



INTERIM REPORT

2017

HC INTERNATIONAL, INC.
慧聰網有限公司

Stock Code 股票代碼 : HK2280



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 2017, respectively, together with the comparative figures for the corresponding periods ended 30th June 2016 to the shareholders of the Company.

Financial Highlights

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Revenue	1,342,619	465,769
EBITDA*	333,841	68,900
Profit attributable to equity holders	107,520	29,048
Diluted EPS	0.1039	0.0312

- **Revenue** was approximately **RMB1,342.6 million**, increased by approximately RMB876.8 million, or **increased 188.3%**, when compared to approximately RMB465.8 million recorded for the corresponding period in 2016.
- The Group’s **EBITDA*** was approximately **RMB333.8 million**, increased RMB264.9 million, or **increased 384.5%** from RMB68.9 million in the first half year of 2016.
- **Profit Attributable to Equity Holders of the Company** was approximately **RMB107.5 million** during the first half year of 2017, while it was approximately RMB29.0 million in the same period of 2016, representing an increase of 270.1%.
- The **Diluted EPS** was **RMB0.1039, increased by approximately 233.0%**, when compared to RMB0.0312, on a year-on-year basis.
- The Board has declared an interim dividend of **HKD0.02** per share for the six months ended 30th June 2017.

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

FINANCIAL REVIEW

Revenue Analysis	On-line services <i>RMB'000</i>	Trade catalogues and yellow page directories <i>RMB'000</i>	Seminars and other services <i>RMB'000</i>	Anti-counterfeiting products and services <i>RMB'000</i>	O2O business exhibition centre <i>RMB'000</i>	B2B trading platform <i>RMB'000</i>	Financing services <i>RMB'000</i>	Total <i>RMB'000</i>
First half of 2017	436,683	1,320	78,295	48,042	301,617	466,418	10,244	1,342,619
First half of 2016	340,623	6,124	46,243	22,667	-	47,270	2,842	465,769
Variance	28.2%	(78.4%)	69.3%	111.9%	N/A	886.7%	260.5%	188.3%

During the period, the Group recorded a revenue of approximately RMB1,342.6 million (2016: RMB465.8 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 O2O business exhibition center, B2B trading platform and financing services.

The Group increased its selling and marketing expenses from approximately RMB315.3 million for the half year ended 30th June 2016 to approximately RMB327.9 million in the same period of 2017 which was mainly due to the increase of salaries, commissions and marketing expenses.

The Group's profit attributable to equity holders had increased to approximately RMB107.5 million for the six months ended 30th June 2017, increased 270.1% from the same period of last year, the Board believes that the aforesaid increase is mainly due to the stable growth of income from on-line business of the group in general, the recognition of certain income from O2O business exhibition centre and the disposal gain recorded from the sale of available-for-sale financial assets.



BUSINESS REVIEW

In 2017, benefited from positive impact via industry structural reforms, information and advertising services of B2B1.0 has been developing steadily, at the meantime, the B2B2.0 vertical-industry trading platform has been growing rapidly. Leveraging on proactive arranged strategic blueprint and twenty five years' industry experience, the Group continued to promote 2.0 transaction service process of the vertical industry platform in the midst of upgrading the 1.0 information and advertising product.

With the increase in internet traffic and the information channel being more specialized, the SMEs' demand for B2B service platform in the PRC is gradually shifting towards the direction of, among the others, targeted advertising coverage and effective recommended exposure. In the first half of 2017, the Group continued to focus on renewing the internet technology services, including the SAAS application, "Youke (慧聰友客)", which functions is to intelligently acquire the customer's clues and to incorporate them into the customer relationship management, and to upgrade innovative projects such as the result-oriented payment P4P products "Hu-Tong-Bao (互通寶)".

In aligning with the marketing strategy of the PC end product, the Group is actively grasping the B2B business opportunities arising from the mobile end. In February 2017, the Group completed the acquisition of the entire issued share capital of Huijia Interactive (慧嘉互動), which is principally engaged in building cross-industrial integrated marketing platforms for its clients. To that end, Huijia Interactive has been developing digital interactive media marketing tools with mobile terminal as the carriers. By leveraging the Group's extensive knowledge about the industry and through an open mobile platform, the Group is developing a technological system for the SMEs in different industries. The Company believed that the commercial values of precision marketing, e-commerce and distribution as well as interactive media can be achieved. The successful merger between the Group and Huijia Interactive has facilitated the matching between the subscribers of the Group (being a customer or a supplier) and the customers and business network of Huijia Interactive. At the same time, the merger also allowed the Group to have a wider and deeper access to different groups of customers.

With the development of B2B1.0 business and launch of mobile-end high-technology driven marketing products supported by Huijia Interactive, for the first half of 2017, the B2B1.0 revenue (including online products, trade catalogues and yellow page, offline seminars) accounted to approximately RMB516 million, which grew by approximately 31.3% as compared to RMB393 million in the same period of last year.

As the traditional banking industry has adopted credit policy that limited to approval and loan terms towards the SMEs, the demand for supply chain financing for the SMEs continued to increase in the first half of 2017 whilst the domestic trading economy has been growing with a steady pace.



In September 2014, the Group jointly established Chongqing Digital China Huicong Micro-Credit Co., Ltd* 重慶神州數碼慧聰小額貸款公司 (hereinafter defined as “Micro-Credit”), with its substantial shareholder, Digital China Holdings Limited. In the first half of 2017, the Group continued to deploy resources to assist customers in completing single or combined financing scheme such as trade loans, credit loans and position management. In June 2017, the Group announced framework agreement that with Digital China Holding Limited that to acquire the remaining shares of 60% of Micro-Credit. The Group would hold 100% of Micro-Credit after the deal completion, with great advantages in speeding the growth of the business and create more profit for the Group’s shareholders.

Despite the Micro-Credit, the Group established Huicong Finance Leasing Company Limited and Tianjin Huicong Commercial Factoring Company Limited in September 2015 and April 2017, respectively. The development of micro-loan, finance lease and factoring businesses have also made significant contributions to the internet financial sector of the Group which formed good interaction with other sectors. On 30th June 2017, the balance of the Group’s internet finance cluster was RMB1.82 billion.

The Group established a household electrical appliance business exhibition center in Shunde Guangdong province, which commenced operation successfully on 18th March 2016. The centre is the first domestic O2O mall of a B2B nature also the first project in small electrical household appliances industry that provide close-lope trading services including information and advertisement, on-site purchase experience, online transaction, logistic services with cooperative parties and aided finance products. On 29th July 2017, the first “Intelligent Store” at the mall commenced operation. The B2B2C sales channel is revealed in the form of O2O model, which formed the first step for self-operation trading platform for household electrical appliances.

In the first half of 2017, thanks to more than 10 platforms including those for household appliances, machinery, plastics, electronic devices and hardware tools, the Group has assisted the SMEs to complete GMV amounting to approximately RMB43.2 billion. While it was approximately RMB15.2 billion in the first half of 2016, representing an increase of approximately 184% year on year.

Based on the strategic review of B2B industry and foreseeing business plan, the Company had enjoyed initial achievements on market position, compatibility and financial position. We are confident to our future and believe current business plan would continue to become the growth driver for revenues and profits with endless effort from all levels of the Group.

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

Guo Jiang

Executive Director and Chief Executive Officer

Beijing, People’s Republic of China, 28th August 2017



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

As at 30th June 2017 the Group had cash and bank balance of approximately RMB612.0 million and net current assets of approximately RMB145.7 million. The Group maintained a strong working capital position during the six months ended 30th June 2017.

The net cash outflow from operating activities was RMB276.1 million for the first half year of 2017, mainly attributable to the increase in investment in financing and self-operated mall business. Among which, the Group has invested RMB95.4 million and RMB80.6 million in cash for the commencement of the operation of factoring business and the continuous expansion of the development of self-operated mall business during the first half of the year, respectively. In addition, the O2O business exhibition income recognized for the current period of RMB296.0 million did not generated cash inflow during the current period, and the balance and taxes in relation to the construction paid during the period were RMB66.1 million in aggregate.

The Group had short-term loans amounting to approximately RMB869.7 million as at 30th June 2017 (including financial lease obligations). As at 30th June 2017, the gearing ratio of the Group was 22% (December 2016: 15%), 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 decreased by approximately RMB41.4 million from approximately RMB1,740.0 million as at 31st December 2016 to approximately RMB1,698.6 million as at 30th June 2017.

Significant investments

Saved as disclosed in this report, the Group had no significant investments during the six months ended 30th June 2017.

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 2017.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30th June 2017, the Group had 2,851 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 2017, 4,042,750 shares of the Company (“Shares”) were issued upon the conversion of the convertible bonds vested to the respective vendors upon fulfilment of the first year performance undertaking of the share transaction in relation to acquisition of ZhongFu Holdings Limited.

