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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 all its subsidiaries (collectively, the "Group") for the six months ended 30th June 2016, respectively, together with the comparative figures for the corresponding periods ended 30th June 2015 to the shareholders of the Company.

Financial Highlights

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Revenue	465,769	391,052
Gross profit	419,120	356,841
EBITDA*	68,900	71,113
Profit attributable to equity holders	29,048	41,131
Diluted EPS	0.0312	0.0599

Key Financial Figures for the six months ended 30th June 2016

- **Revenue** was approximately **RMB465.8 million**, increased by approximately RMB74.7 million, or **increased** by approximately **19.1%**, when compared to approximately RMB391.1 million recorded for the corresponding period in 2015.
- **Gross Profit Ratio** was approximately 90.0%, decreased by 1.3 percentage points over the same period last year.
- The Group's **EBITDA*** was approximately **RMB68.9 million**, decreased by approximately **RMB2.2 million** from approximately RMB71.1 million.
- **Profit Attributable to Equity Holders of the Company** was approximately **RMB29.0 million** during this reporting period, while it was approximately RMB41.1 million for the same period a year before, representing a decrease of 29.4%.
- The **Diluted EPS** was **RMB0.0312**, **fell by approximately 47.9%** when compared to RMB0.0599, 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	Trade catalogues and yellow page directories	Seminars and other services	Anti-counterfeiting products and services	O2O business exhibition centre	Financing services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
First half of 2016	387,893	6,124	46,243	22,667	-	2,842	465,769
First half of 2015	315,936	8,447	37,061	29,608	-	-	391,052
Variance	22.8%	(27.5%)	24.8%	(23.4%)	-	100%	19.1%

During the period, the Group recorded a revenue of approximately RMB465.8 million (2015: RMB391.1 million).

The above table shown the revenue breakdown of the Group.

The revenue was derived from the segments of online services, trade catalogues and yellow page directories, seminars and other services, anti-counterfeiting products and services and financing services. Overall gross profit ratio has decreased by approximately 1.3 percentage points to a satisfied level of 90.0% (2015: 91.3%).

The Group increased its selling and marketing expenses from approximately RMB229.5 million for the half year ended 30th June 2015 to approximately RMB312.0 million in the same period of 2016 which was mainly due to the increase of salaries and marketing expenses.

The Group's profit attributable to equity holders had decreased to approximately RMB29.0 million for the six months ended 30th June 2016, decreased 29.4% from the same period last year, the Board believes that the aforesaid decrease is mainly due to the adverse impact of ongoing economic transformation in the People's Republic of China (PRC) and the continuous input of resources on B2B 2.0 related products and services. The overall expense related to B2B 2.0 that incurred during the first half of 2016, was RMB73 million, which was generally a results of team building, IT related R&D and structuring of B2B close-loop environment.

During the first half of 2016, small-size companies experienced operational challenges as their indicative PMI was in the contraction range of 44.4 to 47.9 , and likewise, medium-size companies faced operational challenges in some extend as transitionally but adversely impacted by the ongoing national-wide economic transformation, where observed from their PMI, hovering around 48.1 to 50.4 .



Besides operational challenges, cash-flow financing was another challenge faced by small and medium-size enterprises (SMEs). With evident from the cash position of RMB1.2 trillion held by China's large-size enterprises (excluding financial institutions) as of 30th June 2016, where cash and cash equivalent increased by 18% on a quarterly basis and outpaced Japan, US and Europe, a relatively weaker investment confidence was visible during the first half of 2016 as considerable financing resources were re-directed to large-size enterprises. Aiming to meet SMEs' operational and financing need, the Group continued to build B2B eco-system, via providing comprehensive business solutions including information and advertisement, buyer XunPanBao (詢盤寶), trade-match, finance service, anti-counterfeiting products, third-party logistics etc. Benefiting from revenues from self-operation of bulk commodity and information and advertising income of IT and 3C industry related, our overall revenue increased by approximately 19% as compared to the same period last year.

Since the commencement of strategic layout in 2013, the Group explored in deep the profitability model of injecting trade-match plus internet finance of B2B2.0 into the foundation of B2B1.0. During the fiscal year of 2015 and the first half of 2016, the Group continued to build related segments within the B2B eco-system, increased input of resources for B2B 2.0 related products and services and engaged in meeting every demand of its clients. Leveraging on the operation experience spreading over 50 industries, we had expended B2B services both horizontal and vertical ways, some industries had made distinguished results, such as chemical, clothing, IT and 3C related, small household electrical appliances.

On 8th January 2016, the Group had successfully completed the acquisition of 100% equity interest of ZhongFu Holdings Limited, which in turn held 80.38% equity interest of 浙江中服網絡科技有限公司("浙江中服"). 浙江中服 holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界) etc., which are internet portals mainly providing industry information widely including textile equipment, fabrics, ancillary materials and finished garment.

The Group's Shunde JiaDian City ("順德慧聰家電城"), the B2B online and offline business exhibition center, which located in Shunde, Guangdong Province, commenced operation on 18th March 2016. Regarding the second business exhibition center (small household electrical appliances, plastic of product-in-use and plastic mode) that located in Yuyao, Zhejiang Province, the construction had begun in March 2015 and the construction period was expected for 2 to 3 years. Up to the reporting date, Shunde JiaDian City had driven the local sales of small household electrical appliances in Shunde and Zhongshan areas of Guangdong Province and leveraging on the "store in the front, factory at the back" setting, Shunde JiaDian City had assisted manufacturers de-stocking while improving the procurement efficiencies of distributors. During the period of 18th March to 30th June 2016, Shunde JiaDian City's completed gross merchandise volume ("GMV") amounted to approximately RMB2.33 billion.

The Group had commenced the trade-match services since July 2015, and during the first half of 2016, the completed gross merchandise volume (“GMV”) was approximately RMB15.2 billion. In July 2016, the Group was nominated the second place in the 100 B2B companies based on GMV, revenues, industry influences and etc., by China e-commerce association.

To create “trade plus finance” model in the B2B eco-system, the Group, cooperated with its major shareholder, Digital China Company Holding Limited, established a joint-ventured company of Chongqing Digital China Huicong Mirco-Credit Co., Ltd. (“Micro-loan Company”), and continued to utilize its resources, to assist its clients for multiple financing solutions including trade finance, personal credit loan and guaranteed loan.

Beside the micro-loan products, the Group had engaged in other B2B financing solutions and products. Leveraging on its Finance Lease Company Limited established in Tianjin, and cooperation with other financial institutions, we would continue to explore potential business opportunities to meet the financing need of our clients.

As of 30 June 2016, the balance of internet finance granted by the Micro-Loan Company and Finance Lease Company Limited, to costumers amounted to approximately 1.9 billion.

During the Reporting Period, the Group’s Stock Keeping Unit (SKU) had been further strengthened and increased by approximately 76 million to approximately 561 million, up from approximately 485 million as end of 2015.

During the key moment of B2B industry transformation, we believe, the Group’s relentless efforts in building B2B eco-system will bring us to our destiny that definitely would be more blossoms with the patience and supports form our fellow investors.

On the 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, 16th August 2016



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30th June 2016 the Group had cash and bank balance of approximately RMB676 million and net current assets of approximately RMB429 million. The Group maintained a strong working capital position during the six months ended 30th June 2016.

The Group had total borrowings amounting to approximately RMB688 million as at 30th June 2016 (including financial lease obligations). Compared to RMB528 million as at 31st December 2015. The increase in borrowings are mainly for financing the construction and initial operation of the O2O business exhibition centre in Shunde. As at 30th June 2016, the Group was in net cash position, whereas the Group's gearing ratio is calculated as net debt divided by total capital.

The capital and reserves attributable to equity holders of the Company increased by approximately RMB233 million from approximately RMB1,530 million as at 31st December 2015 to approximately RMB1,763 million as at 30th June 2016.

Significant investments

Saved as disclosed in this report, the Group had no significant investments during the six months ended 30th June 2016.

Future plans for material investments

Saved as disclosed in this report, the Group had no future plans for material investments during the six months ended 30th June 2016.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2016, the Group had 3,234 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 six months ended 30th June 2016, 110,352,000 shares of the Company (“Shares”) were issued upon the exercise of share options and the conversion of the convertible bonds. The total number of issued Shares was 1,010,298,103 as at 30th June 2016.

During the period, the Company issue 2 tranches of convertible bond, including:

- (1) Pursuant to a subscription agreement dated 9th December 2015 entered into between the Company, Mr. Guo Jiang, Mr. Lee Wee Ong, Mr. Liu Jun and Ms. Liu Xiaodong (“CB Subscription Agreement”), convertible bonds in an aggregate principal amount of HK\$380,000,000 were issued on 26th May 2016 with an initial conversion price of HK\$4.00 per share, convertible into 95,000,000 shares of the Company. All such convertible bonds were converted as of 30th June 2016. The Company received net proceeds of approximately HK\$378,550,000, which had not been used as of 30th June 2016.

The allotment constituted a connected transaction of the Company. Further details are set out in the announcements dated 9th December 2015, 30th December 2015, 29th February 2016, 1st April 2016 and 26th May 2016, and the circular of the Company dated 12th January 2016.

- (2) Convertible bonds in the principal amount of HK\$100,712,500 with an initial conversion price of HK\$10 per share, convertible into 10,071,250 shares of the Company, were issued on 8th January 2016 as consideration for acquisition of ZhongFu Holdings Limited.

Further details are set out in the announcement of the Company dated 18th December 2015 and 8th January 2016.

As of 30th June 2016, 14,964,000 options under the share option scheme (if exercised, 14,964,000 shares may be issued) and convertible bonds (which if fully converted, 79,220,186 shares (subject to adjustment) may be issued) remain outstanding.



Charges on Group assets

As at 30th June 2016, the Group has bank borrowings amounting to approximately RMB659.2 million and undrawn banking facilities of approximately RMB75.7 million, which are secured by land use rights.

Exchange risk

As the Group's operations are principally in the People's Republic of China ("PRC"), and majority of the Group's assets and liabilities are denominated in Renminbi ("RMB"), the Directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent liabilities

Saved as the financial liabilities at fair value through profit or loss in relation disclosed in Note 7 in the note to the condensed consolidated interim financial information, the Group had no material contingent liabilities as at 30th June 2016.

