2018中期報告
INTERIM REPORT

慧聪集团
HC GROUP

HC Group Inc. 慧聰集團有限公司
Stock Code 股份代號：02280

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The board (the "Board") of directors (the "Directors") of HC Group Inc. (the "Company") hereby announces the unaudited financial results of the Company and all its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018, respectively, together with the comparative figures for the corresponding periods ended 30 June 2017 to the shareholders of the Company.

Financial Highlights

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**3,789,785**	1,342,619
EBITDA*	**364,231**	333,841
Profit attributable to equity holders	**190,958**	107,520
Diluted EPS	**0.1705**	0.1039

Key Financial Figures for the six months ended 30 June 2018

- **Revenue** was approximately **RMB3,789.8 million**, increased by approximately RMB2,447.2 million, or **increased 182.3%**, when compared to approximately RMB1,342.6 million recorded for the corresponding period in 2017.

- The Group's **EBITDA*** was approximately **RMB364.2 million**, increased RMB30.4 million from RMB333.8 million in the first half year of 2017.

- **Profit Attributable to Equity Holders** of the Company was approximately **RMB191.0 million** during the first half year of 2018, while it was approximately RMB107.5 million in the same period of 2017, representing an increase of **77.6%**.

- The **Diluted EPS** was **RMB0.1705**, increased by approximately **64.1%**, when compared to RMB0.1039, on a period-on-period basis.

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

FINANCIAL REVIEW

Revenue	Information Services *RMB'000*	Transaction Services *RMB'000*	Data Services *RMB'000*	Sub-total *RMB'000*	O2O business exhibition centre *RMB'000*	Total *RMB'000*
First half of 2018	450,589	3,088,674	180,392	3,719,655	70,130	3,789,785
First half of 2017	426,072	506,091	108,839	1,041,002	301,617	1,342,619
Variance	+5.8%	+510.3%	+65.7%	+257.3%	–76.7%	+182.3%

During the period, the Group recorded a revenue of approximately RMB3,789.8 million (2017: RMB1,342.6 million).

The above table shows the revenue breakdown of the Group.

To better describe our business, we restated our revenue from the segments of B2B trading platform,online services, trade catalogues, seminars and other services, anti-counterfeiting products and services, financing services and O2O business exhibition centre to the segments of information services, transaction services, data services and O2O business exhibition centre services. We no longer focus on the O2O business exhibition centre, nevertheless, it is to date still forming a small part of our entire businesses.

The Group increased its operating expenses from approximately RMB501.8 million for the half year ended 30 June 2017 to approximately RMB534.1 million for the same period of 2018 which was mainly due to the increase of marketing expenses and salaries.

The Group's profit attributable to equity holders had increased to approximately RMB191.0 million for the six months ended 30 June 2018, which increased 77.6% as compared to the same period last year. The Board believes that the increase in revenue is mainly attributable to a significant growth in the revenue from the transaction services segment as the layout of the Group's industrial internet has shown preliminary effective results and transaction scenarios started to emerge, which has also driven rapid growth of the data services segment at the same time. The increase in profit attributable to equity holders of the Company is mainly attributable to the stable growth of the information services segment and data services segment and the gains generated from investments.

BUSINESS REVIEW

In the first half year of 2018, a series of layouts of the Group aiming at building up a leading "Industrial Internet Group" have been successively implemented. With transaction service as setting, information service as support, data service as basis, our Group traditional industry are empowered with "Internet" and "data". Under the dual demand of the market and the nation's strategies, the Group empowered the enterprises for transformation and facilitating industry upgrade and reformation by providing services to upstream and downstream enterprises across the entire industrial chain through "information + transaction + data".

Transaction Services Segment

HC Group's important strategies in the transaction services segment are "Focus" and "Significant Verticality". In the first half year of 2018, the trading setting mainly relied on three vertical industry internet platforms and one supply chain financial service platform that focuses on advantageous industries. The three vertical industry internet platforms are ibuychem.com, which is internally incubated and equity-held, "Union Cotton" (www.unioncotton.com), which is equity-held as to 51% as at April 2018 and "China Formwork" (www.zonmoo.com), which the Group invests in and is equity-held. The supply chain financial service platform is established and wholly-owned by the Group.

Positioned as chemical, plastic collection transactions and e-commerce comprehensive service, Ibuychem.com was formerly a chemical portal which was established by the Group. It has developed into a leading B2B platform in the chemical industry in the PRC. Its services cover nearly 1 million enterprises and 8 million online members in the chemical rubber and plastics industry chain in China. The platform focuses on the spot trading of chemical rubber and plastic products, and its revenue in the first half of the year has exceeded RMB1,700 million.

Looking forward towards the second half of the year, ibuychem.com will continue to deepen its mall data operation, enhance the efficiency of releasing and matching the supply and demand of information, increase the flow of frequency of the products and capital, increase the brokerage income from transition, maintain the transaction amounts and sales income of ibuychem.com to continue to lead the plastic and electric provider. In the meantime, ibuychem.com will upgrade its database structure by utilising leading technologies, such as internet of things and big data calculation, with transactions for empowering industry scenarios, achieving the integration of online control, logistics cloud-based warehouse, China Commodity Price Index (CCPI) and mobile media, empowering "Internet+" in plastic and chemistry industry.