During the six months ended 30th June 2017, 4,844,000 shares repurchased by the Company but have not yet been cancelled.

The total number of issued Shares was 1,002,050,853 as at 30th June 2017.

As of 30th June 2017, 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, 105,177,436 shares (subject to adjustment) may be issued) remain outstanding.

Please refer to the section headed “Subsequent Events” in this report for further details.

Charges on Group assets

As at 30th June 2017, the Group has bank borrowings amounting to RMB160.0 million which are secured by certain properties and 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 the condensed consolidated interim financial information, the Group had no material contingent liabilities as at 30th June 2017.



Material acquisition and disposal

Major and connected transaction – Acquisition of the remaining equity interests in Chongqing Digital China Huicong Micro-Credit Co., Ltd and Digital China’s subscription of the Company’s new shares under a specific mandate


On 19th May 2017, the Company, Digital China Holdings Limited (“Digital China”, a company listed on the Main Board of the Stock Exchange (stock code: 00861), and a substantial shareholder of the Company), Beijing Huicong Internet Information Technology Co., Ltd* (北京慧聰互聯信息技術有限公司) (“Beijing Huicong Internet”, a wholly-owned subsidiary of the Company) (as purchaser) and Digital China Investments Limited* (神州投資有限公司) (“Digital China Investments”, an indirectly wholly-owned subsidiary of Digital China”) (as vendor) entered into a formal sale and purchase agreement (the “Formal SPA”) in relation to the acquisition of the remaining 60% equity interest (the “Sale Shares”) in Chongqing Digital China Huicong Micro-Credit Co., Ltd* (重慶神州數碼慧聰小額貸款有限公司) (“Micro-Credit”) as contemplated under a framework agreement entered into between Digital China and the Company on 24th April 2017 (the “Acquisition”).

Micro-Credit is a company established in the PRC and is indirectly owned as to 40% by the Company and 60% by Digital China through their respective wholly-owned subsidiaries. The Acquisition will enhance the development and expansion potential of the Group’s financial service cluster by providing more comprehensive services to small and medium size corporate customers in respect of supply chain and transaction funds etc.

Pursuant to the Formal SPA, Beijing Huicong Internet has conditionally agreed to purchase and Digital China Investments has conditionally agreed to sell the Sale Shares for a consideration of RMB1,083,637,320 (equivalent to HK\$1,227,000,000) (the “Consideration”). The Consideration is to be settled in cash by Beijing Huicong Internet within six months after the execution of the first equity transfer agreement to be executed between Beijing Huicong Internet and Digital China Investments in respect of the Acquisition.

Digital China has undertaken that upon Beijing Huicong Internet transferring any part of the Consideration to Digital China Investments in the PRC, Digital China will within 10 business days pay a sum equal to the said part of the Consideration to the Company in Hong Kong to subscribe for the new shares to be allotted and issued by the Company to Digital China or its designated wholly-owned subsidiary (the “Subscription”) pursuant to the Formal SPA at the issue price of HK\$7.0 each (the “New Shares”).

Upon the Purchaser paying the whole Consideration, a total of 175,285,714 New Shares shall have been subscribed by Digital China or its designated wholly-owned subsidiary.



The Acquisition constituted a major transaction of the Company. As Digital China is a substantial shareholder of the Company, the Acquisition and the Subscription constituted connected transactions of the Company. Completion to the above transactions are subject to the fulfilment of the conditions precedent as set out in the Formal SPA and the equity transfer agreement(s) to be executed between Beijing Huicong Internet and Digital China Investments in respect of the Acquisition in one batch or in stages as required by laws and regulations of People's Republic of China.

As of the date of this report, the Acquisition and the Subscription have not been completed in whole or in part.

Further details of the Acquisition and the Subscription are set out in the announcements of the Company dated 17th August 2016, 24th April 2017 and 19th May 2017 and the circular of the Company dated 27th June 2017.

Please also refer to the section headed "Subsequent Events" in this report for further details of the Acquisition and the Subscription.

Subsequent Events

Major and connected transaction – Acquisition of the remaining equity interests in Chongqing Digital China Huicong Micro-Credit Co., Ltd and Digital China's subscription of the Company's new shares under a specific mandate

Reference is made to the section headed "Material acquisition and disposal: Major and connected transaction – Acquisition of the remaining equity interests in Chongqing Digital China Huicong Micro-Credit Co., Ltd and Digital China's subscription of the Company's new shares under a specific mandate" of this report.

On 14th July 2017, the ordinary resolutions in relation to the Acquisition and the Subscription as set out in the notice of extraordinary general meeting dated 27th June 2017 were duly passed by the shareholders of the Company.

Further details are set out in the poll results announcement of the Company dated 14th July 2017.

Repurchase of Shares

On 1st August 2017, 4,844,000 Shares repurchased by the Company were cancelled. As at the date of this report, the Company has a total number of 997,680,853 ordinary Shares. Further details are set out in the next day disclosure return of the Company dated 1st August 2017.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF HC INTERNATIONAL, INC.

(incorporated in Cayman Islands with limited liability)

Introduction


We have reviewed the interim financial information set out on pages 11 to 51, which comprises the condensed consolidated interim statement of financial position of HC International, Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2017 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".



Other matters

The comparative information for the condensed consolidated interim statement of financial position is based on the audited financial statements as at 31st December 2016. The comparative information for the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30th June 2016 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28th August 2017



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30th June	
		2017 RMB'000	2016 RMB'000
Revenue	6	1,342,619	465,769
Cost of revenue	9	(682,582)	(43,295)
Other income		22,655	6,561
Other gains, net		66,866	30,381
Selling and marketing expenses	9	(327,915)	(315,322)
Administrative expenses	9	(173,860)	(137,033)
Operating profit		247,783	7,061
Finance cost, net	10	(39,616)	(8,344)
Share of post-tax losses of associates	8	(6,344)	(4,560)
Share of post-tax profits of joint ventures	8	14,801	11,244
Profit before income tax		216,624	5,401
Income tax (expense)/credit	11	(68,524)	3,338
Profit for the period		148,100	8,739
Other comprehensive income and item that may be reclassified to profit or loss:			
Fair value (loss)/gain on available for sale financial assets	23	(68,300)	50,694
Fair value release on disposal of available-for-sale financial assets	23	(28,605)	(19,307)
Currency translation difference	23	10,243	(9,335)
Total comprehensive income for the period		61,438	30,791
Profit attributable to:			
– Equity holders of the Company		107,520	29,048
– Non-controlling interests		40,580	(20,309)
		148,100	8,739

		Unaudited	
		Six months ended 30th June	
	<i>Note</i>	2017	2016
		RMB'000	RMB'000
Total comprehensive income attributable to:			
– Equity holders of the Company		20,858	51,100
– Non-controlling interests		40,580	(20,309)
		61,438	30,791
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share:	12	0.1074	0.0315
Diluted earnings per share:	12	0.1039	0.0312

The notes on pages 18 to 51 form an integral part of this unaudited condensed consolidated interim financial information.



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
ASSETS			
Non-current assets			
Land use rights	14	169,040	171,408
Investment properties	14	651,216	660,345
Property, plant and equipment	14	297,615	309,516
Intangible assets	14	1,846,183	1,521,619
Long-term deposits, prepayments and other receivables	15	9,942	32,011
Deferred income tax assets	17	13,208	11,386
Investments accounted for using equity method	8	591,980	579,023
Available-for-sale financial assets		66,158	484,071
Financial asset at fair value through profit or loss	16	4,200	4,600
Total non-current assets		3,649,542	3,773,979
Current assets			
Completed properties held for sale		193,819	364,617
Deferred expense		56,446	81,351
Current portion of financial leases receivables		326,888	352,327
Deposits, prepayments and other receivables	15	250,399	172,711
Trade receivables	15	242,154	154,989
Loans and interest receivables		95,044	–
Inventories		77,754	3,590
Available-for-sale financial assets		436,000	212,646
Financial assets at fair value through profit or loss	16	169,094	172,686
Cash and cash equivalents		611,997	963,523
Total current assets		2,459,595	2,478,440
Total assets		6,109,137	6,252,419
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		93,687	93,885
Other reserves		2,241,680	2,307,761
Retained earnings		649,931	587,143
Total equity		2,985,298	2,988,789
Non-controlling interests		324,781	279,354
Total equity		3,310,079	3,268,143

	Note	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Non-current portion of bank borrowings	19	–	127,376
Non-current portion of other borrowings	19	14,028	22,206
Deferred government grants		180,583	185,508
Deferred income tax liabilities	17	132,108	144,654
Receipt in advance		40,282	40,282
Financial liabilities at fair value through profit or loss	16	118,126	27,123
Total non-current liabilities		485,127	547,149
Current liabilities			
Current portion of finance lease obligations		39	158
Trade payables	18	22,096	7,916
Accrued expenses and other payables	18	213,854	216,882
Deferred revenue		211,138	244,367
Current portion of bank borrowings	19	851,304	724,528
Current portion of other borrowings	19	18,362	9,372
Deferred government grants		26,200	14,500
Receipt in advance		174,394	453,540
Issued convertible bonds – liabilities portion	20	642,001	654,743
Financial liabilities at fair value through profit or loss	16	52,474	14,377
Other taxes payables	21	28,289	36,898
Income tax payables	21	73,780	59,846
Total current liabilities		2,313,931	2,437,127
Total liabilities		2,799,058	2,984,276
Total equity and liabilities		6,109,137	6,252,419

The notes on pages 18 to 51 form an integral part of this unaudited condensed consolidated interim financial information.



UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Unaudited Attributable to equity holders of the Company				Non-	Total
		Share capital	Other reserves	Retained earnings	Sub-total	controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1st January 2017		93,885	2,307,761	587,143	2,988,789	279,354	3,268,143
Profit for the period		-	-	107,520	107,520	40,580	148,100
Other comprehensive income:							
Fair value losses on available-for-sale assets, net of deferred tax	23	-	(68,300)	-	(68,300)	-	(68,300)
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	23	-	(28,605)	-	(28,605)	-	(28,605)
Currency translation difference	23	-	10,243	-	10,243	-	10,243
Total comprehensive income for the period ended 30th June 2017		-	(86,662)	107,520	20,858	40,580	61,438
Transactions with owners:							
Non-controlling interest arising on business combination	7	-	-	-	-	297	297
Issuance of shares in related to contingent consideration arrangement	22(b), 23	358	24,300	-	24,658	-	24,658
Buy-back of shares	22(a), 23	(556)	(25,169)	(556)	(26,281)	-	(26,281)
Share based compensation-value of employee services	23	-	21,450	-	21,450	-	21,450
Capital contribution from non-controlling shareholders of subsidiaries		-	-	-	-	4,550	4,550
Dividend payable related to 2016		-	-	(44,176)	(44,176)	-	(44,176)
Balance as at 30th June 2017		93,687	2,241,680	649,931	2,985,298	324,781	3,310,079

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

<i>Note</i>	Share capital	Other reserves	Retained earnings	Sub-total	Non- controlling interests	Total
	<i>RMB'000</i>	<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 2016	85,090	1,976,484	405,359	2,466,933	132,013	2,598,946
Profit for the period	-	-	29,048	29,048	(20,309)	8,739
Other comprehensive income:						
Fair value gains on available-for-sale assets, net of deferred tax	23	50,694	-	50,694	-	50,694
Fair value release on disposal of available-for- sale financial assets, net of deferred tax	23	(19,307)	-	(19,307)	-	(19,307)
Currency translation difference	23	(9,335)	-	(9,335)	-	(9,335)
Total comprehensive income for the period ended 30th June 2016	-	22,052	29,048	51,100	(20,309)	30,791
Transactions with owners:						
Issuance of shares in accordance to contingent consideration arrangement	23	8,045	304,561	-	312,606	-
Exercise of share options	22, 23	1,279	10,429	-	11,708	-
Share based compensation-value of employee services	23	-	14,623	-	14,623	-
Non-controlling interest arising on business combination	-	-	-	-	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	-	50,000	-	50,000	3,333	53,333
Balance as at 30th June 2016	94,414	2,378,149	434,407	2,906,970	145,772	3,052,742

In accordance with the Law of the People Republic of China ("PRC") on Enterprises with Foreign Investments, foreign investment enterprises in the PRC, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by the company to their respective statutory reserves. The percentage of net profit to be appropriated to the statutory reserves is not less than 10% of the net profit. When the balance of the statutory reserves reaches 50% of the registered capital, such transfer needs not be made.

During the six months ended 30th June 2017, retained earnings amounted approximately RMB14,118,000 (30th June 2016: RMB3,498,000) had been transferred to the statutory reserves. As at 30th June 2017, retained earnings comprise statutory reserve fund amounting to RMB101,874,000 (30th June 2016: RMB67,414,000).

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash used in operations	(175,956)	(32,982)
Interest received	10,704	20,355
Interest paid	(45,122)	(31,789)
PRC tax paid	(65,712)	(10,742)
Net cash used in operating activities	(276,086)	(55,158)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(158,899)	(49,029)
Additions of property, plant and equipment	(4,181)	(25,545)
Additions of intangible assets	(9)	(444)
Additions of investment properties	(24,890)	(77,683)
Proceeds from disposal of property, plant and equipment	1,036	1,406
Loans to an associate	(9,000)	–
Loans to a joint venture	–	(45,000)
Loans to third parties	–	(612,355)
Loan repayment received from a third party and employees	–	258,300
Investment in associates	(4,500)	(18,000)
Investment in available-for-sale financial assets	(4,950)	(99,000)
Investment in financial assets at fair value through profit or loss	(11)	(2,831)
Proceeds from disposal of available-for-sale financial assets	147,324	81,159
Proceeds from disposal of financial assets at fair value through profit or loss	616	463
Dividend received	6,030	1,037
Net cash used in investing activities	(51,434)	(587,522)
Cash flows from financing activities		
Buy-back of shares	(26,281)	–
Proceeds from issuance of convertible bonds	–	312,606
Proceeds from borrowings	14,400	244,300
Repayments of borrowings	(15,000)	(85,000)
Capital contribution from non-controlling shareholders	4,550	41,950
Exercise of share options	–	11,708
Repayments for finance lease obligations	(119)	(446)
Net cash (used in)/generated from financing activities	(22,450)	525,118
Net decrease in cash and cash equivalents	(349,970)	(117,562)
Cash and cash equivalents at beginning of the period	963,523	790,701
Exchange (loss)/gain on cash and cash equivalents	(1,556)	2,887
Cash and cash equivalents at end of the period	611,997	676,026

The notes on pages 18 to 51 form an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

The core business of the Company and its subsidiaries (collectively, the "Group") is to organise a business-to-business ("B2B") community across the People's Republic of China (the "PRC") by providing business information through both online and offline channels.

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

- Providing industrial search result prioritising services through its B2B website "hc360.com" and offering comprehensive IT-related product information by "zol.com.cn";
- Providing cross-industrial integrated marketing platform development services;
- Providing trading and agency services through its B2B trading platforms by "ibuychem.com";
- Publishing its own trade catalogues and yellow page directories;
- Hosting exhibitions and seminars;
- Providing anti-counterfeiting products and services to enterprises;
- Providing finance leasing and factoring services;
- Engaging in micro-credit internet financing business through its joint venture;
- Sale of properties and provision of property rental and management services via its O2O business exhibition centre.

The condensed consolidated interim financial information are presented in Renminbi ("RMB"), unless otherwise stated. The interim condensed consolidated financial information has been approved for issue by the Board on 28th August 2017.

This condensed consolidated interim financial information has not been audited, but has been reviewed by the external auditor of the Group.

The comparative information for the condensed consolidated interim statement of financial position is based on the audited financial statements as at 31st December 2016. The comparative information for the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30th June 2016 has not been audited or reviewed.

Significant events and transactions

During the period ended 30th June 2017, the Group completed the acquisition of the entire equity interest of Huijia Yuantian Limited, which in turn holds entire equity interest of Beijing Huijia Yuantian Advertisement Media Company Limited ("北京慧嘉元天文化傳媒有限公司" or "Beijing Huijia"). The acquiree through its subsidiaries are principally engaged in provision of marketing and public relations services mainly via mobile terminal in the PRC. The result from Huijia has been reflected in the "Online services" and "Seminars and other services" segment.



2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30th June 2017 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 2016, 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 2016, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ended 31st December 2017.

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs that are mandatorily effective for the current interim period:

HKAS 7 (Amendment)	Disclosure initiative
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses and disclosure of interest in other entities

The adoption of these new and amended standards did not result in a significant impact to the Group’s financial position and results.

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 2017 and have not been early adopted:

HKAS 28 (Amendment)	Investment in associate and joint ventures ⁽¹⁾
HKFRS 1 (Amendment)	First time adoption of HKFRS ⁽¹⁾
HKFRS 2 (Amendment)	Share-based payment ⁽¹⁾
HKFRS 4 (Amendment)	Insurance contracts “Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts” ⁽¹⁾
HKFRS 9	Financial instruments ⁽¹⁾
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate and joint venture ⁽³⁾
HKFRS 15	Revenue from contracts with customers ⁽¹⁾
HKFRS 16	Leases ⁽²⁾
HK (IFRIC) 22	Foreign currency transactions and advance consideration ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1st January 2018.