Material acquisition and disposal

Acquisition of a subsidiary — ZhongFu Holdings

On 8th January 2016, the Company completed the acquisition of the entire issued share capital of ZhongFu Holdings Limited. A series of structured contracts were entered into by a subsidiary of ZhongFu Holdings Limited with Hangzhou Saidian Technology Company Limited and its PRC equity owners on 5th January 2016. The consideration of HK\$170,807,500 was satisfied as to HK\$70,095,000 by cash, and as to HK\$100,712,500 by convertible bonds issued by the Company. Based on the initial conversion price of HK\$10 per share of the Company, an aggregate of 10,071,250 shares of the Company may be issued and allotted, subject to adjustment.

Further details are set out in the announcement of the Company dated 18th December 2015 and 8th January 2016.

Acquisition of available-for-sale financial asset — in Shanghai Gangyin

On 15th January 2016, Beijing Huicong Zaichuang Technology Co., Ltd (an indirect wholly-owned subsidiary of the Company), entered into a subscription agreement with Shanghai Gangyin E-Commerce Co., Ltd., for the subscription of 22,000,000 shares in Shanghai Gangyin at the subscription price of RMB4.5 per share (RMB99,000,000 in aggregated) in cash.

As at 30th June 2016, the acquisition had been completed and the financial result had been recorded as available-for-sale financial asset in the Group's financial statement. Further details are set out in the announcement of the Company dated 15th January 2016.

Proposed Disposal of a subsidiary — Beijing Zhixing Ruijing

On 26th April 2016, the Company and Beijing Huicong Construction Information Consulting Co., Ltd. (“Beijing Huicong Construction”, a subsidiary of the Company) (as vendor) entered into a framework agreement (as supplemented by the supplemental agreement dated 30th May 2016, and the second supplemental agreement dated 29th June 2016, collectively, “Framework Agreement”) with Xizang Ruijing Huijie Entrepreneurship Investment Partnership 西藏銳景慧杰創業投資合伙企業 (“Xizang Ruijing”) (as vendor) and Shanghai Ganglian E-Commerce Holdings Co., Ltd. 上海鋼聯電子商務有限公司 (“Purchaser”, listed on Shenzhen Stock Exchange) (as purchaser), for the conditional disposal by Beijing Huicong Construction and Xizang Ruijing of the entire equity interest in Beijing Zhixing Ruijing Technology Co., Ltd 北京知行銳景科技有限公司 (“Target Assets”), for a total consideration not more than RMB2,080,000,000 and not less than RMB2,000,000,000.

The final amount of the total consideration shall be determined with reference to, amongst others, the asset valuation report in relation of the Target Assets and subject to further agreements to be entered into between the parties to the Framework Agreement. It will be satisfied partly by cash (as to 45% of the consideration) and by consideration issue of new shares of the Purchaser (as to 55%, and to be issued at the issue price currently fixed at RMB36.49 per share). The consideration shall be split between Beijing Huicong Construction and Xizang Ruijing in the proportion of 60% and 40% respectively.

In view of the intention of the Purchaser and the Group to involve the key management of Beijing Zhixing Ruijing in the disposal and provide them with incentives to manage and run Beijing Zhixing Ruijing after the disposal, the Group will indirectly transfer up to 40% of the total consideration to Mr. Liu Xiaodong, Ms. Wang Qian, Mr. Shi Shilin and Ms. Yang Ye (the “Zhixing Ex-Shareholders”) pursuant to a reward mechanism upon meeting certain performance targets as set out in the announcement of the Company dated 6th May 2016.

To facilitate the disposal and implementation of the above reward mechanism, a reorganization is proposed to be carried out before the completion of the disposal. Upon completion of the reorganization, Beijing Zhixing Ruijing will be owned as to 60% by Beijing Huicong Construction and as to 40% by Xizang Ruijing.

To align the interest of the Zhixing Ex-Shareholders with the Group upon the completion of the disposal, Beijing Huicong Construction has entered into a supplemental partnership agreement with the Zhixing Ex-Shareholders on 26th April 2016 for the reward mechanism, i.e. if the certain performance target of the three years ending 31st December 2018 can be met, Beijing Huicong Construction will (i) transfer an agreed percentage of the partnership equity and the corresponding percentage of the capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing to the Zhixing Ex-Shareholders at a consideration in an amount equal to the relevant capital amounts contributed by Beijing Huicong Construction in Xizang Ruijing, and (ii) procure Xizang Ruijing to declare the cash consideration received by Xizang Ruijing as dividend to the Zhixing Ex-Shareholders.



In view of the reward mechanism, on 26th April 2016, the Company entered into the supplemental deed with NAVI-IT and the Zhixing Ex-Shareholders pursuant to which the Company conditionally agreed to buy back 88,958,115 Shares at nil consideration subject to the terms and conditions of the supplemental deed. The buy-backs are in effect for the purpose of implementing the reward mechanism through which the Group will indirectly transfer up to 40% of the total consideration to the Zhixing Ex-Shareholders if certain performance targets have been met. As such, although the consideration for the buy-backs set out in the supplemental deed is nil, the actual maximum consideration for the buy-backs shall be the 40% of the total consideration of approximately RMB832,000,000.

As of 30th June 2016, the proposed disposal has not yet completed. Please also refer to the announcements of the Company dated 6th May 2016, 13th May 2016, 6th June 2016, 29th June 2016, 30th June 2016 and 29th July 2016, and 4th August 2016.

Disposal of certain interests in a subsidiary — Guangzhou Huicong

On 15th March 2016, Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke (collectively, the “Subscribers”) entered into the capital increase agreement with Shenzhen Jing Huicong Network Technology Company Limited (深圳市京慧聰網絡科技有限公司) (“Shenzhen Jing Huicong”), Beijing Huicong Interconnection Information Technology Company Limited (北京慧聰互聯信息技術有限公司) (“Beijing Huicong Interconnection”) and Guangzhou Huicong Network Technology Company Limited (廣州慧聰網絡科技有限公司) (“Guangzhou Huicong”), each of them being an indirect wholly-owned subsidiary of the Company), pursuant to which the parties agreed that the registered capital of Guangzhou Huicong be increased from RMB5,000,000 to RMB8,333,333 (“Capital Increase”), comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. The Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333 by installment. Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively. There is no change of the Group’s power of control over Guangzhou Huicong.

As at 30th June 2016, the total capital contribution by the Subscribers amounted approximately RMB26,666,000 comprising approximately RMB3,333,000 to be contributed to the increase in registered capital of Guangzhou Huicong, and approximately RMB23,333,000 to be contributed to the capital reserve of Guangzhou Huicong.

Please also refer to the announcement of the Company dated 15th March 2016 for further details.

Subsequent Events

Acquisition of an available-for-sale financial asset — Digital China

On 5th July 2016, Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) entered into a agreement for sale and purchase of shares with Sparkling Investment (BVI) Limited to acquire 9,400,000 shares (approximately 0.80% of the issued shares of Digital China) of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company) at the purchase price of HK\$56,400,000.

The acquisition constituted a discloseable transaction of the Company. As of 30th June 2016, the subscription has not yet been completed. Further details are set out in the announcement of the Company dated 5th July 2016.

Acquisition of an available-for-sale financial asset — Hohhot Jingu Rural Commercial Bank

On 7th December 2015, HC Internet Information Technology Company Limited (an indirect wholly-owned subsidiary of the Company) entered into a subscription agreement with Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company (“Hohhot Jingu”, a commercial bank based in Inner Mongolia), to subscribe for 108,661,533 shares (subject to adjustment) in Hohhot Jingu at the price of RMB3 per share (RMB325,984,599 in aggregate) in cash, subject to adjustment of number of shares.

Together with the 19,300,000 shares in Hohhot Jingu already acquired by it, HC Internet Information Technology Company Limited will hold approximately 10.00% equity interests in Hohhot Jingu upon completion.

The subscription constituted a major transaction of the Company. As of 30th June 2016, the subscription has not yet been completed and supplemental agreements was entered into on 30th June 2016 and 16th August 2016 to extend the date for fulfilment of conditions precedents to 30th September 2016. Further details are set out in the announcement of the Company dated 7th December 2015.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30th June	
		2016 RMB'000	2015 RMB'000
Revenue	6	465,769	391,052
Cost of revenue	10	(46,649)	(34,211)
Gross profit		419,120	356,841
Other income		5,539	2,080
Other gains	9	32,563	–
Selling and marketing expenses	10	(311,968)	(229,511)
Administrative expenses	10	(138,193)	(99,124)
Operating profit		7,061	30,286
Finance (cost)/income, net	11	(8,344)	5,040
Share of post-tax losses of associates	8	(4,560)	(2,493)
Share of post-tax profits of joint ventures	8	11,244	9,127
Profit before income tax		5,401	41,960
Income tax credit/(expense)	12	3,338	(7,977)
Profit for the period		8,739	33,983
Other comprehensive income and item that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets	29	50,694	164,358
Fair value release on disposal of available-for-sale financial assets	29	(19,307)	–
Currency translation difference	29	(9,335)	821
Total comprehensive income for the period		30,791	199,162
Profit attributable to:			
– Equity holders of the Company		29,048	41,131
– Non-controlling interests		(20,309)	(7,148)
		8,739	33,983

		Unaudited Six months ended 30th June	
	<i>Note</i>	2016 RMB'000	2015 RMB'000
Total comprehensive income attributable to:			
– Equity holders of the Company		51,100	206,310
– Non-controlling interests		(20,309)	(7,148)
		30,791	199,162
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share:	<i>13</i>	0.0315	0.0616
Diluted earnings per share:	<i>13</i>	0.0312	0.0599