Positioned as an excellent spot transaction platform of cotton, "Union Cotton" provides comprehensive B2B e-commerce service for spot cotton, through online platforms, including self-operated online malls, overseas purchase financing service and warehouse receipt pledge. "Union Cotton", being one of the earliest entrants of B2B e-commerce operator in the cotton industry, has accumulated extensive industrial experience and significant market resources in the cotton industry.

During the second half of the year, Union Cotton will continue to optimize its e-commerce comprehensive service platform, "Union Cotton e-Commerce Comprehensive Service Platform V1.0" (棉聯棉花電商綜合服務平臺 V1.0) and "Union Cotton+" WeChat application, to enhance the online semi-automated trading experience for its customers, increase trading efficiency, expand trading scale of the platform. It also aims at increasing the trading processing capacity and risks control capacity of the internal business management system by optimizing the ERP function module of the Union Cotton e-commerce platform management system, so as to create an online trading platform with the highest efficiency in the cotton industry. In using the platform, by cooperating with third-party financing platform, the design and development of supply chain financing platform will be completed, becoming the most convenient online supply chain finance platform in the cotton industry.

Positioned to build up a materials bank in the construction formwork industry,"China Formwork" covers smart attached lifting scaffolding, aluminum alloy formwork system, glass fiber formwork system, building smart device, etc. Relying on the internet SaaS system, the Internet of things technology and industrial park, China Formwork provides design, installation, maintenance and refurbishment, supply chain financing, and sub-leasing and leasing business in the area of materials. In July 2018, the Group has increased its shareholding to 51% in China Formwork, which has become a subsidiary of the Group.

In the PRC construction industry, the traditional "scaffolding + wood formwork" framework system is characterized by its low turnover rate, low utilisation rate, significant wastage of resources and low safety level, which are to be addressed immediately. With the new materials such as "aluminium formwork + elevator frame + glass fibre steel formwork", China Formwork is now able to provide its customers with an entirely new construction framework service system, including design, install, refurbishment and warehousing, which standardized industry standards, of which the standard rate of framework products has increased to 85-90%, which is 10-15 percentage points higher than the industry in average, saving 10-15% maintenance costs for the construction framework. Moreover, China Formwork provides sub-leasing and leasing service with online and offline "materials bank" which addresses difficulties, such as materials being unable to liquidate and the decrease in overall efficiency of the industry, and speeding up the promotion and application of the new framework system, which is in line with the environmental-friendly low carbon in the construction industry and the industry strategy of the construction industry.

Financial services exist throughout trading settings and facilitate the trades. As one of the major operating entities of the Group's trading services segment, Shanghai Huijing E-commerce Co., Ltd (上海慧旌電子商務有限公司, "Shanghai Huijing") specializes itself in the industries of 3C, metals and new energies, which is a cross-industry supply chains comprehensive finance service platform that the Group built with great efforts. Capitalizing on experience in more than 50 sub-industries accumulated by the Group over the years, we penetrate into all sessions along the supply chain, providing a full range of financial services to those in the supply chains, with a revenue exceeding RMB688.6 million for the first half of the year.

Since 4 July 2018, the Group cooperated with Ping An Bank to provide customers with customized financial solutions, based on the mature financing products from Ping An Bank. It strengthens the Group's service capabilities in finance sector along the supply chain, supports its transactions in industries such as chemicals and plastics, 3C, metals and new energies, and has laid a foundation for similar cooperation in more vertical industries of the Group.

With the continuous optimization and upgrade of the transaction platform owned by the Group, and the realization of the ecological cycle cultivated over the years, have become the motivation of the growth in our operating income. In the first half of 2018, the income from transaction segment of the Group was approximately RMB3,088.7 million, representing an increase of approximately 510.3% compared to approximately RMB506.1 million from the same period last year.

Data Services Segment

Data services is one of our Group's key development areas. Currently, through the two companies, PanPass Information Technology Co., Ltd (北京兆信信息技術股份有限公司, "PanPass Information") and Tianjin Huijiayuantian Advertisement Media Company Limited (天津慧嘉元天廣告傳媒有限公司, "Huijia"), the Group constructed a comprehensive data service system and developed an advanced technological segment within HC's system, forming an entire new service model with data as the core and technology as the motivation, and building up the core competitiveness of data service of our Group.

PanPass Information uses its anti-counterfeiting products and services, self-operated supply chain management system for intellectual property rights, Z-SCM, as the core platform to provide its branded customers with product traceability and management services that cover the whole product life cycle and Digital Identity Management Integration Service, on the basis of such technologies as the Internet of Things (IoT), blockchain, big data, and mobile internet and through such identification carriers as numerical code, QR code and RFID.