⁽²⁾ Effective for the Group for annual period beginning on 1st January 2019.

⁽³⁾ Effective date to be determined.

Impact of standards issued but not yet applied by the Group

(i) HKFRS 9 Financial instruments

HKFRS 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group has decided not to adopt HKFRS 9 until it becomes mandatory on 1st January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- The debt instruments that are currently classified as available-for-sale (AFS) financial assets appear to satisfy the conditions for classification as at fair value through other comprehensive income (“FVOCI”) and hence there will be no change to the accounting for these assets.
- A FVOCI election is available for the equity instruments which are currently classified as AFS.
- Equity investments currently measured at fair value through profit or loss (“FVTPL”) will likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not have such liabilities does not expect to identify any new hedge relationships. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

While the Group is yet to perform a detailed assessment of how its impairment assessment would be affected by the new model, it may result in an earlier recognition of credit loss.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.



(ii) *HKFRS 15 Revenue from contracts with customers*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1st January 2018. The group will adopt the new standard from 1st January 2018.

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognized as an asset under HKFRS 15. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's financial statements.

(iii) *HKFRS 16 Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of RMB40,809,000. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1st January 2019. At this stage, the group does not intend to adopt the standard before its effective date.

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 and judgement

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 condensed consolidated interim 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 2016, 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 foreign exchange risk, fair value interest rate 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 2016.

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 2017.

	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	10,000	–	492,158	502,158
Financial assets at fair value through profit or loss	169,094	–	4,200	173,294
	179,094	–	496,358	675,452
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	170,600	170,600
	–	–	170,600	170,600

The following table presents the Group's financial assets and liabilities that are at fair value at 31st December 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	212,646	–	484,071	696,717
Financial assets at fair value through profit or loss	172,686	–	4,600	177,286
	385,332	–	488,671	874,003
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	41,500	41,500
	–	–	41,500	41,500

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

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quote market prices at the 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

	Financial assets of fair value through profit or loss		Financial liabilities of fair value through profit or loss		Available-for-sale financial assets	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Opening balance at 1st January	4,600	5,100	(41,500)	-	484,071	92,553
Addition	-	-	-	-	4,950	-
Acquisition of subsidiaries (Note 7)	-	-	(182,200)	(36,800)	-	-
Issuance of shares in related to contingent consideration arrangement (Note 22 (b))	-	-	24,686	-	-	-
Disposal	-	-	-	-	-	(32,553)
Fair value changes (charged)/credited to profit or loss	(400)	(1,300)	28,414	(800)	-	-
Fair value changes credited/(charged) to other comprehensive income	-	-	-	-	3,137	(5,000)
Closing balance at 30th June	4,200	3,800	(170,600)	(37,600)	492,158	55,000

The Groups' finance department includes a team that performs the valuation of financial assets 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.

- (i) The fair value of the Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company which classified as available-for-sale financial assets was estimated by market comparison approach, required the use of market information (the comparable companies in the industry) and significant unobservable input (the lack of marketability discount). Significant management's judgement was involved in the choice of comparable companies and the determination of discount rate.

For the remaining available-for-sale financial assets, the Group in estimating the fair value based on the latest market price of the financial assets on an arm's length basis.

- (ii) The fair value of the financial assets through profit or loss, which represented contingent consideration arrangement related to the acquisition of Orange Triangle Inc. ("OT"), was estimated by applying income approach which considers the probability that the performance target could be achieved and the market price of the consideration share at the valuation date.

The key unobservable assumption in calculating this contingent consideration are:

	30th June 2017	31st December 2016
Risk-free rate	0.60%-0.90%	0.91%-1.11%
Probability to achieve the performance target	90%	90%

- (iii) The fair value of financial liabilities through profit or loss, which represent contingent consideration arrangement related to the acquisition of Zhongfu Holdings Limited (“ZF”) and the contingent consideration arrangement related to the acquisition of Huijia Yuantian Limited (“HJ”) (Note 7), were estimated by applying income approach which considered the probability the performance targets for both companies could be achieved and the market prices of the consideration share at the valuation date.

The key unobservable assumption in calculating this contingent consideration are:

	Zhongfu Holdings Limited		Huijia Yuantian Limited		
	30th June 2017	31st December 2016	30th June 2017	3rd February 2017 (Acquisition date)	31st December 2016
Risk-free rate	0.60%-0.90%	1.11%-1.35%	0.90%-1.02%	0.90%-1.02%	Not applicable
Probability to achieve the performance target	80%	80%	90%	90%	Not applicable

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 2017, the Group is organised into the following business segments:

- (i) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.
- (ii) Online services – provision of a reliable platform and digital interactive media marketing tools to customers to do business and meet business partners online.
- (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) B2B trading platform – provision of trading and agency services via its B2B trading platform.

- (vi) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprise.
- (vii) Financing services – provision of financing leasing and factoring service via its subsidiaries and engaged in micro-credit internet financing business via its joint venture in the PRC.

There were no sales or other transactions between the business segments for the period ended 30th June 2017 and 2016.

	Unaudited Six months ended 30 June 2017							
	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	B2B trading platform RMB'000	Anti-counterfeiting products and services RMB'000	Financing services RMB'000	Total RMB'000
Revenue	1,320	436,683	78,295	301,617	466,418	48,042	10,244	1,342,619
Segment results	(47)	58,232	12,073	78,068	1,376	(1,502)	10,062	158,262
Share of post-tax losses of associates		(3,780)		(2,095)		(469)		(6,344)
Share of post-tax profits of joint ventures							14,801	14,801
Other income								22,655
Other gains, net								66,866
Finance income, net								(39,616)
Profit before income tax								216,624
Depreciation and amortisation	80	35,859	5,021	12,092	52	3,039	8	56,151
Share based compensation expenses	9	18,324	757	2,287	-	-	73	21,450

	Unaudited Six months ended 30 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	B2B trading platform (Note a) RMB'000	Anti-counterfeiting products and services RMB'000	Financing services RMB'000	Total RMB'000
Revenue	6,124	340,623	46,243		47,270	22,667	2,842	465,769
Segment results	(3,088)	1,744	1,546	(25,583)	51	(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								6,561
Other gains, net								32,563
Finance income, net								(8,344)
Profit before income tax								5,401
Depreciation and amortisation	200	33,367	3,665	133	20	3,147		40,532
Share based compensation expenses	252	13,016	1,053	110		192		14,623

The Group is domiciled in the PRC. For the six months ended 30th June 2017, all the sales to external customers are in the PRC (2016: same).

- a) The segment result of B2B trading platform for the six months ended 30th June 2016 was included in On-line services.

7 Business combination

Huijia Yuantian Limited

On 13th January 2017, Mu Hao Holdings Limited, Hong Rui Technology Holdings Limited, Chance Technology Co., Ltd and Vanguard Technology Holdings Limited (Collectively, the “HJ Sellers”), the Company and Mr. Zou Kai (鄒凱), Mr. Hong Chaoran (洪超然), Ms. Wang Fei (王菲) and Mr. Sun Yi (孫毅) (collectively, the “HJ Seller Guarantors”) entered into the sale and purchase agreement, pursuant to which the HJ Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of Huijia Yuantian Limited, for an aggregate consideration of RMB362,000,000. Part of the consideration amounting to RMB162,652,000 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.

On 3rd February 2017, all the conditions precedent under the sale and purchase agreement have been fulfilled and the entire shares of Huijia Yuantian Limited have been transferred to the Company and the acquisition has been completed, which the Group has acquired the control over Huijia Yuantian Limited 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 variable returns.

The goodwill of RMB250,096,000 arising from the acquisition is attributable to the synergies from combining the operations of the Group and Huijia Yuantian Limited. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid for Huijia Yuantian Limited, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration: At 3rd February 2017	RMB'000
Cash	162,652
Financial liabilities at fair value through profit or loss	182,200
Total consideration transferred	344,852
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	3,753
Property, plant and equipment (Note 14)	379
Trade and other receivables	5,645
Intangible assets – technology knowhow (Note 14)	105,500
Trade and other payables	(4,266)
Deferred tax liabilities (Note 17)	(15,825)
Income tax payable	(133)
Total identifiable net assets	95,053
Non-controlling interests	(297)
Goodwill (Note 14)	250,096
	344,852

Acquisition-related costs RMB205,000 have been charged to the general and administrative expenses in the consolidated comprehensive income statement for the period ended 30th June 2017.

**3rd February
2017
RMB'000**

Cash consideration	162,652
Cash and equivalent in subsidiaries acquired	(3,753)
<hr/>	
Outflow of cash to acquire business, net of cash acquired	158,899

Revenue and profit contribution

The acquired business contributed revenue of RMB50,464,000 and net profit of RMB11,496,000 to the Group for the period from 3rd February 2017 to 30th June 2017. If acquisition had occurred on the 1st January 2017, consolidated revenue and consolidated profit for the six months ended 30th June 2017 would have been RMB1,342,785,000 and RMB145,988,000 respectively.