The notes on pages 18 to 55 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
ASSETS			
Non-current assets			
Land use rights	15	173,777	176,145
Investment properties	15	592,756	510,551
Property, plant and equipment	15	299,454	291,073
Intangible assets	15	1,545,415	1,461,722
Long-term deposits, prepayments and other receivables	17	120,261	74,989
Non-current portion of finance leases receivables		24,000	24,000
Deferred income tax assets	22	25,680	17,271
Investments accounted for using equity method	8	543,400	518,716
Available-for-sale financial assets	18	510,865	421,690
Financial assets at fair value through profit or loss	19	3,800	5,100
Total non-current assets		3,839,408	3,501,257
Current assets			
Properties under development	16	750,734	670,683
Direct selling costs	20	125,639	105,316
Current portion of finance leases receivables		74,998	68,846
Deposits, prepayments and other receivables	17	877,100	435,372
Trade receivables	17	128,871	111,794
Inventories		5,641	3,073
Financial assets at fair value through profit or loss	19	3,041	–
Cash and cash equivalents		676,026	790,701
Total current assets		2,642,050	2,185,785
Total assets		6,481,458	5,687,042
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	28	94,414	85,090
Other reserves	29	2,378,149	1,976,484
Retained earnings		434,407	405,359
Non-controlling interests		2,906,970 145,772	2,466,933 132,013
Total equity		3,052,742	2,598,946

	Note	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
LIABILITIES			
Non-current liabilities			
Non-current portion of finance lease obligations		37	249
Non-current portion of bank borrowings	24	169,300	20,000
Non-current portion of other borrowings	24	26,879	26,597
Deferred government grants	27	188,515	195,048
Deferred income tax liabilities	22	159,098	148,131
Receipt in advance	21	53,237	53,237
Issued convertible bonds – liability portion	25	618,705	600,225
Total non-current liabilities		1,215,771	1,043,487
Current liabilities			
Current portion of finance lease obligations		500	734
Trade payables	23	7,163	3,618
Accrued expenses and other payables		104,889	148,935
Deferred revenue		281,170	267,154
Current portion of bank borrowings	24	489,854	479,760
Current portion of other borrowings	24	1,478	952
Deferred government grants	27	12,581	7,898
Receipt in advance	21	1,237,308	1,088,866
Other taxes payables	26	16,830	23,271
Income tax payables	26	23,572	23,421
Financial liability at fair value through profit or losses	7	37,600	–
Total current liabilities		2,212,945	2,044,609
Total liabilities		3,428,716	3,088,096
Total equity and liabilities		6,481,458	5,687,042

The notes on pages 18 to 55 form an integral part of this unaudited interim condensed consolidated financial information.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to equity holders of the Company				Total RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Non- controlling interests RMB'000	
Balance as at 1st January 2016		85,090	1,976,484	405,359	132,013	2,598,946
Profit for the period		-	-	29,048	(20,309)	8,739
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of deferred tax	29	-	50,694	-	-	50,694
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	29	-	(19,307)	-	-	(19,307)
Currency translation difference	29	-	(9,335)	-	-	(9,335)
Total comprehensive income for the period ended 30th June 2016		-	22,052	29,048	(20,309)	30,791
Transactions with owners:						
Share based compensation-value of employee services	29	-	14,623	-	-	14,623
Exercise of share options	28,29	1,279	10,429	-	-	11,708
Issuance of shares upon conversion of convertible bonds	29	8,045	304,561	-	-	312,606
Non-controlling interest arising on business combination	7	-	-	-	14,085	14,085
Capital contribution from non- controlling shareholders of subsidiaries		-	-	-	16,650	16,650
Change in ownership interest in subsidiary without loss of control	30	-	50,000	-	3,333	53,333
Balance as at 30th June 2016		94,414	2,378,149	434,407	145,772	3,052,742

**Unaudited
Attributable to equity holders
of the Company**

	<i>Note</i>	Share capital	Other reserves	Retained earnings	Non- controlling interests	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at 1st January 2015		66,465	741,008	352,807	154,887	1,315,167
Profit for the period		–	–	41,131	(7,148)	33,983
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of deferred tax	29	–	164,358	–	–	164,358
Currency translation difference	29	–	821	–	–	821
Total comprehensive income for the period ended 30th June 2015		–	165,179	41,131	(7,148)	199,162
Transactions with owners:						
Share based compensation-value of employee services	29	–	14,775	–	–	14,775
Exercise of share options	28,29	52	612	–	–	664
Contribution from non-controlling shareholders of subsidiaries		–	–	–	620	620
Balance as at 30th June 2015		66,517	921,574	393,938	148,359	1,530,388

In accordance with the relevant PRC regulations applicable to wholly foreign owned enterprises, the PRC subsidiaries are required to appropriate to reserve fund an amount of not less than 10% of the profit after income tax, calculated based on the PRC accounting standards. Should the accumulated total of this reserve fund reach 50% of the registered capital of the PRC subsidiaries, the subsidiaries will not be required to make any further appropriation. The reserve fund can only be used, upon approval by the shareholders' meeting or similar authorities, to offset accumulated losses or increase capital.

During the six months ended 30th June 2016, retained earnings amounted approximately RMB3,498,062 (30th June 2015: RMB6,287,000) had been transferred to the statutory reserves. As at 30th June 2016, retained earnings comprise statutory reserve fund amounting to RMB67,414,000 (30th June 2015: RMB52,730,000).

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Cash flows from operating activities		
Cash generated from operations	(31,945)	101,041
Interest received	20,355	18,555
Interest paid	(31,789)	(15,547)
The People's Republic of China ("PRC") income tax paid	(10,742)	(24,402)
Net cash (used in)/generated from operating activities	(54,121)	79,647
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(49,029)	–
Additions of property, plant and equipment	(25,545)	(10,233)
Additions of intangible asset	(444)	–
Additions of investment properties	(77,683)	(140,462)
Proceeds from disposal of property, plant and equipment	1,406	3,318
Loans to an associate	–	(19,200)
Loans to a joint venture	(45,000)	(80,000)
Loans to third parties	(612,355)	(222,613)
Loan repayment received from third parties and employees	258,300	17,780
Investment in associates	(18,000)	(37,000)
Investment in a joint venture	–	(130,000)
Investment in available-for-sale financial assets	(99,000)	–
Investment in financial assets at fair value through profit or loss	(2,831)	–
Proceeds from disposal of available-for-sale financial assets	81,159	–
Proceeds from disposal of financial assets at fair value through profit or loss	463	–
Net cash used in investing activities	(588,559)	(618,410)
Cash flows from financing activities		
Proceeds from insurance of convertible bonds	312,606	
Proceeds from borrowings	244,300	142,817
Repayments of borrowings	(85,000)	(60,000)
Capital contribution from non-controlling shareholders	41,950	620
Exercise of share options	11,708	664
Repayments for finance lease obligations	(446)	(767)
Net cash generated from financing activities	525,118	83,334
Net decrease in cash and cash equivalents	(117,562)	(455,429)
Cash and cash equivalents at beginning of the period	790,701	1,321,989
Exchange gain on cash and cash equivalents	2,887	606
Cash and cash equivalents at end of the period	676,026	867,166

The notes on pages 18 to 55 form an integral part of this unaudited interim condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

- Providing industrial search result prioritising services through its B2B website “hc360.com” and offering comprehensive IT-related product information by zol.com.cn; and providing trading and agency services through its O2O trading platform “ibuychem.com”;
- Publishing its own trade catalogues and yellow page directories;
- Hosting exhibitions and seminar;
- Providing anti-counterfeiting products and services to enterprises;
- Engaging in micro-credit internet financing business through its joint venture;
- Providing lease financing services;
- In the process of constructing O2O business exhibition centres.

During the period ended 30th June 2016, the Group completed the acquisition of the entire issued share capital of ZhongFu Holdings Limited, which in turn held 80.38% equity interest of 浙江中服網絡科技有限公司 (“Zhejiang ZhongFu Internet Technology Company Limited”) (“浙江中服”). 浙江中服 is principally engaged in the provision of vertical websites in the garment industry in the PRC. It holds certain assets related to the operation of the websites under the key domain names: www.efu.com.cn (中國服裝網), www.yifu.net (壹服), www.51fashion.com.cn (時尚飾界), www.5143.cn (服裝加盟網), www.nynet.com.cn (中國內衣網) and www.kidsnet.cn (童裝加盟網), which are internet portals mainly providing information on fashion brands, finished garment products (such as men’s wear, women’s wear, children’s wear, underwear, shoes, leather goods, down jackets and others), fabrics, ancillary materials (such as buttons, zippers), textile equipment (such as sewing machines, cutting machines, stitching machines, printing machines, automated systems) to business users (such as manufacturers, wholesalers, traders, department stores, shopping malls) in the garment industry.

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

The condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on 16th August 2016.

This condensed consolidated interim financial information has not been audited.



2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2015, as described in those annual financial statements except for the adoption of amendments to HKFRSs effective for the financial year ending 31st December 2016.

- (a) Amendments to HKFRSs effective for the financial year ending 31st December 2016 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (b) *Impact of standards issued but not yet applied by the entity*

The following new standards and amendments to standards and interpretations have been issued but not yet to be effective for the financial year beginning 1st January 2016 and have not been early adopted:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ²

(1) Effective for annual periods beginning on or after 1st January 2018

(2) Effective for annual periods beginning on or after 1st January 2019

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2016, on the Group’s operations, and is yet to be in the position to conclude the impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management and financial instruments

5.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2015.

There have been no changes in the risk management policies since year end.

5.2 *Liquidity risk*

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 *Fair value estimation*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's financial assets and liabilities that are at fair value at 30th June 2016.

	Level 1 <i>RMB\$'000</i>	Level 2 <i>RMB\$'000</i>	Level 3 <i>RMB\$'000</i>	Total <i>RMB\$'000</i>
Assets				
Available-for-sale financial assets				
– Equity securities	455,865	–	55,000	510,865
Financial assets at fair value through profit or loss	3,041	–	3,800	6,841
	458,906	–	58,800	517,706
Liabilities				
Financial liability at fair value through profit or loss	–	–	37,600	37,600
	–	–	37,600	37,600

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

	Level 1 <i>RMB\$'000</i>	Level 2 <i>RMB\$'000</i>	Level 3 <i>RMB\$'000</i>	Total <i>RMB\$'000</i>
Assets				
Available-for-sale financial assets				
– Equity securities	329,137	–	92,553	421,690
Financial assets at fair value through profit or loss	–	–	5,100	5,100
	329,137	–	97,653	426,790

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 3

	Available-for-sale financial assets		Financial assets at fair value through profit or loss		Financial liability at fair value through profit or loss	
	30th June 2016	31st December 2015	30th June 2016	31st December 2015	30th June 2016	31st December 2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance at 1st January	92,553	43,855	5,100	-	-	-
Addition	-	57,900	-	-	-	-
Acquisition of a subsidiary	-	-	-	6,600	(36,800)	-
Disposal	(32,553)	-	-	-	-	-
Change of fair value charged to other comprehensive income	(5,000)	(9,202)	-	-	-	-
Changes of fair value charged to other profit or loss	-	-	(1,300)	(1,500)	(800)	-
Closing balance at 30th June	55,000	92,553	3,800	5,100	(37,600)	-

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

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

For the estimation of the financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, please refer to Note 19 and Note 7 for details respectively.