In the first half of 2018, PanPass Information's customer expansion has achieved a milestone progress. PanPass Information established collaborative ties with SINOPEC Lubricant Company, a branch of China National Petroleum Corporation ("CNPC") which is a Fortune 500 company, for provision of an integration project of construction, installation of a QR code system platform, and constructing a data asset system for SINOPEC Lubricant Company. For blockchain application, PassPass Information, being the main operator of implementing specific project of the Group, has been cooperating with Shandong Dezhou Braised Chicken Co., Ltd. (山東德州扒雞股份有限公司), Shandong Hongjitang Pharmaceutical Group Co., Ltd. (山東宏濟堂製藥集團股份有限公司) and Beijing Tongrentang Commercial Investment Group Co., Ltd. (北京同仁堂商業投資集團有限公司). The Group has achieved an innovative integrated industry application platform by combining blockchain technology and application scenario, on top of the structured credit systems such as whole-industry chain quality traceability, big data analysis, and supply chain management. The Group will strive to build up the "H-Chain" (慧鏈) as the world's most valuable public blockchain for industrial traceability, so as to bolster the traceability ecosystem for the industries.

During the reporting period and up to the date of this report, the Group increased its shareholding in PanPass Information by approximately 24.61%, from approximately 54.89% to 79.51%.

As an important operating entity of the Group's data services segment and a leading cross-sector integrated marketing platform, "Huijia" provided customized and precise new integrated marketing solution for its customers by capitalizing the online advertising and market data analysis, and customize technical marketing products for customers through mobile terminal.

Moreover, Huijia entered into a cooperation agreement with the Department of Industrial Engineering of Tsinghua University and China United Network Communications Group Co., Ltd (Shanghai Branch) (中國聯合網絡通信有限公司上海市分公司), "Shanghai Unicom", respectively. Shanghai Unicom is a significant collaboration partner of the Group in the area of big data. As a platform-based communication enterprise integrating data sources, technologies, platforms and networks, Shanghai Unicom has a strong network with data resources. The big data application and study by the Industrial Engineering Department of Tsinghua University has contributed to the construction of the data model for the Group.

Huijia will go online and commence the operation of a B-terminal precise marketing product, "Huijuke" (慧聚客) in the second half of the year, seeking potential B-terminal target consumers in data level by constructing data structure, and construct a contact access for B-terminal customers, enabling direct contact with the precise customer community for customers, and cultivate their own community periodically to bring continuous effects and transformation.

The provision of traceability, management services of the whole life cycle of products, digital identity management and integration services, as well as the integrated marketing services based on big data applications for branded customers, have become the driving force behind the growth of data revenue. In the first half of 2018, the income from data segment of the Group was approximately RMB180.4 million, representing an increase of approximately 65.7% as compared to approximately RMB108.8 million for the same period last year.

Information Services Segment

In the first half of 2018, the Group's "hc360.com" and "zol.com.cn", being the major operation entities of information segment, also continued to contribute revenue and profits to the Group.

"hc360.com" continued to undergo in-depth upgrade in terms of the Internet information services, including improving and enhancing traditional product services such as Mai Mai Tong ("買賣通") and customer experiences, and focusing on utilising technological innovations to drive efficient operations of new products such as Hu Tong Bao ("互通寶"). By utilising artificial intelligence, the most suitable products and services can be matched up with sellers and buyers more accurately, effectively reducing the operation cost of customers, accurately reaching target users and enhancing user experience, which would achieve the purpose of maximizing marketing effectiveness.

"zol.com.cn", being the largest technology portal in China, has continued to provide comprehensive service solutions, integrating product data, professional consultancy, technology videos and interactive marketing to brand customers including a number of Fortune 500 companies. In the first half of 2018, we continued to achieve major breakthroughs in being largest technology portal website status. Our Group have strategic cooperations with Baidu, TouTiao, Tmall and JD in terms of contents ecology, and relying on the refine cultivation and innovation of technology industries, such as mobile phones, home appliances and commercial sectors, through professionally evaluated content, technological traffic acquisition and technology upgrades, these cooperations establish the main entrance for data traffic across the entire platform, and boost the brand value for customers to a new level. In the coming 5G era, zol.com.cn is ready to take on the new breakthroughs in the science and technology industry, and will gain tremendous room for growth and development opportunities.

The Group continues its result-oriented approach and increases its efforts in optimizing its information service solutions for brand customers, which is the driving force behind the growth of information service revenue. In the first half of 2018, the revenue of the Group's information segment was approximately RMB450.6 million, representing a year-on-year increase of approximately 5.8% from approximately RMB426.1 million for the same period of previous year.

Shunde O2O business exhibition centre contributed RMB70.1 million revenue in the first half of 2018 through sales of properties, rent and other services. The "City Innovation Base" established by Shunde O2O business exhibition centre has been dubbed as the provincial business incubator in the Guangdong province, and it is mainly engaged in home appliances research and development and home appliances e-commerce. It is the entry and investment point and incubation ground for many small enterprises in the home appliance industry and currently there are 165 enterprises.

