IT-related product information by "zol.com.cn";
- Publishing its own trade catalogues and yellow page directories;
- Hosting exhibitions and seminars;
- Providing anti-counterfeiting products and services to enterprises;
- Engaging in micro-credit internet financing business through its joint venture;
- In the process of constructing O2O (Online-to-Offline) business exhibition centres.

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.

The condensed consolidated quarterly financial information is presented in Renminbi ("RMB"), unless otherwise stated. The condensed consolidated quarterly financial information has been approved for issue by the Board on 3rd November 2015.

This condensed consolidated quarterly financial information has not been audited.

(b) Basis of preparation

This condensed consolidated quarterly financial information for the nine months ended 30th September 2015 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 quarterly financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

2 Income tax expense

	Unaudited Nine months ended 30th September	
	2015 RMB'000	2014 RMB'000
Current income tax		
– Hong Kong profits tax (i)	–	–
– The PRC enterprise income tax (“EIT”) (ii)	(17,331)	(34,029)
Deferred income tax	6,540	2,257
	(10,791)	(31,772)

- (i) No Hong Kong profits tax has been provided as there is 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 subjected to income tax on their taxable income at a combined national and local tax rate of 25%. Certain subsidiaries enjoy tax preferential treatment and subject to a tax rate of 15% for the period.

3 Earnings per share

The calculation of basic earnings per share for the nine months ended 30th September 2015 is based on the respective unaudited profit attributable to the equity holders of the Company of approximately RMB51,294,000 (2014: RMB160,641,000) and the weighted average of approximately 718,587,000 (2014: 662,279,000) 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, (i.e. the dilutive potential ordinary shares of the Company). Such 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 Dividends

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



5 Other reserves

	Share premium	Convertible bond reserve	Merger reserve	Share redemption reserve	Share-based compensation reserves	Share held for share award scheme	Exchange reserve	Available-for-sales reserve	Others reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1st January 2014	633,269	-	109,817	496	60,797	(107,814)	(12,833)	-	(17,493)	666,239
Currency translation difference	-	-	-	-	-	-	3,204	-	-	3,204
Share based compensation-value of employee services	-	-	-	-	23,899	-	-	-	-	23,899
Share purchased for share award scheme	-	-	-	-	-	(20,358)	-	-	-	(20,358)
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	-	29,447	-	29,447
Changes in ownership interest in subsidiaries without change of control	-	-	-	-	-	-	-	-	72	72
Vesting of share award	1,198	-	-	-	(8,908)	7,710	-	-	-	-
Exercise of share options	4,010	-	-	-	-	-	-	-	-	4,010
As at 30th September 2014	638,477	-	109,817	496	75,788	(120,462)	(9,629)	29,447	(17,421)	706,513
As at 1st January 2015	640,820	50,858	109,817	496	81,801	(130,952)	(10,478)	16,067	(17,421)	741,008
Currency translation difference	-	-	-	-	-	-	(17,047)	-	-	(17,047)
Share based compensation-value of employee services	-	-	-	-	22,193	-	-	-	-	22,193
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	-	95,097	-	95,097
Issuance of new shares	847,519	-	-	-	-	-	-	-	-	847,519
Vesting of share award	2,780	-	-	-	(17,124)	14,344	-	-	-	-
Exercise of share options	1,479	-	-	-	-	-	-	-	-	1,479
As at 30th September 2015	1,492,598	50,858	109,817	496	86,870	(116,608)	(27,525)	111,164	(17,421)	1,690,249



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

As at 30th September 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' long positions in the Shares

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/ family interest	79,425,146 (Note 1)	10,784,625 (Note 1)	-	-	90,209,771 (Note 1)	10.94%
Guo Fansheng	Ordinary	Beneficial owner	57,749,015	-	-	-	57,749,015	7.00%
Li Janguang	Ordinary	Interest in controlled corporation	-	-	32,000,384 (Note 2)	-	32,000,384 (Note 2)	3.88%
Lee Wee Ong	Ordinary	Beneficial owner	4,850,672 (Note 3)	-	-	-	4,850,672 (Note 3)	0.59%

(b) Directors' short positions in the Shares

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	0.61%





Notes:

1. Such interest in the Company comprises:
 - (a) 66,724,771 Shares of which 5,150,625 Shares are held by Ms. Geng Yi, who is Mr. Guo Jiang's spouse;
 - (b) 8,351,000 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 the Company comprises: 3,350,672 Shares and 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, among others, a share option scheme (the "Share Option Scheme") was adopted by the Company. The principal terms of the Share Option Scheme were summarised in the paragraph headed "Share options" under the section headed "Statutory and General Information" in Appendix V of the prospectus of the Company dated 8th December 2003.