6 Segment information

The chief operating decision-maker (“CODM”) has been identified as the Executive Directors. The Executive Directors review the Group’s internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

As at 30th June 2016, the Group is organised into the following business segments:

- (i) Online services – provision of a reliable platform to customers to do business and meet business partners on-line and providing online to offline trading and agency services through its O2O platform on chemical and plastic materials in the PRC.
- (ii) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.
- (iii) Seminars and other services – services for hosting of seminars.
- (iv) O2O business exhibition centre – sales of properties and provision of property rental and management services.
- (v) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprise.
- (vi) Financing services – engaged in micro-credit internet financing business and finance lease in the PRC.

There were no sales or other transactions between the business segments for the period ended 30th June 2016 and 2015.

	Unaudited Six months ended 30th June 2016						
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Seminars and other services RMB'000	O2O business exhibition centre RMB'000	Anti-counterfeiting products and services RMB'000	Financing services RMB'000	Total RMB'000
Revenue	6,124	387,893	46,243	-	22,667	2,842	465,769
Segment results*	(3,088)	1,744	1,597	(25,583)	(8,452)	2,741	(31,041)
Share of post-tax losses of associates	-	(2,179)	-	(2,434)	53	-	(4,560)
Share of post-tax profits of joint ventures	-	-	-	-	-	11,244	11,244
Other income	-	-	-	-	-	-	5,539
Other gains	-	-	-	-	-	-	32,563
Finance cost, net	-	-	-	-	-	-	(8,344)
Profit before income tax	-	-	-	-	-	-	5,401
Depreciation and amortisation	200	36,250	3,665	133	284	-	40,532
Share based compensation expenses	252	13,016	1,053	110	192	-	14,623

* included B2B 2.0 related expense of approximately RMB73 million

	Unaudited Six months ended 30th June 2015						
	Trade catalogues and yellow page directories RMB'000	On-line services RMB'000	Seminars and other services RMB'000	O2O business exhibition centre RMB'000	Anti-counterfeiting products and services RMB'000	Financing services RMB'000	Total RMB'000
Revenue	8,447	315,936	37,061	-	29,608	-	391,052
Segment results	(2,129)	36,318	1,438	(9,827)	2,406	-	28,206
Share of post-tax losses of associates	-	27	-	(2,520)	-	-	(2,493)
Share of post-tax profits of joint ventures	-	-	-	-	-	9,127	9,127
Other income	-	-	-	-	-	-	2,080
Finance income, net	-	-	-	-	-	-	5,040
Profit before income tax	-	-	-	-	-	-	41,960
Depreciation and amortisation	277	14,232	1,343	274	3,292	-	19,418
Share based compensation expenses	338	12,653	1,484	104	196	-	14,775

The Group is domiciled in the PRC. All revenues for the six months ended 30th June 2016 are from external customers in the PRC (six months ended 30th June 2015: same).

7 Business combinations

ZhongFu Holdings Limited

On 18th December 2015, the Company entered into sale and purchase agreement with Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr. Moustache Holdings Limited (collectively, the “Sellers”), and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠), and Mr. Liao Bin (廖斌) (collectively, the “Seller Guarantors”), pursuant to which the Sellers has conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of ZhongFu Holdings Limited, for an aggregate consideration of approximately HK\$170,807,500 (equivalent to RMB144,573,000). Part of the consideration amounting approximately HK\$70,095,000 (equivalent to RMB59,329,000) was settled in cash and the remaining portion was settled by issuance and allotment of convertible bonds which are subject to downward adjustments stipulated in the sale and purchase agreement. The convertible bond was recognised as a financial liability at fair value through profit or loss (“FLTPL”). The fair value of the FLTPL was estimated to be approximately RMB36,800,000 at the acquisition date.

On 5th January 2016, 杭州賽典信息科技有限公司 (“杭州賽典”), a wholly owned subsidiary of ZhongFu Holdings Limited, entered into a series of structured contracts, including Exclusive Right to Purchase Agreement; Authorisation Agreement; Management and Operations Agreement and Pledge Agreement (together, the as “Structured Contracts”) with the shareholders of 杭州賽點科技有限公司 (“Hangzhou Saidian Technology”) (“杭州賽點”), Mr. Guo Jiang (郭江), Mr. Chen Xuejun (陳學軍) (together the “PRC Equity Owners”).

The shareholders of 杭州賽點 unconditionally and irrevocably authorise any individual designated by the Group to represent them in exercising all their rights as shareholders of 杭州賽點 including without limitation, to transfer all their equity interests, to determine the consideration for such transfer, to complete all relevant procedures regarding such transfer, to attend general meetings and exercise voting rights, to execute all such relevant documents, agreements and resolutions. In addition, if 杭州賽點 declares any dividend, bonus or adopts any proposal for distribution of profits, such dividends, bonus or economic benefits of all such proposal for distribution shall be delivered to the Group.

In accordance with the “Structured Contracts”, the Group has acquired the control over 杭州賽點 as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the Hangzhou Saidian Technology’s variable returns. The Group is also entitled to substantially all of the operating profits and residual interest generated by 杭州賽點.

杭州賽點 in turn held 80.38% of the equity interest of 浙江中服網絡科技有限公司 (“ZheJiang ZhongFu Internet Technology Company Limited”) (“浙江中服”). On 8th January 2016, the Group fulfilled all the conditions precedent set out in the sale and purchase agreement. The acquisition of 100% of equity interest of ZhongFu Holdings Limited has been completed accordingly. Consequently, 浙江中服 has become a subsidiary of the Group with effect from 8th January 2016.

The results and financial position of ZhongFu Holdings Limited have been included in the consolidated financial statements of the Group from 8th January 2016.

The goodwill of approximately RMB38,426,000 arising from the acquisition is attributable the synergies and technical talent and economies of scale expected from combining the operations of the Group and 浙江中服. None of the goodwill recognised is expected to be deductible for income tax purpose.

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

Consideration: At 8th January 2016	RMB'000
Cash	59,329
Financial liability at fair value through profit or loss	36,800
Total consideration transferred	96,129
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10,300
Financial assets at fair value through profit or loss (Note 19)	704
Property, plant and equipment (Note 15)	1,281
Trade and other receivables	6,137
Intangible assets – Trade name and domain name (Note 15)	68,300
Intangible assets – Non-compete agreement (Note 15)	800
Intangible assets – Order backlog (Note 15)	800
Deferred revenue	(5,394)
Trade and other payables	(457)
Deferred tax asset (Note 22)	12
Deferred tax liabilities (Note 22)	(10,525)
Other tax liabilities	(170)
Total identifiable net assets	71,788
Non-controlling interest	(14,085)
Goodwill	38,426
	96,129

Acquisition-related costs of RMB778,000 have been charged to administrative expenses in the interim condensed consolidated income statement for the period ended 30th June 2016.

Performance Targets and adjustment mechanism

As set out in the sale and purchase agreement, the total consideration was approximately HK\$170,807,500 (equivalent to RMB144,573,000). Part of the consideration amounting to approximately HK\$70,095,000 (equivalent to RMB59,329,000) was settled in cash, while the remaining portion was settled by issuance and allotment of convertible bonds which is subject to downward adjustments on the basis of the Performance Targets to each of the Sellers. In the event that the Performance Targets are achieved in each of the Performance Undertaking Years, the following principal amounts of the Convertible Bonds will be allotted and issued to each of the Sellers:

Sellers	Relevant Percentage	Principal amount of the Convertible Bonds to be allotted and issued to the relevant Sellers	Number of Conversion Shares (subject to downward adjustments) to be allotted and issued to the relevant Sellers
Daxiong	5.53%	HK\$5,569,401	556,940
Hanson	6.22%	HK\$6,264,319	626,432
Richard	63.55%	HK\$64,002,793	6,400,279
Grand Novel	19.35%	HK\$19,487,869	1,948,787
Moustache	5.35%	HK\$5,388,118	538,812

Pursuant to the Sale and Purchase Agreement, the Seller Guarantors jointly, severally and irrevocably covenant and undertake to the Company that the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu shall achieve the Performance Targets for the relevant Performance Undertaking Years:

Financial year	Performance Targets
Year ending 31st December 2016 ("First Performance Undertaking Year")	RMB10,000,000
Year ending 31st December 2017 ("Second Performance Undertaking Year")	RMB13,000,000
Year ending 31st December 2018 ("Third Performance Undertaking Year")	RMB16,900,000

By the end of each Performance Undertaking Year, the Company shall procure the ZhongFu Holdings Limited to prepare the audited consolidated financial statements of 浙江中服 (the "Audited Financial Statements") in accordance with HKFRS, and provide the Sellers with the Audited Financial Statements within 90 days from the end of the relevant Performance Undertaking Year.