In the first half of 2018, the revenue of approximately 81.5% in the Group was from transaction services segment, the revenue of approximately 4.8% was from data services segment and the revenue of approximately 11.9% was from information services segment, the remaining 1.8% of the revenue was from O2O business exhibition centre segment.

In the first half of the year, the global macro-economy has experienced a number of complex changes. The growth of domestic investment and social financing is slowing down and the support for economic growth has dropped. The increase in financing cost has led to a more difficult business environment for a number of traditional enterprises which resulted in the urge of transformation and upgrade.

The Internet and data can efficiently empower the traditional industry, facilitate its transformation and upgrade. With this market opportunity, the Group proactively implemented a series of strategic layout with the aim of creating a leading industry Internet group. The Group has accomplished satisfactory results during the first half of the year. It has justified the outcome of the development policies implemented by the new management team.

In the second half of the year, the Group will continue its development mindset and policies after its transformation and upgrade, and strive to accomplish its annual target in 2018 on top of the breakthrough achieved during the first half of the year. The Group will reward its investors with practical actions, and would like to express our sincere gratitude to our investors for their continuous support and confidence to our 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.

Liu Jun
Chairman and Chief Executive Officer

Beijing, People's Republic of China, 24 August 2018

Liquidity and financial resources

As at 30 June 2018, the Group had cash and bank balance of approximately RMB401.8 million (31 December 2017: RMB401.9 million), which are primarily denominated in Renminbi, and net current assets of approximately RMB1,577.1 million (31 December 2017: RMB1,578.5 million). The Group maintained a strong working capital position during the six months ended 30 June 2018.

The Group had total borrowings of approximately RMB1,666.4 million as at 30 June 2018 (31 December 2017: RMB1,497.1 million), of which the current portion is approximately RMB853.1 million as at 30 June 2018 (31 December 2017: RMB517.3 million), which are primarily denominated in Renminbi. As at 30 June 2018, the Group's gearing ratio was 21% (31 December 2017: 20%), which is calculated as net debt divided by total capital.

The capital and reserves attributable to equity holders of the Company increased by approximately RMB143 million from approximately RMB2,470 million as at 31 December 2017 to approximately RMB2,613 million as at 30 June 2018.

Significant investments

Save as disclosed in this report, the Group had no significant investments during the six months ended 30 June 2018.

Future plans for material investments

Save as disclosed in this report, the Group had no future plans for material investments during the six months ended 30 June 2018.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30 June 2018, the Group had 2,485 employees (30 June 2017: 2,851). Total staff costs amounted to approximately RMB210.3 million for the six months ended 30 June 2018 (30 June 2017: RMB200.4 million).

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

The total number of issued shares of the Company (the "Shares") was 1,121,352,210 as at 30 June 2018 (31 December 2017: 1,085,323,710).

During the six months ended 30 June 2018, 36,028,500 Shares were issued pursuant to the Exchange Subscription Agreements to Huijia Sellers and Zhongfu Sellers (as defined in the paragraph headed "Subscription of new shares of the Company under general mandate in consideration of the Convertible Bonds" in this report).

During the six months ended 30 June 2018, 750,000 Shares were repurchased by the Company but have not yet been cancelled.

As of 30 June 2018, an aggregate of 43,440,000 share options (the "Options") granted under all the share option schemes adopted by the Company (if exercised, 43,440,000 Shares may be issued) remain outstanding.

Please refer to the section headed "Subsequent Events" and "Outstanding Share Options" in this interim report for further details.

Treasury Policy

To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Charges on Group assets

As at 30 June 2018, the Group has bank borrowings amounting to RMB507.4 million (31 December 2017: RMB507.4 million), which are secured by properties and land use rights. Certain other borrowings amounting to RMB421.3 million are secured by certain loan receivables, inventories and listed equity shares held by the Group or are guaranteed by the Company.

Exchange risk

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

Material acquisition and disposal

Save as disclosed in this report, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

Change of head office and principal place of business in the People's Republic of China

With effect from 1 January 2018, the address of the Company's head office and principal place of business in the PRC have been changed to 7/F, Tower A1, Junhao Central Park Plaza, No. 10 Chaoyang Park South Road, Chaoyang District, Beijing 100026.