Huijia Performance Targets and adjustment mechanism

Approximately RMB198,797,000 (equivalent to HK\$225,000,000) of the Consideration is subject to downward adjustments on the basis of the performance targets to each of the HJ 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 HJ Sellers:

Pursuant to the sale and purchase agreement, the HJ Seller Guarantors jointly, severally and irrevocably covenant and undertake to the Company that the audited consolidated distributable profit (after-tax) of Beijing Huijia shall achieve the Performance Targets for the relevant Performance Undertaking Years:

Financial year	Performance Targets
Year ending 31st December 2017 ("First Performance Undertaking Year")	RMB20,000,000
Year ending 31st December 2018 ("Second Performance Undertaking Year")	RMB26,000,000
Year ending 31st December 2019 ("Third Performance Undertaking Year")	RMB33,800,000

By the end of each Performance Undertaking Year, the Company shall procure the Huijia Yuantian Limited to prepare the audited consolidated financial statements of Beijing Huijia (the "Audited HJ Financial Statements") in accordance with HKFRSs, and provide the HJ Sellers with the Audited HJ Financial Statements within 90 days from the end of the relevant Performance Undertaking Year.

As at 3rd February 2017, financial liabilities at fair value through profit or loss of approximately RMB182,200,000 in relation to this arrangement were recognised in the consolidated statement of financial position based on the performance adjustment mechanism.

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	
	2017 RMB'000	2016 RMB'000
Associates	136,751	119,361
Joint ventures	455,229	424,039
	591,980	543,400

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

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Associates	(6,344)	(4,560)
Joint ventures	14,801	11,244
	8,457	6,684

(a) Investment in associates

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Beginning of the period	138,595	105,921
Additions	4,500	18,000
Share of post-tax losses of associates	(6,344)	(4,560)
End of the period	136,751	119,361

Set out below are the summarised financial information for the associates which, in the opinion of Directors, are material to the Group and are accounted for using equity method, as at 30th June 2017. The associates as listed below have share capital consisting solely of ordinary shares, which are held by the Group; the country of establishment or registration is also their principal place of business.

Name of entity	Place of business/ country of establishment	% of effective interest		Nature of the relationship	Measurement method
		30th June 2017	30th June 2016		
Hui De Holding Co., Ltd.* (慧德控股有限公司)	PRC	12.0	12.0	Note 1	Equity
Zhejiang Huicong Investment Co., Ltd* (浙江慧聰投資 有限公司)	PRC	29.6	29.6	Note 2	Equity

* English names are translated for identification purpose only

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

Note 2: Zhejiang Huicong Investment Co., Limited* (“Zhejiang HC”) engages in investment in real estate construction and management. The Group directly holds 20% equity shares of Zhejiang HC and indirectly holds 9.6% equity interests through Hui De. Hence, the Group effectively holds 29.6% equity interest in Zhejiang HC.

Summarised consolidated financial information for associates

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

	慧德控股		浙江慧聰	
	unaudited		unaudited	
	six months ended 30th June 2017 RMB'000	2016 RMB'000	six months ended 30th June 2017 RMB'000	2016 RMB'000
Assets	551,492	391,246	662,925	346,245
Liabilities	462,492	303,522	450,556	105,084
Revenues	–	–	–	–
Share of profits/(losses) for the period ended 30th June	1,264	(98)	(3,175)	(2,422)

(b) Investment in joint ventures

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
At 1st January	440,428	412,795
Share of post-tax profits	14,801	11,244
At 30th June	455,229	424,039

Set out below are the summarised financial information for the joint venture which, in the opinion of Directors, are material to the Group and are accounted for using equity method, as at 30th June 2017. The joint venture company as listed below has share capital consisting solely of ordinary shares, which are held by the Group; the country of establishment are also their principal place of business.

Name of entity	Place of business/ country of establishment	% of effective interest	Measurement method
Chongqing Digital China Huicong Micro-Credit Co., Ltd* (重慶神州數碼慧聰小額貸款有限公司)	PRC	40	Equity

Chongqing Digital China Huicong Micro-Credit Co., Ltd.* (“Micro-Credit”) provides operation of the micro-credit internet financing business in the PRC.

* English names are translated for identification purpose only

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

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Assets	1,443,715	1,826,908
Liabilities	366,535	766,745
Interest income	96,414	85,742
Share of profit for the period ended 30th June	14,801	11,347
Percentage held	40%	40%

On 19th May 2017, the Group has entered to a formal sale and purchase agreement with another joint venturer for the acquisition of the 60% shares of Micro-Credit.

Upon completion of the transaction, Micro-Credit will become a subsidiary of the Group. As at the date of this report, the above transaction has not completed in whole or in part, please refer to Note 28 subsequent events for details.

9 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	
	2017 RMB'000	2016 RMB'000
Cost of properties sold	169,487	–
Direct expenses of B2B trade platform	462,887	46,797
Marketing and consultancy expenses	84,535	94,174
Amortisation of land use rights (Note 14)	2,368	213
Amortisation of intangible assets (Note 14)	31,041	25,077
Depreciation of property, plant and equipment (Note 14)	13,613	15,242
Amortisation of investment properties (Note 14)	9,129	–
Employee benefits expenses, including directors' emoluments	200,392	180,045
Provision for impairment of loan and interest receivables	1,430	–
Provision/(reversal of) for impairment and direct write-off of trade and other receivables	4,021	(4,434)
Operating lease payments in respect of land and buildings	28,807	15,087

10 Finance cost, net

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Interest expense:		
– Bank borrowings	(25,421)	(14,967)
– Other borrowings	(812)	(1,142)
– Convertible bonds	(24,080)	(22,770)
– Others	(2,262)	(70)
Finance cost	(52,575)	(38,949)
Less: amounts capitalised on qualifying assets	–	4,734
Total finance cost	(52,575)	(34,215)
Finance income	12,959	25,871
Finance cost, net	(39,616)	(8,344)

11 Income tax (expense)/credit

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Current income tax expense		
– Hong Kong Profits Tax (i)	–	–
– PRC Corporate Income Tax (ii)	(44,292)	(10,893)
– PRC Land Appreciation Tax (iii)	(12,421)	–
– PRC Withholding Tax (iv)	(22,800)	–
Deferred income tax credit/(expense)		
– PRC Corporate Income Tax	15,568	14,231
– PRC Withholding Tax (v)	(4,579)	–
Income tax (expense)/credit	(68,524)	3,338

(i) No Hong Kong Profits Tax has been provided as there is no assessable profits arising in Hong Kong for the period (2016: Nil).

(ii) The PRC Corporate Income Tax represents taxation charged on assessable profits for the period at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to the subsidiaries in the PRC is 25%, except for certain subsidiaries of the Group in PRC granted with preferential tax treatment as High and New Technology Enterprise of which the applicable tax rates is 15% for a 3-year period from 2016 to 2019 according to the applicable Corporate Income Tax law.

(iii) The PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use right and all property development expenditures.

(iv) According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to foreign investors with respect to profits derived after 1st January 2008 are generally subject to a 10% withholding tax. For the period ended 30th June 2017, the Group has recognised and paid withholding tax of RMB22,800,000 (30th June 2016: Nil) in relation to the dividend of a subsidiary declared in 2016.

(v) As at 30th June 2017, the Group recognised the relevant deferred tax liabilities of RMB4,579,000 (31st December 2016: Nil) on earnings anticipated to be remitted by a subsidiary in the foreseeable future. Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling RMB108,639,000 at 30th June 2017 (31st December 2016: RMB93,879,000). Such amounts are considered by the directors to be permanently reinvested.

12 Earnings per share

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Profit attributable to equity holders of the Company	107,520	29,048

	Unaudited Six months ended 30th June	
	2017 No. of Shares '000	2016 No. of Shares '000
Weighted average number of shares in issue	1,000,863	922,693
Incremental shares from assumed exercise of share options granted	33,809	8,716
Diluted weighted average number of shares	1,034,672	931,409

	Unaudited Six months ended 30th June	
	2017	2016
Basic earnings per share (in RMB)	0.1074	0.0315
Diluted earnings per share (in RMB)	0.1039	0.0312

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

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: 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.

13 Dividends

A final dividend in respect of the year ended 31st December 2016 of HK\$0.05 (2015: Nil) was proposed pursuant to a resolution passed by the Board on 28th March 2017 and approved by the shareholders at the annual general meeting on 26th May 2017. Such dividend amounting to approximately RMB44,176,000 was payable as at 30th June 2017.

On 28th August 2017, the Board has declared an interim dividend of HK\$0.02 per share for the six months ended 30th June 2017 and the interim dividend will be payable on or around 29th September 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 14th September 2017.