If the audited consolidated distributable profit (after tax) of 浙江中服 ("Performance Target") cannot be achieved for a Performance Undertaking Year, (i) each of the Sellers must convert all or part(s) of the principal amount of its convertible bonds that will expire in the next financial year (the "Expiring CB") into conversion shares (in the following manner depending on the amount of the audited consolidated distributable profit (after-tax) of 浙江中服); and (ii) the Company shall have the right to redeem from each of the Sellers the remaining principal amounts of the Expiring CB at HK\$1 plus any Expiring CB that has not been converted by the Sellers and cancel the same within 30 Business Days after the publication of the relevant Audited Financial Statement:

Audited consolidated distributable profit (after-tax) of 浙江中服	Principal amount of Convertible Bonds to be converted into Conversion Shares (HK\$)	Principal amount of the Convertible Bonds that the Company could redeem and cancel (HK\$)
First Performance Undertaking Year		
RMB10,000,000 or above	40,427,500	–
RMB9,000,000 (inclusive) to RMB9,999,999	36,394,280	4,033,220
RMB8,000,000 (inclusive) to RMB8,999,999	28,327,850	12,099,650
RMB7,000,000 (inclusive) to RMB7,999,999	16,228,200	24,199,300
RMB6,999,999 (inclusive) or below	–	40,427,500
Second Performance Undertaking Year		
RMB13,000,000 or above	30,142,500	–
RMB11,700,000 (inclusive) to RMB12,999,999	27,135,360	3,007,140
RMB10,400,000 (inclusive) to RMB11,699,999	21,121,070	9,021,430
RMB9,100,000 (inclusive) to RMB10,399,999	12,099,660	18,042,840
RMB9,099,999 (inclusive) or below	–	30,142,500
Third Performance Undertaking Year		
RMB16,900,000 or above	30,142,500	–
RMB15,210,000 (inclusive) to RMB16,899,999	27,135,360	3,007,140
RMB13,520,000 (inclusive) to RMB15,209,999	21,121,070	9,021,430
RMB11,830,000 (inclusive) to RMB13,519,999	12,099,600	18,642,840
RMB11,829,999 (inclusive) or below	–	30,142,500

As at 8th January 2016, a financial liability at fair value through profit or loss of approximately RMB36,800,000 in relation to this arrangement was recognised in the consolidated statement of financial position based on the contingent consideration arrangement.

As at 30th June 2016, the fair value of the contingent consideration was approximately RMB37,600,000, the change in the fair value amounted RMB800,000 was charged "other gains" in to the condensed consolidated interim statement of comprehensive income.

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

The key unobservable assumptions in calculating this profit are:

Assumption	
Risk-free rate	0.66%
Discount rate (pre-tax)	17.6%
Probability to achieve the performance target	80%

The revenue included in the condensed consolidated interim statement of comprehensive income since 8th January 2016 contributed by 浙江中服 was RMB9,030,000. 浙江中服 also contributed profit (excluding the amortisation of intangible assets) of RMB3,650,000 over the same period.

8 Investments accounted for using equity method

The amounts recognised in the condensed consolidated interim statement of financial position are as follows:	Unaudited Six months ended 30th June	
	2016	2015
Associates	119,361	80,030
Joint ventures	424,039	409,967
	543,400	489,997

The amounts recognised in the condensed consolidated interim statement of comprehensive income are as follows:	Unaudited Six months ended 30th June	
	2016	2015
Associates	(4,560)	(2,493)
Joint ventures	11,244	9,127
	6,684	6,634

Investment in associates

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Beginning of the period	105,921	45,523
Addition	18,000	37,000
Share of post-tax losses of associates	(4,560)	(2,493)
End of the period	119,361	80,030

Set out below are the summarised financial information for the associates which, in the opinion of Director, are material to the Group and are accounted for using equity method, as at 30th June 2016. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of establishment or registration is also their principal place of business.

Name of entity	Place of business/ country of establishment	% of ownership interest	Nature of the relationship	Measurement method
慧德控股有限公司 (Hui De Holding Co., Ltd.*)	PRC	12	Note 1	Equity
浙江慧聰投資有限公司 (Zhejiang Huicong Investment Co., Ltd*)	PRC	29.6	Note 2	Equity

* English names are translated for identification purpose only

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

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

The Group's share of losses in 慧德控股 and 浙江慧聰 and its aggregate assets and liabilities are shown below:

	慧德控股 Unaudited Six months ended 30th June		浙江慧聰 Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Assets	391,246	400,227	512,375	346,245
Liabilities	303,522	303,401	293,970	105,084
Losses for the period ended 30th June	(6,426)	(816)	(5,617)	(8,183)
Share of losses for the period ended 30th June	(771)	(98)	(1,663)	(2,422)
Percentage held	12%	12%	29.6%	29.6%

Investment in joint ventures

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Beginning of the period	412,795	270,840
Addition	-	130,000
Share of post-tax profits of joint ventures	11,244	9,127
End of the period	424,039	409,967

Set out below is the summarised financial information for the joint venture which, in the opinion of Director, is material to the Group and is accounted for using equity method, as at 30th June 2016. The joint venture company as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of establishment or registration are also their principal place of business.

Name of entity	Place of business/ country of establishment	% of ownership interest	Nature of the business	Measurement method
重慶神州數碼慧聰小額貸款 有限公司 (Chongqing Digital China Huicong Micro-Credit Co., Ltd.*)	PRC	40	Providing micro-credit internet financing service in the PRC	Equity

* *English names are translated for identification purpose only*

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

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Assets	1,826,908	1,236,145
Liabilities	766,745	225,528
Profits for the period ended 30th June	28,367	22,789
Share of profit for the period ended 30th June	11,347	9,116
Percentage held	40%	40%

9 Other gains

	Six months ended 30th June	
	2016	2015
Dividend income	1,023	–
Gains on disposal of available-for-sale financial assets	33,671	–
Change in fair value on financial assets at fair value through profit or loss	(1,331)	–
Change in fair value on financial liability at fair value through profit or loss	(800)	–
	32,563	–

10 Expenses by nature

Expenses including cost of revenue, selling and marketing expenses and administrative expenses are analysed as follows:

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Direct expenses of trade catalogues and yellow page directories	1,743	4,702
Direct expenses of on-line services	23,341	1,445
Direct expenses of seminars and other services	9,952	14,668
Direct expenses of anti-counterfeiting products and services	11,613	13,396
Agency costs	43,793	51,789
Marketing expenses	91,767	45,647
Network and telephone expenses	8,911	7,624
Auditor's remuneration		
– Audit services	1,659	1,224
– Non audit services	252	201
Other professional fees	11,501	7,587
Employee benefits expenses, including directors' emoluments	197,147	138,324
Amortisation of land use rights (Note 15)	213	214
Amortisation of intangible assets (Note 15)	25,077	3,010
Share based compensation expenses	14,623	14,775
Depreciation of property, plant and equipment (Note 15)	15,242	16,194
(Reversal of)/Provision for impairment and direct write-off of trade and other receivables	(1,206)	1,957
(Gain)/Loss on disposal of property, plant and equipment	(53)	104
Operating lease payments in respect of land and buildings	17,080	11,755
Travelling expenses	4,321	5,048
Other expenses	19,834	23,182
Total cost of revenue, selling and marketing expenses and administrative expenses	496,810	362,846

11 Finance (cost)/income, net

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Interest expense:		
– Bank borrowings	(14,967)	(6,214)
– Other borrowings	(1,142)	(672)
– Issued convertible bonds	(22,770)	(20,771)
– Finance lease obligations	(70)	(139)
Finance expenses	(38,949)	(27,796)
Less: amounts capitalised on qualifying assets	4,734	6,156
Total finance expenses	(34,215)	(21,640)
Finance income	25,871	26,680
Finance (cost)/income, net	(8,344)	5,040

12 Income tax credit/(expense)

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Current income tax expense		
– Hong Kong profits tax (i)	–	–
– The PRC corporate income tax (“CIT”) (ii)	(10,893)	(9,150)
Deferred income tax credit	14,231	1,173
	3,338	(7,977)

- (i) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the period (2015: Nil).
- (ii) The PRC corporate income tax represents taxation charged on assessable profits for the year at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to the subsidiaries in the PRC is 25%, except for certain subsidiaries the PRC granted with preferential tax treatment as High/New Technology Enterprise of which the applicable tax rates is 15% for a period from 2015 to 2018 according to the applicable CIT law.

13 Earnings per share

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Profit attributable to equity holders	29,048	41,131

	Unaudited Six months ended 30th June	
	2016 No. of Shares '000	2015 No. of Shares '000
Weighted average number of shares in issue	922,693	667,478
Incremental shares from assumed exercise of share options granted	8,716	19,407
Diluted weighted average number of shares	931,409	686,885

	Unaudited Six months ended 30th June	
	2016 No. of Shares '000	2015 No. of Shares '000
Basic earnings per share (in RMB)	0.0315	0.0616
Diluted earnings per share (in RMB)	0.0312	0.0599

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. Since diluted earnings per share would have been higher if the convertible bonds had been converted, the convertible bond is anti-dilutive and is ignored in the calculation of diluted earnings per share.

14 Dividends

No dividends was paid or declared by the Company during the period (2015: Nil).

15 Property, plant and equipment, land use rights, investment properties, intangible assets and goodwill

	Property, plant and equipment <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Investment Properties <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Goodwill <i>RMB'000</i>
Opening net book amount as at 1st January 2016	291,073	176,145	510,551	431,161	1,030,561
Additions	25,545	–	77,683	444	–
Acquisition of subsidiaries	1,281	–	–	69,900	38,426
Interest capitalised	–	–	2,367	–	–
Disposals	(1,353)	–	–	–	–
Depreciation and amortisation	(15,242)	(213)	–	(25,077)	–
Government grant received	(1,850)	–	–	–	–
Amortisation charge capitalised in investment properties	–	(2,155)	2,155	–	–
Closing net book amount as at 30th June 2016	299,454	173,777	592,756	476,428	1,068,987
Opening net book amount as at 1st January 2015	296,052	180,882	194,974	55,373	50,314
Additions	10,233	–	137,384	–	–
Interest capitalised	–	–	3,078	–	–
Disposals	(3,214)	–	–	–	–
Depreciation and amortisation	(16,194)	(214)	–	(3,010)	–
Amortisation charge capitalised in investment properties	–	(2,155)	2,155	–	–
Closing net book amount as at 30th June 2015	286,877	178,513	337,591	52,363	50,314

The investment properties are carried at cost. They are under construction in progress as at 30th June 2016.

An independent valuation of the Group's land use rights and investment properties was performed to determine the fair value of the investment properties amounting to approximately RMB1,097,500,000 as at 30th June 2016 (31st December 2015: RMB1,025,000,000). Valuation was based on residual method of valuation by establishing the market value of the properties with appropriate deduction on construction costs.