Subscription of new shares of the Company under general mandate in consideration of the Convertible Bonds

On 5 January 2018, the Company entered into the subscription agreements ("Exchange Subscription Agreements") with (i) Daxiong Holdings Limited ("Daxiong"), Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr Moustache Holdings Limited (together, the "Zhongfu Sellers"), and (ii) Mu Hao Holdings Limited, Hong Rui Technology Holdings Limited, Chance Technology Co. Ltd and Vanguard Technology Holdings Limited (together, the "Huijia Sellers") (the Zhongfu Sellers and the Huijia Sellers, collectively, the "Bondholders"), pursuant to which the Company agreed to allot 36,028,500 new shares ("Exchange Shares") in aggregate to each of the Bondholders in exchange for the surrender of the convertible bonds of the Company ("Convertible Bonds") issued to the Zhongfu Sellers and Huijia Sellers respectively pursuant to the sale and purchase agreement dated 18 December 2015 entered into between, among others, the Company and the Zhongfu Sellers (the "Zhongfu SPA") and sale and purchase agreement dated 13 January 2017 entered into between, among others, the Company and the Huijia Sellers (the "Huijia SPA") which remain outstanding and unconverted as at 5 January 2018 (the "Exchange Shares Subscriptions"). The number of Exchange Shares allotted to each of the Zhongfu Sellers and the Huijia Sellers was calculated in accordance with the outstanding principal amount of the Convertible Bonds they are holding and the conversion price of HK$10 per Share for Zhongfu Sellers or the conversion price of HK$7.5 per Share for Huijia Sellers. Pursuant to the Exchange Subscription Agreement, the Exchange Shares allotted to the Bondholders will be put into custodian accounts and will only be released to the Bondholders upon ascertaining the level of fulfilment of the performance targets set out in the Exchange Subscription Agreement.

The total number of Exchange Shares under the Exchange Shares Subscriptions, being 36,028,500 Shares, represents approximately 3.32% of the issued share capital of the Company of 1,085,323,710 Shares as at 5 January 2018 and approximately 3.21% of the then issued share capital of 1,121,352,210 Shares as enlarged by the Exchange Shares Subscriptions. The aggregate nominal value of the Exchange Shares under the Exchange Shares Subscriptions was HK$3,602,850. The Exchange Shares were allotted and issued pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 May 2017. The Exchange Shares were issued and allotted to the Bondholders on 16 January 2018 and the Convertible Bonds were cancelled accordingly.

For more details, please refer to the announcement of the Company dated 5 January 2018.

Fulfilment of Zhongfu Performance Target and Huijia Performance Target for the year ended 31 December 2017

Zhongfu Performance Target

Pursuant to the Exchange Subscription Agreement, the yearly target amount of the audited consolidated distributable profit (after-tax) of ZheJiang Zhong Fu Internet Technology Company Limited* (浙江中服網絡科技有限公司, "Zhejiang Zhongfu") ("Zhongfu Performance Target") for the year ended 31 December 2017 was RMB13,000,000. According to the audited consolidated financial statement of Zhejiang Zhongfu for the year ended 31 December 2017 dated 27 March 2018, the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu for the year ended 31 December 2017 exceeded RMB13,000,000. Accordingly, the Zhongfu Performance Target for the year ended 31 December 2017 was met, and 3,014,250 Exchange Shares have been released to the Zhongfu Sellers, representing approximately 0.27% of the issued share capital of the Company as at the date of this report.

Huijia Performance Target

Pursuant to the Exchange Subscription Agreement, the yearly target amount of the audited consolidated profit attributable to equity holders of Beijing Huijiayuantian Cultural Media Company Limited* (北京慧嘉元天文化傳媒有限公司, "Beijing Huijia") ("Huijia Performance Target") for the year ended 31 December 2017 is RMB20,000,000. According to the audited consolidated financial statement of Beijing Huijia for the year ended 31 December 2017 dated 27 March 2018, the audited consolidated distributable profit attributable to equity holders of Beijing Huijia for the year ended 31 December 2017 exceeded RMB20,000,000. Accordingly, the Huijia Performance Target for the year ended 31 December 2017 was met, and 8,181,819 Exchange Shares have been released to the Huijia Sellers, representing approximately 0.73% of the issued share capital of the Company as at the date of this report.

For more details, please refer to the announcement of the Company dated 27 March 2018.

Change of Company name and stock short name

On 1 March 2018, the Company changed its name in Chinese from "慧聰網有限公司" to "慧聰集團有限公司", which is used for identification purposes only. Accordingly, the Chinese stock short name of the Company for trading of the Shares on the Stock Exchange changed from "慧聰網" to "慧聰集團" with effect from 9:00 a.m. on 6 March 2018.

Following the aforesaid changes, on 25 May 2018, a special resolution approving the change of the English name of the Company from "HC International, Inc." to "HC Group Inc." and adoption of the Chinese name of "慧聰集團有限公司" as the dual foreign name of the Company ("Change of Company Name") was passed by the shareholders of the Company (the "Shareholders") at the extraordinary general meeting of the Company held on 25 May 2018 (the "EGM"). The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands on 29 May 2018. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 3 July 2018 confirming the registration of the Company's new English and Chinese names in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Accordingly, the English stock short name of the Company was changed from "HC INTL" to "HC GROUP" for trading in the Shares on the Stock Exchange, with effect from 9:00 a.m. on 12 July 2018. The stock code of the Company on the Stock Exchange remains unchanged as "2280".

The short name for trading in the Company's 5.00 per cent. convertible bonds due 2019 (the "2019 CB") on the Stock Exchange was changed from "HC INTL B1911" to "HC GROUP B1911" on 12 July 2018. The stock code of the 2019 CB remains unchanged as "5839".