Such interim dividends are not reflected as dividend payables in the Group's interim financial information for the period, but will be reflected as an appropriation of retained profits for the year ending 31st December 2017.

	Unaudited Six months ended 30th June	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interim dividend, declared of HK\$0.02 per share (30 June 2016: Nil)	17,318	–

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

	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 2017	309,516	171,408	660,345	452,632	1,068,987
Additions	4,181	–	–	9	–
Acquisition of subsidiaries (Note 7)	379	–	–	105,500	250,096
Disposals	(948)	–	–	–	–
Depreciation and amortisation	(13,613)	(2,368)	(9,129)	(31,041)	–
Government grant received	(1,900)	–	–	–	–
Closing net book amount as at 30th June 2017	297,615	169,040	651,216	527,100	1,319,083
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

The investment properties are carried at cost. An independent valuation of the Group's investment properties was performed by Vigers Appraisal and Consulting Limited and determined the fair value of the investment properties amounting to RMB1,152,000,000 as at 30th June 2017 (31st December 2016: RMB1,192,000,000). Fair value of the investment properties is derived essentially a means of valuing the completed properties by assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and with adjustments to valuer's interpretation on the difference in factors such as location and property size.

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

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

At each financial 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.

15 Trade receivables, deposits, prepayments and other receivables

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Trade receivables (Note a)	253,818	162,632
Less: provision for impairment of trade receivables	(11,664)	(7,643)
Trade receivables – net	242,154	154,989
Deposits, prepayments and other receivables (Note b)	230,781	175,898
Loans to employees (Note b)	29,560	28,824
	502,495	359,711
Less: Non-current deposit, prepayments and other receivables	(9,942)	(32,011)
Current portion	492,553	327,700



(a) Trade receivables

The Group generally grants a credit period of 90 days to 180 days to customers depending on business segment. The aging analysis of the gross trade receivables based on invoice date is as follows:

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Current to 90 days	167,373	98,603
91 to 180 days	44,100	37,608
181 to 365 days	32,181	20,183
Over 1 year	10,164	6,238
	253,818	162,632

(b) Deposits, prepayments and other receivables

The carrying amounts of trade receivables approximate their fair values.

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Non-current portion:		
– Deposits	2,011	2,589
– Loans to associates (Note (iii))	7,931	29,422
	9,942	32,011
Current portion:		
– Deposits	32,115	17,207
– Prepayments	69,291	62,867
– Prepayment for tax (Note (i))	3,683	33,513
– Loans to employees (Note (ii))	29,560	28,824
– Loans to associates (Note (iii))	56,028	23,890
– Other receivables	59,722	6,410
	250,399	172,711
	260,341	204,722
The fair values are as follows:		
Deposits	35,250	19,796
Prepayments	72,974	96,380
Other receivables	152,117	88,546
	260,341	204,722

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Denominated in:		
HK dollars	50,276	17,590
Renminbi	210,065	187,132
	260,341	204,722

Note (i): The balance as at 30th June 2017 mainly includes RMB3,683,000 (31st December 2016: RMB33,513,000) prepayment of tax associated with the presale of properties on O2O business exhibition centre.

Note (ii): The balance mainly includes loans and interest receivable of RMB26,887,000 (31st December 2016: RMB26,244,000) 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 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 are interest bearing at rate of 5% per annum. These management members hold 20% equity interest of Panpass after the acquisition of Panpass by the Group on 8th October 2014.

The balance also represents loans and interest receivables of RMB2,673,000 (31st December 2016: RMB2,580,000) granted in connection with the employee share scheme. On 21st December 2012, 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 2016 to 21st December 2017. The loans are dominated in HK dollars and interest bearing at a rate of 5% per annum.

Note (iii): This balance also represents loans and interest receivable from Hui De, an associate of the Group, amounting to RMB54,827,000 (31st December 2016: RMB53,312,000).

The Group granted loans amounting to RMB20,800,000 and RMB19,200,000 on 14th December 2014 and 4th March 2015 respectively. The loans will mature on 21st November 2017 and 4th March 2018 respectively, and are interest bearing at a rate of 7% per annum.

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

On 26th September 2016, the Group granted another loan amounting to RMB5,940,000 to Hui De. The amounts will mature on 25th September 2019, and is interest bearing at a rate of 6% per annum.

The balance includes loan receivables from Beijing Rongshang Tonglian Technology Co., Ltd* ("北京融商通聯科技有限公司"), an associate of the Group, amounting to RMB9,000,000 (31st December 2016: Nil). The loans are interest bearing at a rate of 8% per annum and will mature on or before 31st May 2018 respectively.

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16 Financial assets and liabilities at fair value through profit or loss

(a) Financial assets at fair value through profit or loss

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Contingent shares in relation to acquisition of Orange Triangle Inc.	4,200	4,600
Trading securities – listed securities (Note (i))	169,094	172,686
Financial assets at fair value through profit or loss	173,294	177,286

As at 30th June 2017, the fair value of the contingent consideration was approximately RMB4,200,000 (31st December 2016: RMB4,600,000), the change in the fair value amounted RMB400,000 for the period was charged to “other gains, net” in the profit or loss.

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

For the fair value of the financial assets at fair value through profit or loss, please refer to Note 5.3(b) (ii).

Note (i): Trading securities – listed securities

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).

(b) *Financial liabilities at fair value through profit or loss*

	Zhongfu Holdings Limited		Huijia Yuantian Limited		
	30th June 2017 RMB'000	31st December 2016 RMB'000	30th June 2017 RMB'000	3rd February 2017 (Acquisition date) RMB'000	31st December 2016 RMB'000
Current	13,000	14,377	39,474	49,688	–
Non-current	13,000	27,123	105,126	132,512	–
Total	26,000	41,500	144,600	182,200	–

As at 30th June 2017, the fair value of the financial liabilities at fair value through profit or loss was approximately RMB144,600,000, the change in the fair value amounting to RMB37,600,000 was charged to “other gains, net” in the profit or loss.

For the fair value estimation of the contingent consideration, please refer to Note 5.3(b) for details.

17 Deferred income tax

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

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Opening balance at 1 January	(133,268)	(130,860)
Credited to the profit or loss	10,989	14,231
Credit/(charge) to the other comprehensive income	19,204	(6,276)
Acquisition of subsidiaries	(15,825)	(10,513)
Closing balance at 30th June	(118,900)	(133,418)

18 Trade payables, deferred revenue and accrued expenses and other payables

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Trade payables (Note a)	22,096	7,916
Deferred revenue	211,138	244,367
Accrued salaries and staff benefits	14,173	22,826
Accrued agency commission	16,443	15,385
Accrued expenses	82,947	109,647
Deposit from customers	41,397	51,528
Dividend payable (Note 13)	44,176	–
Other payables	14,718	17,496
	447,088	469,165

(a) *Trade payables*

The aging analysis of the trade payables are as follows:

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Current to 90 days	20,084	6,136
91 to 180 days	1,227	1,163
181 to 365 days	482	395
Over 1 year	303	222
	22,096	7,916

19 Borrowings

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Non-current portion:		
Bank borrowings	–	127,376
Other borrowings	14,028	22,206
Total non-current borrowings	14,028	149,582
Current portion:		
Bank borrowings	851,304	724,528
Other borrowings	18,362	9,372
Total current borrowings	869,666	733,900
Total borrowings	883,694	883,482

Movements in borrowings are analysed as follows:

	Unaudited 30th June 2017 RMB'000	Unaudited 30th June 2016 RMB'000
Six months ended 30th June		
Opening amount as at 1st January	883,482	527,309
Additions of principal and interest	40,633	259,515
Repayments of principal and interest	(40,421)	(99,313)
Closing amount as at 30th June	883,694	687,511

Bank borrowings mature in 2018 and bear average interest rate of 5.9% per annum (31st December 2016: 5.95% per annum), part of which amounting to RMB160,000,000 (31st December 2016: RMB160,000,000) are secured by certain properties and land use right amounting to RMB250,831,000 (31st December 2016: RMB257,271,000).

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 6.3% per annum (31st December 2016: 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	
	30th June 2017 RMB'000	31st December 2016 RMB'000	30th June 2017 RMB'000	31st December 2016 RMB'000
Within 1 year	851,304	724,528	18,362	9,372
Between 1 and 2 years	–	127,376	11,544	19,792
Between 2 and 5 years	–	–	2,484	2,414
	851,304	851,904	32,390	31,578

As at 30th June 2017, the Group has undrawn banking facilities amounting to approximately RMB2,624,000 (31st December 2016: RMB12,624,000).