The above fair value measurement at 30th June 2016 is using significant unobservable inputs (level 3). The Group's investment property was valued at 30th June 2016 by independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the location of the investment property valued.

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

At each financial period end, finance department

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

16 Properties under development

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Properties under development comprise:		
– Construction cost and other capitalised expenditures	560,327	482,643
– Interest capitalised	18,066	15,699
– Land use rights	172,341	172,341
	750,734	670,683

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

The properties under development were almost completed as at 30th June 2016 and the expected final acceptance date will be within the normal operating cycle.

17 Trade receivables, deposits, prepayments and other receivables

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Trade receivables (Note a)	137,036	121,165
Less: provision for impairment of trade receivables	(8,165)	(9,371)
Trade receivables – net	128,871	111,794
Deposits, prepayments and other receivables (Note b)	967,610	481,366
Loans to employees (Note b (i))	29,751	28,995
	1,126,232	622,155
Less: Non-current deposit, prepayments and other receivables	(120,261)	(74,989)
Current portion	1,005,971	547,166

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

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Current to 90 days	104,156	92,106
91 to 180 days	16,948	14,733
181 to 365 days	7,590	9,911
Over 1 year	8,342	4,415
	137,036	121,165

The carrying amounts of trade receivables approximate their fair values.

(b) Deposits, prepayments and other receivables

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Non-current portion:		
– Deposits and other receivables	2,362	4,406
– Loans to employees (Note (i))	26,887	26,241
– Loans to an associate (Note (ii))	45,802	44,342
– Loans to a joint venture (Note (iii))	45,210	–
	120,261	74,989
Current portion:		
– Deposits and other receivables	19,052	17,322
– Prepayments	59,451	19,050
– Prepayment for tax (Note (iv))	100,135	89,129
– Loans to employees (Note (i))	2,864	2,754
– Amount due from a former associated company (Note (v))	528	559
– Loan to a joint venture (Note (iii))	201,253	201,427
– Loans to third parties (Note (vi))	462,450	105,131
– Amount due from non-controlling owner of subsidiaries (Note (vii))	31,367	–
	877,100	435,372
	997,361	510,361
The fair values are as follows:		
Deposits and other receivables	21,414	21,728
Prepayments	159,586	108,179
Other receivables	816,361	380,454
	997,361	510,361
	2016 RMB'000	2015 RMB'000
Denominated in:		
HK dollars	260,930	2,754
Renminbi	735,501	506,677
US dollars	930	930
	997,361	510,361

Note (i): The non-current portion includes a balance of approximately RMB26,887,000 (2015: RMB26,241,000) which represents loans granted to several management members of Beijing Panpass Information Technology Co., Ltd (“Panpass”), a subsidiary acquired by the Group on 8th October 2014, for their sole purpose of purchase of shares of Panpass at market price and the shares purchased are pledged to secure the loans. The loans will mature on 28th September 2017, and is interest bearing at a rate of 5% per annum. These management members hold 20% issued share capital of Panpass after the acquisition of Panpass by the Group on 8th October 2014.

The current portion includes a balance of approximately RMB2,864,000 (2015: RMB2,754,000) granted in connection with the Employee Share Scheme. On 21st December 2012, the Group granted loans to several employees of the Group for the sole purpose of purchase of shares of the Group at market price. Maturity date of the loans have been extended from 21st December 2015 to 21st December 2016, and is interest bearing at a rate of 5% per annum. The loans are denominated in HK dollars.

Note (ii): The balance represents loan and interest receivable from 慧德控股有限公司 (“Hui De”), an associate of the Group, amounting to approximately RMB45,802,000 (2015: RMB44,342,000). On 14th December 2014, the group granted a loan amounting to approximately RMB40,000,000 to Hui De by installment. The loan will mature on 21st November 2017, and is interest bearing at a rate of 7% per annum (2015: 7% per annum).

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

Note (iii): This balance represents loan and interest receivable from 重慶神州數碼慧聰小額貸款有限公司, a joint venture of the Group, amounting to approximately RMB246,463,000 (2015: RMB201,427,000). The loans are interest bearing at a rate of 6% to 8% per annum. Part of the loan amounted RMB201,253,000 will be mature on 20th November 2016; while the remaining portion will be mature on 9th June 2019.

Note (iv): The balance at 30th June 2016 includes approximately RMB100,135,000 (2015: RMB89,129,000) prepayment of tax associated with the presale of properties on O2O business exhibition centre under development.

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

Note (vi): The balance includes loans and interest receivable advanced to seven third parties amounting approximately RMB461,401,000 (2015: RMB105,000,000) and approximately RMB1,049,000 (2015: RMB131,000) respectively. The loans are interest bearing at 6% to 9% per annum (2015: 6% per annum), of which RMB257,042,000 will mature on 15th September 2016 and the remaining RMB205,408,000 will mature on 21st December 2016.

Note (vii): The balance represents receivables from non-controlling owners of the subsidiaries of the Group for the purpose of share subscription of the subsidiaries. RMB26,667,000 is receivable from the non-controlling owners of 廣州慧聰網絡科技有限公司. (Details please refer to Note 30). The remaining RMB4,700,000 is receivable from the non-controlling owner of 北京凱迅兆通防偽科技有限公司.

18 Available-for-sale financial assets

	Listed securities <i>(Note 1)</i> <i>RMB'000</i>	Unlisted securities <i>(Note 2)</i> <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1st January 2015	130,412	43,855	174,267
Fair value gains recognised in other comprehensive income	196,836	–	196,836
As at 30th June 2015	327,248	43,855	371,103
As at 1st January 2016	329,137	92,553	421,690
Additions	99,000	–	99,000
Disposal	(38,057)	(32,553)	(70,610)
Fair value gains recognised in other comprehensive income	65,785	(5,000)	60,785
As at 30th June 2016	455,865	55,000	510,865

Note 1:

The balance represents the fair value of the ordinary share of companies listed in Main Board of The Stock Exchange of Hong Kong Limited and National Equities Exchange and Quotations.

Note 2:

The balance represents the fair value of the ordinary shares of an unlisted company.

For the fair value estimation of available-for-sale financial assets, please refer to Note 5.3 for details.

There were no impairment provision on available-for-sale financial assets made during the period ended 30th June 2016 (2015: Nil).

19 Financial assets at fair value through profit or loss

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Contingent consideration in relation to acquisition of Orange Triangle Inc. (Note (i))	3,800	5,100
Trading securities – listed securities (Note (ii))	3,041	–
Financial assets at fair value through profit or loss	6,841	5,100

Note (i): Contingent consideration in relation to acquisition of Orange Triangle Inc.

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

The Contingent Shares are to be released to Mr. Liu Xiaodong, Mr. Shi Shilin, Mr. Wang Qian and Ms. Yang Ye (together, the "Seller Guarantors") in which the Seller Guarantors undertake that the Orange Triangle shall achieve the performance targets for each performance undertaking year during the performance undertaking period, the Company has absolute discretion to unwind the sale and purchase agreement by serving a written notice within a three-month period following the issuance of the audited accounts of the Orange Triangle for the performance undertaking year.

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

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

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

As at 30th June 2016, the fair value of the contingent consideration was approximately RMB3,800,000 (31st December 2015: RMB5,100,000), the change in the fair value amounted RMB1,300,000 for the period was charged to "other gains" in the consolidated statement of comprehensive income.

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

The key unobservable assumptions in calculating this profit are:

Assumption	
Risk-free rate	0.45%
Discount rate (pre-tax)	19%
Probability to achieve the performance target	90%

Note (ii): *Trading securities – listed securities*

	Unaudited Six months ended	
	2016	2015
Opening balance as at 1 January	–	–
Acquisition of subsidiaries	704	–
Additions	2,831	–
Disposal	(463)	–
Change in fair value recognised in profit or loss	(31)	–
Closing balance as at 30 June	3,041	–

The balance represents the listed securities held for trading by the Group. All of the trading securities are listed in the Shenzhen Stock Exchange and Shanghai Stock Exchange and their fair value were based on their current bid prices in active market at the balance sheet date, which are within level 1 of the fair value hierarchy (Note 5.3).

20 Direct selling costs

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

21 Receipt in advance

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Non current	53,237	53,237
Current	1,237,308	1,088,866
	1,290,545	1,142,103

The amount represents deposits received from independent third parties on the presale of properties on O2O business exhibition centre under development.

22 Deferred income tax

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

	Unaudited Six months ended 30th June 2016 RMB'000	2015 RMB'000
Opening balance at 1st January	(130,860)	(19,535)
Credited to the consolidated statement of comprehensive income	14,231	1,173
Charged to the other comprehensive income	(6,276)	(32,478)
Acquisition of subsidiaries	(10,513)	–
Closing balance at 30th June	(133,418)	(50,840)

23 Trade payables

The aging analysis of the trade payables are as follows:

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Current to 90 days	3,825	2,710
91 to 180 days	2,847	593
181 to 365 days	216	159
Over 1 year	275	156
	7,163	3,618

24 Borrowings

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Non-current portion:		
Bank borrowings	169,300	20,000
Other borrowings	26,879	26,597
	196,179	46,597
Current portion:		
Bank borrowings	489,854	479,760
Other borrowings	1,478	952
	491,332	480,712
Total borrowings	687,511	527,309

Movements in borrowings are analysed as follows:

	Unaudited Six months ended 30th June 2016 RMB'000	2015 RMB'000
Opening amount as at 1st January	527,309	139,664
Additions of borrowings and interest	259,515	149,739
Repayments of borrowings and interest	(99,313)	(66,287)
Closing amount as at 30th June	687,511	223,116

Bank borrowings mature until 2018 and bear average interest rate of 5.9% per annum (31st December 2015: 5.5% per annum), part of which amounting to RMB160,000,000 are secured by certain properties and land use right with carrying value amounting to RMB300,638,000 (31st December 2015: RMB213,070,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. The borrowings are unsecured, mature until 2018 and bear average interest rate of 6.4% per annum (31st December 2015: 6.4% per annum).

The carrying amounts of borrowings approximate their fair values and are denominated in RMB.