For more details, please refer to the announcements of the Company dated 26 April 2018, 25 May 2018 and 9 July 2018, and the circular of the Company dated 3 May 2018.

Amendments of the Articles of Association of the Company

At the EGM, the Shareholders approved the special resolution in respect of the amendments to the articles of association (the "M&A") of the Company to amend and restate the M&A to reflect the Change of Company Name and the previous increase in the authorised share capital of the Company approved by the Shareholders on 19 June 2015.

For more details, please refer to the announcement of the Company dated 26 April 2018 and the circular of the Company dated 3 May 2018.

Discloseable transaction in relation to capital injection into Shanghai Mianlian E-Business Co, Ltd.

On 8 April 2018, Shanghai Huijing E-Commerce Co., Limited (上海慧旌電子商業有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company, entered into the capital increase agreement (the "Capital Increase Agreement") with Beijing Huicong Zaichuang Technology Co., Ltd* (北京慧聰再創科技有限公司), a wholly-owned subsidiary of the Company, Geron Co., Ltd. (金輪藍海股份有限公司), Gong Wenlong (龔文龍), Beijing Wenlong Technological Development Centre (Limited Partnership)* (北京文龍科技發展中心（有限合夥）) and Shanghai Mianlian E-Commerce Co., Ltd.* (上海棉聯電子商務有限公司, the "Target Company"). Pursuant to the Capital Increase Agreement, Shanghai Huijing has conditionally agreed to make capital contribution in the amount of RMB50,000,000 by way of cash to the Target Company and become a shareholder of the Target Company holding approximately 43.84% of its equity interests (the "Capital Increase"). Completion of the Capital Increase took place on 23 April 2018. Upon completion of the Capital Increase, the Group held an aggregate of approximately 51% of equity interests in the Target Company and therefore, the Target Company became an indirect non-wholly owned subsidiary of the Company and its financial results had been consolidated in the consolidated financial statements of the Group.

For more details, please refer to the announcement of the Company dated 8 April 2018.

Change of Directors

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes and updated information regarding the Directors since the Company's last published annual report and up to the date of this report are set out below:

1) *Change of Chairman of the Board, members of the Board Committees, Authorised Representative and Compliance Officer*

With effect from 27 March 2018,

(i) Mr. Guo Jiang has resigned as an executive Director, the chairman of the Board, the chairman of the nomination committee, a member of the remuneration committee (the "Remuneration Committee"), an authorised representative for the purpose of the Listing Rules (the "Authorised Representative") and the compliance officer of the Company (the "Compliance Officer");

(ii) Mr. Liu Jun ("Mr. Liu"), an existing executive Director, the chief executive officer of the Company and an Authorised Representative, has been appointed as the chairman of the Board, the chairman of the Nomination Committee, the member of the Remuneration Committee and the Compliance Officer; and

(iii) Mr. Lee Wee Ong, an existing executive Director, has been appointed as an Authorised Representative.

Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Upon the appointment of Mr. Liu as the chairman of the Board, Mr. Liu will perform the roles as the chairman of the Board and the chief executive officer of the Company, which deviates from this Code Provision. After evaluation of the current situation of the Company and taking into account the experience and past performance of Mr. Liu, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage of Mr. Liu to hold both positions as the chairman and chief executive officer of the Company as it helps to maintain the continuity of the policies and the stability of the operation of the Company. Furthermore, the Board considers that this arrangement will not impair the balance of power and authority between the Board and the management of the Company as a majority of the Board members are non-executive Directors and independent non-executive Directors and the Board meets regularly to consider major matters affecting the operations of the Group and all Directors are properly and promptly briefed on such matters with adequate, complete and reliable information.

For more details, please refer to the announcement of the Company dated 27 March 2018.

2) Appointment of Executive Director

With effect from 1 June 2018, Mr. Liu Xiaodong the president of the Company, was appointed as an executive Director.

For more details, please refer to the announcement of the Company dated 26 April 2018.

Subsequent Events

Grant of share options

On 19 July 2018, an aggregate of 36,000,000 Options to subscribe for the ordinary shares of HK$0.10 each in the share capital of the Company were granted to a total of 21 persons (the "Grantees"), who are the core management staff and officers of the Group, at an exercise price of HK$4.60 per Share, under the Company's share option scheme adopted on 22 May 2015, subject to the acceptance of the Grantees. Of the 36,000,000 Options, 4,000,000 Options were granted to Mr. Liu Xiaodong, the executive Director and president of the Company, and 2,200,000 Options were granted to Mr. Lee Wee Ong, the executive Director and chief financial officer of the Company.

For more details, please refer to the announcement of the Company dated 19 July 2018.