OUTSTANDING SHARE OPTIONS

Share option Scheme

As at 30th September 2015, options to subscribe for an aggregate of 31,026,000 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 30th September 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
Lee Wee Ong	7th April 2010	0.82	4,800,000				4,800,000
	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)		0
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		(70,000)		24,000
In aggregate (Note 3)	11th July 2007	1.24	1,955,000		(467,000)		1,488,000
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		(1,230,000)		1,188,000
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		(28,000)		9,972,000
Total			32,871,000		(1,845,000)		31,026,000



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 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, 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 2013, the relevant grantee may exercise options up to 20%, 40%, 60%, 80% and 100%, of the shares of the Company comprised in his option (less any number of shares of the Company 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 2013, the relevant grantees may exercise options up to 10%, 20%, 40%, 70% and 100%; respectively, of the shares of the Company comprised in his or her option (less any number of shares of the Company in respect of which the option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of options.

2. 1 employee has been granted options under the Share Option Scheme to acquire an aggregate of 24,000 Shares at HK\$1.49 per share.
3. 4 employees have been granted options under the Share Option Scheme to acquire an aggregate of 1,488,000 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. 3 employees have been granted options under the Share Option Scheme to acquire an aggregate of 1,188,000 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 9,972,000 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 of 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 validation 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 of 4.75%. 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\$0.64, 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 of 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 of 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 of 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.



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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 of 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 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 of 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 Share immediately before the date on which these options were exercised was approximately HK\$6.866 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 5.68% of the issued share capital of the Company as at the date of this report. The awarded shares remain outstanding as at 30th September 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 30 September 2015
Directors						
Guo Jiang	20th August 2012	16,700,000	13,917,000		(5,566,000)	8,351,000
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		(85,000)	15,000
Li Tao	23rd November 2011	300,000	100,000		(85,000)	15,000
Other employees						
In aggregate (Note 1)	23rd November 2011	23,581,000	14,633,399		(1,660,274)	12,973,125
	17th January 2014	3,000,000	3,000,000		(1,000,000)	2,000,000
Total		46,881,000	32,750,399		(9,396,274)	23,354,125

Note:

- 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 30th September 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 30 September 2015
Talent Gain Developments Limited	Ordinary	166,029,107 (Note 1)		Beneficial owner and Interest in controlled corporation	20.13%
Digital China Holdings Limited	Ordinary	166,029,107 (Note 1)		Interest in controlled corporation	20.13%
Geng Yi	Ordinary	90,209,771 (Note 2)	5,000,000	Beneficial owner and Family Interest	10.94% (long position) 0.61% (short position)
Credit Suisse Group AG	Ordinary	54,796,718	40,315,813	Interest in controlled corporation	6.64% (long position) 4.89% (short position)
Wisdom Limited	Ordinary	62,273,794 (Note 3)		Beneficial owner	7.56%
Liu Xiaodong	Ordinary	62,273,794 (Note 3)		Interested in controlled corporation	7.56%

Notes:

- The references to 166,029,107 Shares comprises 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. Ms. Geng Yi is the spouse of Mr. Guo Jiang. Such interest in the Company comprises: (a) 66,724,771 Shares (long position) and 5,000,000 (short position) of which 61,574,146 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) 8,351,000 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.
3. The references to 62,273,794 shares of the Company relate to the same block of shares of the Company held by Wisdom Limited, the entire share capital of which was owned by Mr. Liu Xiaodong. Accordingly, Mr. Liu Xiaodong is deemed, or taken to have, interested in the said 62,273,794 shares of the Company pursuant to the SFO.

Save as disclosed above, as at 30th September 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the nine months ended 30th September 2015.

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 Jianguang. Mr. Zhang Ke is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and the third quarterly results of the Group for the Reporting Period.

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the management shareholders of the Company and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any business 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 Reporting Period.





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 a pro-rata basis to existing shareholders of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Board had reviewed the Company's corporate governance practices and was satisfied that the Company had been in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the Reporting Period.

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 Reporting Period.

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

Beijing, PRC, 3rd November 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*)