20 Convertible bonds

The Company issued convertible bonds with a coupon rate of 5% per annum at a total principal value of HK\$780,000,000, 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 or at the option of the bondholder's redeem all or some only of the convertible bonds on 27th November 2017, with unconditional right, at their principal amount together with interest accrued but unpaid to such date. The convertible bonds is reclassified as current liabilities as at 30th June 2017.

On 26th May 2016, the Company issued another zero-coupon convertible bonds to three executive directors of the Company, in an aggregate principal amount of HK\$380,000,000. The convertible bonds will mature on 25th May 2019 at its principal amount or can be converted into the Group's shares at the bondholder's option at rate of HK\$4 per share. On 31st May 2016, the Company received conversion notices from the bondholders. As a result of the conversion, on 1st June 2016, the Company allotted and issued in aggregate of 95,000,000 share to the bondholder.

The carrying amounts of convertible bonds – liabilities component are denominated in HK\$.

21 Income tax payables and other taxes payables

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Income tax payable:		
Corporate Income Tax	73,780	59,846
Other taxes payable:		
Value Added Tax	1,144	8,965
Cultural and Development Tax	4,655	4,749
Land Appreciation Tax	18,236	15,788
Other taxes	4,254	6,396
	28,289	36,898

22 Share capital

	Number of Shares	Ordinary Shares RMB'000
As at 1st January 2017	1,004,308,103	93,885
Issuance of shares in relation to contingent consideration (Note b)	4,042,750	358
Buy-back of shares (Note a)	(6,300,000)	(556)
As at 30th June 2017	1,002,050,853	93,687
As at 1st January 2016	899,946,103	85,090
Exercise of share options	15,352,000	1,279
Issuance of shares upon conversion of convertible bonds	95,000,000	8,045
As at 30th June 2016	1,010,298,103	94,414

The total authorised number of ordinary shares is 2,000,000,000 shares (30th June 2016: 2,000,000,000) with a par value of HK\$0.1 per share (30th June 2016: HK\$0.1 per share). All issued shares are fully paid.

During the six months ended 30th June 2017, no share option has been exercised (for six months ended 30th June 2016: 15,352,000 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\$1.24, HK\$0.82, HK\$1.108 and HK\$9.84 and resulted in approximately RMB10,429,000 increase in share premium.)

The total number of issued shares of the Company were 1,002,050,853 as at 30th June 2017 (30th June 2016: 1,010,298,103).



(a) *Buy-Back of shares*

During the six months ended 30th June 2017, the Group acquired 4,844,000 of its own shares through purchase on the Stock Exchange of Hong Kong Limited. The total amount paid to acquire the shares was RMB26,281,000 and has been deducted from shareholders' equity.

(b) *Issuance of shares in related to contingent consideration arrangement*

According to the audited consolidated financial statement of Zhejiang Zhongfu Internet Technology Company Limited ("Zhejiang Zhongfu"), a subsidiary of Zhongfu Holdings Limited, for the year ended 31st December 2016, the audited consolidated distributable profit after-tax of Zhejiang Zhongfu for the year ended 31st December 2016 exceeds RMB10,000,000. Accordingly, the relevant performance target for the first performance undertaking year has been met, and the sellers shall convert the contingent consideration in the principal amount of HK\$40,427,500 into conversion shares at the conversion price of HK\$10.00 per share in accordance to the term stipulated in the sale and purchase agreement. Accordingly, a total of 4,042,750 conversion shares had been allotted and issued to the sellers on 8th May 2017 and resulted in approximately RMB358,000 increase in share capital and RMB24,300,000 increase in share premium. The financial liabilities at fair value through profit or loss amounted RMB24,686,000 has been utilised at the conversion date.

(c) *Share Option*

On 3rd April 2013, a total of 1,500,000 share options were granted to an employee pursuant to the share option scheme. The grantee can exercise these option scheme. The grantee can exercise these options at an exercise price of HK\$4.402 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 3rd April 2013. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise options up to 10% and gradually up to 100% at the fifth anniversary of the date of grant. During the six months period ended 30th June 2017 and 2016 no share options were exercised.

On 18th November 2013, a total of 10,000,000 share options were granted to certain employees pursuant to the share option scheme. No share option was exercised during the six months ended 30th June 2017 and 30th June 2016. The grantee can exercise these options at an exercise price of HK\$9.84 per share in ten years period starting from the expiry of twelve months from the date of the granting of option, being 18th November 2013. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise options up to 10% and gradually up to 100% at the fifth anniversary of the date of grant.

(c) *Share options*

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

Share Option Scheme

	2017		2016	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share Options
As at 1st January	1.49	–	1.49	1,458,000
Lapsed	1.49	–	1.49	–
Exercised	1.49	–	1.49	(1,458,000)
As at 30th June	1.49	–	1.49	–
As at 1st January	1.24	1,454,000	1.24	3,698,000
Lapsed	1.24	–	1.24	–
Exercised	1.24	–	1.24	(2,244,000)
As at 30th June	1.24	1,454,000	1.24	1,454,000
As at 1st January	0.604	400,000	0.604	2,900,000
Lapsed	0.604	–	0.604	–
Exercised	0.604	–	0.604	(2,500,000)
As at 30th June	0.604	400,000	0.604	400,000
As at 1st January	0.82	1,438,000	0.82	10,588,000
Lapsed	0.82	–	0.82	–
Exercised	0.82	–	0.82	(9,150,000)
As at 30th June	0.82	1,438,000	0.82	1,438,000
As at 1st January	1.108	200,000	1.108	200,000
Lapsed	1.108	–	1.108	–
Exercised	1.108	–	1.108	–
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
Lapsed	4.402	–	4.402	–
Exercised	4.402	–	4.402	–
As at 30th June	4.402	1,500,000	4.402	1,500,000



	2017		2016	
	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	9,972,000
Lapsed	9.84	–	9.84	–
Exercise	9.84	–	9.84	–
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 2017	31st December 2016
23rd June 2016	1.49	–	–
11th July 2017	1.24	1,454,000	1,454,000
29th September 2018	0.604	400,000	400,000
7th April 2020	0.82	1,438,000	1,438,000
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

(d) *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 HK\$ 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.

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 2017 and 30th June 2016.

	Number of Shares
As at 1st January 2017	21,735,125
Amount vested during the period	(2,225,682)
As at 30th June 2017	19,509,443
As at 1st January 2016	21,877,375
Amount vested during the period	(814,500)
As at 30th June 2016	21,062,875

23 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 and capital 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 2017	2,019,519	50,858	33,630	109,817	117,087	(30,053)	(14,410)	(119,682)	140,995	2,307,761
Buy-back of shares (Note 22 (a))	(29,993)	-	-	-	-	4,824	-	-	-	(25,169)
Issuance of shares in related to contingent consideration arrangement (Note 22 (b))	24,300	-	-	-	-	-	-	-	-	24,300
Share based compensation-value of employee services	-	-	-	-	21,450	-	-	-	-	21,450
Vesting of share award	6,610	-	-	-	(13,062)	-	-	6,452	-	-
Fair value loss on available-for-sale assets, net of deferred tax (Note 17)	-	-	-	-	-	-	-	-	(68,300)	(68,300)
Fair value release on disposal of available-for-sale financial assets, net of deferred tax (Note 17)	-	-	-	-	-	-	-	-	(28,605)	(28,605)
Currency translation difference	-	-	-	-	-	-	10,243	-	-	10,243
As at 30th June 2017	2,020,436	50,858	33,630	109,817	125,475	(25,229)	(4,167)	(113,230)	44,090	2,241,680
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
Issuance of shares upon conversion of convertible bonds	304,561	-	-	-	-	-	-	-	-	304,561
Exercise of share options	10,429	-	-	-	-	-	-	-	-	10,429
Share based compensation-value of employee services	-	-	-	-	14,623	-	-	-	-	14,623
Vesting of share award	2,129	-	-	-	(3,692)	-	-	1,563	-	-
Fair value gains on available-for-sale assets, net of deferred tax (Note 17)	-	-	-	-	-	-	-	-	50,694	50,694
Fair value release on disposal of available-for-sale financial assets, net of deferred tax (Note 17)	-	-	-	-	-	-	-	-	(19,307)	(19,307)
Change in ownership interest in subsidiaries without loss of control	-	-	50,000	-	-	-	-	-	-	50,000
Currency translation difference	-	-	-	-	-	-	(9,335)	-	-	(9,335)
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

24 Related-party transactions

Apart from the transactions already disclosed in other notes in these financial information, the Group has the following significant transactions that were carried out with related parties:

Key management compensation

	Unaudited Six months ended 30th June	
	2017 RMB'000	2016 RMB'000
Salaries and other short-term employee benefits	3,064	2,872
Share-based payments	8,418	5,357
	11,482	8,229

25 Contingent liabilities

As at 30th June 2017, there were no material contingent liabilities to the Group (31st December 2016: Nil).