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

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 18 to 79, which comprises the condensed consolidated interim statement of financial position of HC Group Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 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".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2018

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenue	7	3,789,785	1,342,619
Cost of revenue	10(a)	(3,120,495)	(682,582)
Other income		16,773	22,655
Other gains, net	10(b)	115,241	66,866
Selling and marketing expenses	10(a)	(355,081)	(322,464)
Administrative expenses	10(a)	(180,254)	(173,860)
Reversal of/(provision for) impairment of financial assets		1,248	(5,451)
Operating profit		267,217	247,783
Finance cost, net	11	(35,025)	(39,616)
Share of post-tax profits/(losses) of associates	9	1,108	(6,344)
Share of post-tax profits of joint ventures	9	–	14,801
Profit before income tax		233,300	216,624
Income tax expense	12	(33,863)	(68,524)
Profit for the period		199,437	148,100
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value loss on available-for-sale financial assets	24	–	(68,300)
Fair value release on disposal of available-for-sale financial assets	24	–	(28,605)
Currency translation differences	24	2,248	10,243
Item that will not be reclassified to profit or loss			
Fair value loss on financial assets at fair value through other comprehensive income	24	(11,131)	–
Total comprehensive income for the period		190,554	61,438

	Note	Unaudited six months ended 30 June 2018 RMB'000	2017 RMB'000
Profit attributable to:			
– Equity holders of the Company		190,958	107,520
– Non-controlling interests		8,479	40,580
		199,437	148,100
Total comprehensive income attributable to:			
– Equity holders of the Company		182,075	20,858
– Non-controlling interests		8,479	40,580
		190,554	61,438
Earnings per share attributable to the equity holders of the Company during the period (expressed in RMB per share)			
Basic earnings per share:	13	0.1708	0.1074
Diluted earnings per share:	13	0.1705	0.1039

The notes on pages 27 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000 (Note)
Assets			
Non-current assets			
Land use rights	15	164,303	166,671
Investment properties	15	632,958	642,087
Property, plant and equipment	15	279,200	286,358
Intangible assets	15	2,376,250	2,376,400
Long-term deposits, prepayments and other receivables	16	44,707	11,146
Loans and interest receivables	17	223,013	304,400
Deferred income tax assets	19	21,815	21,115
Investments accounted for using equity method	9	651,861	124,583
Available-for-sale financial assets		–	528,960
Finance lease receivables		9,950	–
Financial assets at fair value through other comprehensive income	18	98,839	–
Financial assets at fair value through profit or loss	18	46,631	–
Total non-current assets		4,549,527	4,461,720
Current assets			
Completed properties held for sale		88,380	110,750
Deferred expenses		–	49,335
Finance lease receivables		160,453	155,587
Loans and interest receivables	17	1,477,857	1,345,918
Deposits, prepayments and other receivables	16	297,635	164,046
Trade receivables	16	393,542	290,848
Contract assets	4	81,049	–
Inventories		284,164	142,910
Available-for-sale financial assets		–	39,500
Financial assets at fair value through profit or loss	18	5,350	172,021
Cash and cash equivalents		401,757	401,918
Total current assets		3,190,187	2,872,833
Total assets		7,739,714	7,334,553

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000 (Note)
Equity			
Equity attributable to the Company's equity holders			
Share capital	23	103,704	100,740
Other reserves	24	2,843,419	2,737,941
Retained earnings		1,057,417	815,417
		4,004,540	3,654,098
Non-controlling interests		842,567	803,031
Total equity		4,847,107	4,457,129
Liabilities			
Non-current liabilities			
Non-current portion of bank borrowings	22	480,000	712,376
Non-current portion of other borrowings	22	333,342	267,412
Deferred government grants		170,733	175,658
Deferred income tax liabilities	19	255,211	271,710
Receipt in advance	20	–	40,282
Contract liabilities	4	40,282	–
Financial liabilities at fair value through profit or loss	18	–	115,672
Total non-current liabilities		1,279,568	1,583,110

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000 (Note)
Current liabilities			
Trade payables	21	39,212	19,482
Accrued expenses and other payables	21	207,264	219,864
Deferred revenue	21	–	158,983
Contract liabilities	4	365,927	–
Current portion of bank borrowings	22	622,163	393,837
Current portion of other borrowings	22	230,931	123,505
Deferred government grants		15,238	20,627
Receipt in advance	20	–	163,581
Convertible bonds – liabilities portion		42,219	41,387
Financial liabilities at fair value through profit or loss	18	–	53,328
Other taxes payables		48,648	34,422
Income tax payables		41,437	65,298
Total current liabilities		1,613,039	1,294,314
Total liabilities		2,892,607	2,877,424
Total equity and liabilities		7,739,714	7,334,553

Note: Under the transition method chosen, comparative information is not restated for the initial adoption of HKFRS 9 and HKFRS 15. See Note 4 for details.