The Group's borrowings were repayable as follows:

	Bank borrowings		Other borrowings	
	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Within 1 year	489,854	479,760	1,478	952
Between 1 and 2 years	169,300	20,000	16,000	8,320
Between 2 and 5 years	–	–	10,879	18,277
	659,154	499,760	28,357	27,549

25 Convertible bonds

The Group issued convertible bonds with a coupon rate of 5% per annum at a total principal value of HK\$780,000,000, equivalent to approximately RMB615,342,000 on 27th November 2014. The convertible bonds will mature on 27th November 2019 at its principal amount or can be converted into the Group's shares at the bondholder's option at rate of HK\$11.63 per share.

The convertible bonds recognised in the consolidated balance sheet are as follows:

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Beginning balance of liability component	600,225	553,956
Add: effective interest expense	22,770	42,805
Add: exchange reserve	12,222	34,821
Less: interest paid	(16,512)	(31,357)
Ending balance of liability component	618,705	600,225

The fair value of the bond component of the convertible bonds is calculated using cash flows discounted at a rate based on the discount rate of 7.5%.

The convertible bonds – liability component are classified under non-current liabilities. The carrying amounts of convertible bonds – liability component are denominated in HK\$.

26 Income tax payable and other taxes payable

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Income tax payable:		
Corporate income tax	23,572	23,421
Other taxes payable:		
Value added tax	8,357	9,351
Cultural and development tax	3,395	5,382
Other taxes	5,078	8,538
	16,830	23,271

27 Deferred government grants

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Non current	188,515	195,048
Current	12,581	7,898
	201,096	202,946

The deferred government grants represented (i) Grants received from government to subsidise the Group for the rental discount that the Group will provide to its prospective tenants of the O2O business exhibition centre in Shunde of Guangzhou, which is still under construction. (ii) To subsidise the Group's purchase of property, plant and equipment for the Group's expansion in Beijing.

The conditions attached to these grants would be satisfied after 30th June 2016.

28 Share capital

	Number of Shares	Ordinary Shares RMB'000
As at 1st January 2016	899,946,103	85,090
Exercise of share options	15,352,000	1,279
Issuance of share upon conversion of convertible bond	95,000,000	8,045
As at 30th June 2016	1,010,298,103	94,414
As at 1st January 2015	667,166,618	66,465
Exercise of share options	658,000	52
As at 30th June 2015	667,824,618	66,517

The total authorised number of ordinary shares is 2,000 million shares (30th June 2015: 2,000 million shares) with a par value of HK\$0.1 per share (30th June 2015: HK\$0.1 per share). All issued shares are fully paid.

During the six months ended 30th June 2016, 15,352,000 shares (30th June 2015: 658,000 shares) of the Company were issued upon the exercise of share options under the share option scheme of the Company at exercise price of HK\$1.49, HK\$1.24, HK\$0.604 and HK\$0.82 and resulted in approximately RMB10,429,000 (30th June 2015: RMB612,000) increase in share premium.

During the six months ended, convertible bonds with principle amount equivalent to RMB312,607,000 have been converted into 9,500,000 ordinary shares of the Company at the conversion price of HK\$4 per share and resulted in approximately RMB304,561,000 increase in share premium.

The total number of issued shares of the Company was 1,010,298,103 as at 30th June 2016 (30th June 2015: 667,824,618).

Share options

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

(a) Share Option Scheme

	2016		2015	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options
As at 1st January	1.49	1,458,000	1.49	1,528,000
Lapsed	1.49	–	1.49	–
Exercised	1.49	(1,458,000)	1.49	–
As at 30th June	1.49	–	1.49	1,528,000
As at 1st January	1.24	3,698,000	1.24	4,375,000
Lapsed	1.24	–	1.24	–
Exercised	1.24	(2,244,000)	1.24	(80,000)
As at 30th June	1.24	1,454,000	1.24	4,295,000
As at 1st January	0.604	2,900,000	0.604	3,000,000
Lapsed	0.604	–	0.604	–
Exercised	0.604	(2,500,000)	0.604	–
As at 30th June	0.604	400,000	0.604	3,000,000
As at 1st January	0.82	10,588,000	0.82	12,218,000
Lapsed	0.82	–	0.82	–
Exercised	0.82	(9,150,000)	0.82	(500,000)
As at 30th June	0.82	1,438,000	0.82	11,718,000
As at 1st January	1.108	200,000	1.108	250,000
Lapsed	1.108	–	1.108	–
Exercised	1.108	–	1.108	(50,000)
As at 30th June	1.108	200,000	1.108	200,000
As at 1st January	4.402	1,500,000	4.402	1,500,000
Granted	4.402	–	4.402	–
Lapsed	4.402	–	4.402	–
Exercise	4.402	–	4.402	–
As at 30th June	4.402	1,500,000	4.402	1,500,000

	2016		2015	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options
As at 1st January	9.84	9,972,000	9.84	10,000,000
Granted	9.84	–	9.84	–
Lapsed	9.84	–	9.84	–
Exercise	9.84	–	9.84	(28,000)
As at 30th June	9.84	9,972,000	9.84	9,972,000

Expiry date	Exercise price HK\$ per share	Share options	
		30th June 2016	31st December 2015
23rd June 2016	1.49	–	1,458,000
11th July 2017	1.24	1,454,000	3,698,000
29th September 2018	0.604	400,000	2,900,000
7th April 2020	0.82	1,438,000	10,588,000
28th March 2021	1.108	200,000	200,000
3rd April 2023	4.402	1,500,000	1,500,000
18th November 2023	9.84	9,972,000	9,972,000

Share Award Scheme

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

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

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

Since the commencement of the share award scheme, 45,566,000 shares had been purchased by the trustee as awarded shares pursuant to the terms of the Share Award Scheme. The awarded shares will be held by the trustee in accordance with the rules of the Share Award Scheme and the relevant trust period.

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

The following table represents the movement for number of unvested shares under the Share Award Scheme for the period ended 30th June 2016.

	Number of Shares
As at 1st January 2016	21,877,375
Amount vested during the period	(814,500)
As at 30th June 2016	21,062,875
As at 1st January 2015	31,435,399
Amount vested during the period	(2,738,281)
As at 30th June 2015	28,697,118

29 Other reserves

	Share premium RMB'000	Convertible bond reserve RMB'000	Others reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange reserve RMB'000	Share held for share award scheme RMB'000	Available-for-sale assets reserve RMB'000	Total RMB'000
As at 1st January 2016	1,709,370	50,858	(17,421)	109,817	93,908	496	(28,286)	(116,608)	174,350	1,976,484
Currency translation difference	-	-	-	-	-	-	(9,335)	-	-	(9,335)
Share based compensation-value of employee services	-	-	-	-	14,623	-	-	-	-	14,623
Fair value gain on available-for-sale assets, net of deferred tax (Note 18 & 22)	-	-	-	-	-	-	-	-	50,694	50,694
Fair value release on disposal of available-for-sale financial assets, net of deferred tax (Note 18 & 22)	-	-	-	-	-	-	-	-	(19,307)	(19,307)
Exercise of share options	10,429	-	-	-	-	-	-	-	-	10,429
Vesting of share award	2,129	-	-	-	(3,692)	-	-	1,563	-	-
Issuance of shares upon conversion of convertible bonds	304,561	-	-	-	-	-	-	-	-	304,561
Change in ownership interest in subsidiaries without loss of control (Note 30)	-	-	50,000	-	-	-	-	-	-	50,000
As at 30th June 2016	2,026,489	50,858	32,579	109,817	104,839	496	(37,621)	(115,045)	205,737	2,378,149
As at 1st January 2015	640,820	50,858	(17,421)	109,817	81,801	496	(10,478)	(130,952)	16,067	741,008
Currency translation difference	-	-	-	-	-	-	821	-	-	821
Share based compensation-value of employee services	-	-	-	-	14,775	-	-	-	-	14,775
Fair value gain on available-for-sale assets, net of deferred tax (Note 17 & 21)	-	-	-	-	-	-	-	-	164,358	164,358
Vesting of share award	1,454	-	-	-	(5,226)	-	-	3,772	-	-
Exercise of share options	612	-	-	-	-	-	-	-	-	612
As at 30th June 2015	642,886	50,858	(17,421)	109,817	91,350	496	(9,657)	(127,180)	180,425	921,574

30 Changes in ownership interests in subsidiaries without change of control

Disposal of interest in a subsidiary without loss of control

On 15th March 2016, Mr. Liu Jun (劉軍), Mr. Song Bingchen (宋冰晨), Mr. Han Gang (韓剛) and Mr. Xu Ke (許可) (collectively, the "Subscribers") entered into the capital increase agreement with 深圳市京慧聰網絡科技有限公司 ("Shenzhen Jing Huicong"), 北京慧聰互聯信息技術有限公司 ("Beijing Huicong Interconnection") and 廣州慧聰網絡科技有限公司 ("Guangzhou Huicong"), each of them being an indirect wholly-owned subsidiary of the Company, pursuant to which the parties agreed that the registered capital of Guangzhou Huicong be increased from RMB5,000,000 to RMB8,333,333, comprising RMB3,333,333 to be contributed to the increase in registered capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. The Subscribers shall make capital contribution in the aggregate amount of RMB53,333,333 by instalment.

Upon completion of the Capital Increase, Guangzhou Huicong will be owned as to approximately 40.00% by the Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively.

	30th June 2016 RMB'000
Carrying amount of non-controlling interest acquired	3,333
Consideration received for non-controlling interests	(53,333)
Consideration paid in excess of carrying value recognised within equity	(50,000)

As at 30th June 2016, the total capital contribution by the Subscribers amounted approximately RMB26,666,000, comprising approximately RMB3,333,000 to be contributed to the increase in registered capital of Guangzhou Huicong, and approximately RMB23,333,000 to be contributed to the capital reserve of Guangzhou Huicong. Pursuant to the payment schedule of capital increase agreement, approximately RMB13,333,000 and RMB13,333,000 would be contributed by the Subscribers, before 30 September 2016 and 31 December 2016 respectively.