26 Commitments

(a) *Capital commitments*

Capital commitments as at 30th June 2017 and 31st December 2016 are analysed as follows:

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Property, plant and equipment	–	1,900
	–	1,900

(b) *Financial commitments*

Financial commitments as at 30th June 2017 and 31st December 2016 are analysed as follows:

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Step acquisition of a joint venture to a subsidiary (Note 28)	1,083,637	–
Acquisition of available-for-sale financial assets	42,000	42,000
	1,125,637	42,000

(c) *Commitments under operating leases*

(i) As a lessee

At 30th June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Within one year	28,875	24,720
In the second to fifth year inclusive	185,837	145,193
Over the fifth year	–	138
	214,712	170,051

(ii) As a lessor

At 30th June 2017, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of buildings which expire as follows:

	Unaudited 30th June 2017 RMB'000	Audited 31st December 2016 RMB'000
Within one year	3,155	10,007
In the second to fifth year inclusive	1,346	36,091
Over the fifth year	36,308	75,246
	40,809	121,344

27 Financial Guarantee

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 30th June 2017, the amount of outstanding guarantees for mortgages were approximately RMB336,939,000 (31st December 2016: RMB357,430,000).

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.

28 Events occurring after the balance sheet date

Step acquisition of a joint venture to a subsidiary

On 24th April 2017, Digital China Holdings Limited and the Company entered into a framework agreement in relation to the sale of the 60% equity shares of Chongqing Digital China Huicong Micro-Credit Co., Ltd (“Micro Credit”) (“重慶神州數碼慧聰小額貸款有限公司”), a joint venture of the Group (Note 8) by Beijing Huicong Internet Information Technology Co., Ltd* (“北京慧聰互聯信息技術有限公司” or the “Purchaser”), a wholly owned subsidiary of the Company, from Digital China Investment Limited* (“神州投資有限公司” or the “Vendor”), an indirectly wholly-owned subsidiary of Digital China Holdings Limited (“Digital China”), a company listed on the Main Board of the Hong Kong Stock Exchange Limited (stock code: HK.00861). Pursuant to which the Vendor has conditionally agreed to procure to sell the 60% of equity interest of Micro Credit (“Sale Shares”) for consideration of RMB1,083,637,320 (equivalent to HK\$1,227,000,000) to the Purchaser, which would be settled in cash within six months from the date of the formal sale and purchase agreement.

Digital China has undertaken that upon the purchaser transferring any part of the consideration to the Vendor in the PRC. Digital China will immediately pay, or immediately procure its subsidiary to pay, a sum equal to the aforesaid part of the consideration to the Company in Hong Kong to subscribe for new shares issued by the Company at issue price of HK\$7.0 per share. Upon the Purchaser paying the whole consideration, total of 175,285,714 new shares shall have been subscribed by Digital China or its designated subsidiary.

The share will be transferred to the Purchaser in one batch or in stages proportionate to the payment schedule of the consideration. Therefore Micro-Credit would become a subsidiary of the Group upon the Group obtaining control through the percentage of shares owned. Upon completion of the transaction, Micro-Credit will become an indirectly wholly-owned subsidiary of the Group.

On 19th May 2017, the Purchaser, the Vendor, Digital China and the Company entered into the Formal SPA as contemplated under the framework agreement. The new shares shall be issued and allotted to Digital China or its designated wholly owned subsidiary under Specific Mandate proposed to be sought at the extraordinary general meeting (“EGM”).

On 14th July 2017, the resolution was duly passed by the shareholders by way of poll at the EGM for the transaction.

As of the date of this report, the above transaction has not been completed in whole or in part.

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 2017, 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	Interest in trust	Total number of Shares	Percentage of shareholding (approximate)
Guo Jiang	Ordinary	Beneficial owners/ family interest	186,475,146 (Note 1)	10,784,625 (Note 1)	-	-	-	197,259,771 (Note 1)	19.69%
Guo Fansheng	Ordinary	Beneficial owners	35,000,000 (Note 2)	-	-	-	22,749,015 (Note 2)	57,749,015 (Note 2)	5.76%
Liu Jun	Ordinary	Beneficial owners	40,000,000	-	-	-	-	40,000,000	3.99%
Li Jianguang	Ordinary	Interest of controlled corporation	-	-	32,000,384 (Note 3)	-	-	32,000,384 (Note 3)	3.19%
Lee Wee Ong	Ordinary	Beneficial owners	19,850,672 (Note 4)	-	-	-	-	19,850,672 (Note 4)	1.98%

(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:

- Such interest in the Company comprises:
 - 127,908,771 Shares of which 117,124,146 Shares are held by Mr. Guo and 10,784,625 Shares are held by Ms. Geng Yi, who is Mr. Guo's spouse;
 - 8,351,000 underlying Shares derived from the awarded shares granted to Mr. Guo under the employees' share award scheme adopted on 17th November 2011; and
 - 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 9th 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.

- Such interest in the Company comprises:
 - 35,000,000 Shares (long position) held by Mr. Guo Fansheng; and
 - 22,749,015 Shares (long position) held by a trustee of a trust of which Mr. Guo Fansheng is a beneficiary.
- 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.
- 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 2017, 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 2017 (Note 1)
			As at 1st January 2017	Granted during the period	Exercised during the period	Lapsed during the period	
Director							
Lee Wee Ong	3rd April 2013	4.402	1,500,000	-	-	-	1,500,000
Senior management							
Li Tao	11th July 2007	1.24	220,000	-	-	-	220,000
	29th September 2008	0.604	400,000	-	-	-	400,000
	7th April 2010	0.82	800,000	-	-	-	800,000
Other employees							
In aggregate (Note 2)	11th July 2007	1.24	1,234,000	-	-	-	1,234,000
In aggregate (Note 3)	7th April 2010	0.82	638,000	-	-	-	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			14,964,000	-	-	-	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\$1.24 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. 2 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.

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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.

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 4.70% of the issued share capital of the Company as at the date of this report. The awarded shares remain outstanding as at 30th June 2017 are set out below:

Name of Grantee	Date of grant	As at 1st January 2017	Granted during the period	Vested during the period	As at 30th June 2017
Director					
Guo Jiang	20th August 2012	8,351,000			8,351,000
Other employees					
In aggregate	23rd November 2011	11,384,125		(2,225,682)	9,158,443
	17th January 2014	2,000,000			2,000,000
Total		21,735,125		(2,225,682)	19,509,443

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

As at 30th June 2017, 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 2017
Talent Gain Developments Limited	Ordinary	166,029,107 (Note 1)		Beneficial Owner and Interest in controlled corporation	16.57%
Digital China Holdings Limited	Ordinary	166,029,107 (Note 1)		Interest in controlled corporation	16.57%
Geng Yi	Ordinary	197,259,771 (Note 2)	66,000,000	Beneficial Owner and Family Interest	19.69% (long position) 6.59% (short position)
Liu Xiaodong	Ordinary	62,273,794 (Note 3)		Beneficial Owner	6.21%
Wisdom Limited	Ordinary	62,273,794 (Note 3)		Interest in controlled corporation	6.21%



Notes:

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

2. Ms. Geng Yi is the spouse of Mr. Guo Jiang. Such interest in the Company comprises: (a) 127,908,771 Shares (long position) and 66,000,000 (short position) of which 117,124,146 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 9th 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. The references to 62,273,794 shares of the Company relate to the same block of shares of the Company held by Wisdom Limited, the entire share capital of which is owned by Mr. Liu Xiaodong. Accordingly, Mr. Liu Xiaodong is deemed, or taken to have, interested in the said 62,273,794 shares of the Company pursuant to the SFO.

Save as disclosed above, as at 30th June 2017, 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 2017.

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. Tang Jie and a non-executive Director, Mr. Li Jianguang. 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 interim results of the Group for the period ended 30th June 2017.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company has reviewed these unaudited interim financial information of the Group for the period ended 30th June 2017.

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 six months ended 30th June 2017.



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 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as disclosed in this interim report, 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 2017.

INTERIM DIVIDEND

The Board has declared an interim dividend of HKD0.02 per share for the six months ended 30th June 2017 and the interim dividend will be payable on or around 29th September 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 14th September 2017.



CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders to the interim dividend, the register of members of the Company will be closed from 12th September 2017 to 14th September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 11th September 2017.

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

Chief Executive Officer and Executive Director

Beijing, PRC, 28th August 2017

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. Liu Jun (*Executive Director*)
Mr. Li Jianguang (*Non-executive Director*)
Mr. Wong Chi Keung (*Non-executive Director*)
Mr. Zhang Ke (*Independent non-executive Director*)
Mr. Zhang Tim Tianwei (*Independent non-executive Director*)
Mr. Tang Jie (*Independent non-executive Director*)