31 Related-party transactions

Saved as the transactions disclosed in other notes in this financial statements, the Group has the following significant transactions that were carried out with related parties:

Key management compensation

	Unaudited Six months ended 30th June	
	2016 RMB'000	2015 RMB'000
Salaries and other short-term employee benefits	2,872	2,993
Share-based payments	5,357	4,027
	8,229	7,020

32 Contingent liabilities

Saved as the financial liability at fair value through profit or loss disclosed in Note 7, there were no material contingent liabilities to the Group as at 30th June 2016 (31st December 2015: None).

33 Commitments

- (a) Capital commitments
Capital commitments as at 30th June 2016 and 31st December 2015 are analysed as follows:

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Property, plant and equipment	263	1,500
Investment properties and properties under development	89,260	47,292
	89,253	48,792

- (b) Financial commitments
Financial commitments as at 30th June 2016 and 31st December 2015 are analysed as follows:

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Acquisition of subsidiaries	–	58,711
Acquisition of available-for-sale asset (Note (i))	325,985	325,985
Investment in subsidiaries, joint ventures and associates	5,000	156,028
	330,985	540,724

Note (i): Acquisition of available-for-sale financial asset – Hohhot Jingu

On 7th December 2015, HC Internet Information Technology Company Limited (“HC Internet”), a wholly-owned subsidiary of the Group (“the Subscriber”), entered into the subscription agreement (the “Subscription Agreement”) with 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*) (“Hohhot Jingu”), pursuant to which HC Internet has conditionally agreed to subscribe for 108,661,533 of Hohhot Jingu (subject to adjustment under the terms of the Subscription Agreement) (the “Subscription Share(s)”) of Hohhot Jingu at the subscription price of RMB3 per Subscription Share. The consideration for the said subscription is RMB325,984,599 (subject to adjustment under the terms of the Subscription Agreement), which shall be settled by HC Internet in cash.

Assuming there is no adjustment of the subscription plan, the Subscription Shares represent approximately 13.94% of the existing issued share capital of Hohhot Jingu and approximately 8.49% of Hohhot Jingu’s entire issued share capital as enlarged by the capital increase. Assuming there is no Adjustment, upon completion of the Subscription, the Subscriber will, together with the 19,300,000 shares of Hohhot Jingu acquired by it through the Acquisition, own 127,961,533 shares of Hohhot Jingu, representing approximately 10.00% of Hohhot Jingu’s entire issued share capital as enlarged by the Capital Increase.

Upon completion of the further acquisition, the financial result will be recorded as available-for-sale asset measured at fair value under non-current assets.

As at the date of this report, the subscription has not yet been completed.

* English name are translated for identification purpose only

(c) Commitments under operating leases

(i) Lessee

The Group leases various offices and residents under non-cancellable operating lease agreements. The lease terms between 1 and 6 years, and majority of lease agreements are renewable at the end of the lease period at market rate.

Total commitments payable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	Unaudited 30th June 2016 RMB'000	Audited 31st December 2015 RMB'000
Within one year	23,397	25,624
In the second to fifth year inclusive	34,029	35,849
Over the fifth year	1,479	5,326
	58,905	66,799

(ii) Lessor

The Group leases an Investment property under non-cancellable operating lease agreements. The lease terms are between 1 and 20 years, and lease agreements are renewable at the end of the lease period at market rate.

Total commitments receivable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	Unaudited 30th June 2016 RMB'000	Unaudited 31st December 2015 RMB'000
Within one year	13,761	–
In the second to fifth year inclusive	15,799	–
Over five years	27,700	–
	57,260	–

34 Financial guarantees

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. As at 30 June 2016, the amount of outstanding guarantees for mortgages were approximately RMB496,510,000 (31st December 2015: RMB461,066,000).

The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

35 Events occurring after the balance sheet date

(a) *Acquisition of available-for-sales financial asset – Digital China*

On 5th July 2016, Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with Sparkling Investment (BVI) Limited to acquire 9,400,000 shares of Digital China Holdings Limited, (a company listed on the Main Board of the Stock Exchange, and a substantial shareholder of the Company) (approximately 0.80% of the issued shares of Digital China at the acquisition date) at the purchase price of HK\$56,400,000 (equivalent to RMB47,762,000).

Upon completion of the acquisition, the financial result will be recorded as available-for-sale financial asset measured as fair value under non-current assets.

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 June 2016, 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 Shares	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
Guo Jiang	Ordinary	Beneficial owners/ family interest	183,925,146 (Note 1)	10,784,625 (Note 1)	-	-	194,709,771 (Note 1)	19.27%
Guo Fansheng	Ordinary	Beneficial owners	57,749,015	-	-	-	57,749,015	5.72%
Li Jianguang	Ordinary	Interest of controlled corporation	-	-	32,000,384 (Note 2)	-	32,000,384 (Note 2)	3.17%
Lee Wee Ong	Ordinary	Beneficial owners	19,850,672 (Note 3)	-	-	-	19,850,672 (Note 3)	1.96%



(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 owners	66,000,000	-	-	-	66,000,000	6.53%

Notes:

1. Such interest in the Company comprises:
 - (a) 125,358,771 Shares of which 114,574,146 Shares are held by Mr. Guo and 10,784,625 Shares are held by Ms. Geng Yi, who is Mr. Guo's spouse;
 - (b) 8,351,000 underlying Shares derived from the awarded shares granted to Mr. Guo under the employees' share award scheme adopted on 17 November 2011; and
 - (c) 61,000,000 Shares which were borrowed by Mr. Guo Jiang from Ms. Geng Yi and Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo Jiang, Ms. Geng Yi and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party.

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

2. 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 comprise: (i) 18,350,672 Shares and (ii) 1,500,000 underlying Shares derived from the Share Options held by Mr. Lee Wee Ong.

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 SCHEME

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

(b) Share Option Scheme

As at 30th June 2016, options to subscribe for an aggregate of 14,964,000 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 June 2016 (Note 1)
			As at 1st January 2016	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)	-	-
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	23rd June 2006	1.49	24,000	-	(24,000)	-	-
In aggregate (Note 2)	11th July 2007	1.24	1,278,000	-	(44,000)	-	1,234,000
In aggregate (Note 3)	7th April 2010	0.82	788,000	-	(150,000)	-	638,000
In aggregate (Note 4)	28th March 2011	1.108	200,000	-	-	-	200,000
In aggregate (Note 5)	18th November 2013	9.84	9,972,000	-	-	-	9,972,000
Total			30,316,000	-	(15,352,000)	-	14,964,000

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\$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. 3 employees have been granted options under the Share Option Scheme to acquire an aggregate of 1,234,000 Shares at HK\$1.24 per share.
3. 2 employees have been granted options under the Share Option Scheme to acquire an aggregate of 638,000 Shares at HK\$0.82 per share.
4. 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.
5. 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.
6. 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.

7. 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.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.

13. The valuation of share options is subject to a number of assumptions and with regard to the subjectivity and uncertainty of the model.
14. 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.
15. The weighted average closing price of the Shares immediately before the date on which these options were exercised was approximately HK\$4.81 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 4.64% of the issued share capital of the Company as at the date of this report. The awarded shares remain outstanding as at 30th June 2016 are set out below:

Name of Grantee	Date of grant	As at 1st January 2016	Granted during the period	Vested during the period	As at 30 June 2016
Directors					
Guo Jiang	20th August 2012	8,351,000	–	–	8,351,000
Senior management					
Guo Gang	23rd November 2011	15,000	–	–	15,000
Li Tao	23rd November 2011	15,000	–	–	15,000
Other employees					
In aggregate	23rd November 2011	12,811,375	–	(814,500)	11,996,875
	17th January 2014	2,000,000	–	–	2,000,000
Total		23,192,375	–	(814,500)	22,377,875

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

As at 30th June 2016, 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 30th June 2016
Talent Gain Developments Limited	Ordinary	166,029,107 (Note 1)		Beneficial Owner and Interest in controlled corporation	16.43%
Digital China Holdings Limited	Ordinary	166,029,107 (Note 1)		Interest in controlled corporation	16.43%
Geng Yi	Ordinary	194,709,771 (Note 2)	66,000,000	Beneficial Owner and Family Interest	19.27% (long position) 6.53% (short position)
Liu Xiaodong	Ordinary	92,273,794 (Note 3)		Beneficial Owner and Interest in controlled corporation	9.13%
Wisdom Limited	Ordinary	62,273,794 (Note 4)		Beneficial Owner	6.16%

Notes:

- The references to 166,029,107 Shares comprise 142,621,107 Shares and 23,408,000 Shares held by Talent Gain Developments Limited and Unique Golden Limited, respectively. Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 861). Therefore, Talent Gain Developments Limited, is deemed to be interested in the Shares held by Unique Golden Limited, and each of Digital China (BVI) Limited and Digital China Holdings Limited is deemed to be interested in the Shares held by Talent Gain Developments Limited and Unique Golden Limited.



2. Ms. Geng Yi is the spouse of Mr. Guo Jiang. Such interest in the Company comprises: (a) 125,358,771 Shares (long position) and 66,000,000 (short position) of which 114,574,146 Shares (long position) and 66,000,000 (short position) are held by Mr. Guo Jiang and 10,784,625 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) 61,000,000 Shares which were borrowed by Mr. Guo Jiang from Ms. Geng Yi and Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo Jiang, Ms. Geng Yi and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party.

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. Such interests in the Company comprise: (i) 30,000,000 underlying Shares derived from the proposed subscription of 30,000,000 convertible bonds of the Company by Mr. Liu Xiaodong pursuant to the CB Subscription Agreement; and (ii) 62,273,794 Shares held by Wisdom Limited (a company wholly and beneficially owned by Mr. Liu Xiaodong). Mr. Liu Xiaodong is deemed, or taken to have, interested in all the Shares held by Wisdom Limited pursuant to the SFO.
4. Wisdom Limited is a company wholly and beneficially owned by Mr. Liu Xiaodong.

Save as disclosed above, as at 30th June 2016, 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 six months ended 30th June 2016.

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 30th June 2016.

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 30th June 2016.

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 of the Listing Rules during the six months ended 30th June 2016.

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 six months ended 30th June 2016.

By order of the board
HC International, Inc.
Guo Jiang

Chief Executive Officer and Executive Director

Beijing, PRC, 16th August 2016

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*)