The notes on pages 27 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2018		100,740	2,737,941	815,417	3,654,098	803,031	4,457,129
Effect on adoption of HKFRS 9	24	–	(63,515)	51,042	(12,473)	(1,760)	(14,233)
Comprehensive income							
Profit for the period		–	–	190,958	190,958	8,479	199,437
Other comprehensive income:							
Fair value loss on financial assets at fair value through other comprehensive income, net of deferred tax	24	–	(11,131)	–	(11,131)	–	(11,131)
Currency translation differences	24	–	2,248	–	2,248	–	2,248
Total comprehensive (loss)/income for the period ended 30 June 2018		–	(8,883)	190,958	182,075	8,479	190,554
Transactions with owners:							
Non-controlling interests arising on business combination	8	–	–	–	–	33,489	33,489
Issuance of shares in relation to contingent consideration arrangement	23(a), 24	2,964	163,620	–	166,584	–	166,584
Buy-back of shares	23(b), 24	–	(2,764)	–	(2,764)	–	(2,764)
Share based compensation-value of employee services	24	–	28,691	–	28,691	–	28,691
Contribution from non-controlling shareholders of subsidiaries		–	–	–	–	9,238	9,238
Transaction with non-controlling interests	25	–	(11,671)	–	(11,671)	(9,910)	(21,581)
Balance as at 30 June 2018		103,704	2,843,419	1,057,417	4,004,540	842,567	4,847,107

	Note	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2017		93,885	2,307,761	587,143	2,988,789	279,354	3,268,143
Comprehensive income							
Profit for the period		–	–	107,520	107,520	40,580	148,100
Other comprehensive income:							
Fair value loss on available-for-sale financial assets, net of deferred tax	24	–	(68,300)	–	(68,300)	–	(68,300)
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	24	–	(28,605)	–	(28,605)	–	(28,605)
Currency translation differences	24	–	10,243	–	10,243	–	10,243
Total comprehensive (loss)/income for the period ended 30 June 2017		–	(86,662)	107,520	20,858	40,580	61,438
Transactions with owners:							
Non-controlling interests arising on business combination	8	–	–	–	–	297	297
Issuance of shares in relation to contingent consideration arrangement	23(a), 24	358	24,300	–	24,658	–	24,658
Buy-back of shares	23(b), 24	(556)	(25,169)	(556)	(26,281)	–	(26,281)
Share based compensation-value of employee services	24	–	21,450	–	21,450	–	21,450
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 30 June 2017		93,687	2,241,680	649,931	2,985,298	324,781	3,310,079

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 30 June 2018, retained earnings amounted approximately RMB8,519,000 (30 June 2017: RMB14,118,000) had been transferred to the statutory reserves. As at 30 June 2018, retained earnings comprise statutory reserve fund amounting to RMB116,600,000 (30 June 2017: RMB101,874,000).

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash used in operations	**(127,626)**	(175,956)
Interest received	**5,371**	10,704
Interest paid	**(38,994)**	(45,122)
The People's Republic of China ("PRC") tax paid	**(59,110)**	(65,712)
Net cash used in operating activities	**(220,359)**	(276,086)
	–	–
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired *(Note 8)*	**(9,844)**	(158,899)
Additions of property, plant and equipment	**(4,312)**	(4,181)
Additions of intangible assets	**–**	(9)
Additions of investment properties	**–**	(24,890)
Prepayment for acquisition of a subsidiary	**(38,590)**	–
Proceeds from disposal of property, plant and equipment	**606**	1,036
Loans to an associate	**(7,000)**	(9,000)
Loan repayment received from an associate	**9,000**	–
Loan repayment received from employees	**2,169**	–
Investment in associates	**–**	(4,500)
Investment in available-for-sale financial assets	**–**	(4,950)
Investment in financial assets at fair value through profit or loss	**(3,500)**	(11)
Transaction with non-controlling interests	**(21,581)**	–
Proceeds from disposal of an associate	**10,000**	–
Proceeds from disposal of available-for-sale financial assets	**–**	147,324
Proceeds from disposal of financial assets at fair value through profit or loss	**152,011**	616
Dividend received	**413**	6,030
Net cash generated from/(used in) investing activities	**89,372**	(51,434)

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash flows from financing activities		
Buy-back of shares	**(2,764)**	(26,281)
Proceeds from borrowings	**151,709**	14,400
Repayments of borrowings	**(26,543)**	(15,000)
Capital contribution from non-controlling interests	**8,065**	4,550
Repayments for finance lease obligation	**–**	(119)
Net cash generated from/(used in) financing activities	**130,467**	(22,450)
Net decrease in cash and cash equivalents	**(520)**	(349,970)
Cash and cash equivalents at beginning of the period	**401,918**	963,523
Exchange gain/(loss) on cash and cash equivalents	**359**	(1,556)
Cash and cash equivalents at end of the period	**401,757**	611,997

The notes on pages 27 to 79 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 HC Group Inc. (the "Company") and its subsidiaries (collectively, the "Group") is to organise a business-to-business ("B2B") community across People's Republic of China (the "PRC") by providing information services, transaction services, and data services.

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 and advertising services;

– Sales of goods through its B2B trading platforms;

– Hosting exhibitions and seminars;

– Providing anti-counterfeiting products and services and supply chain management to enterprises;

– Engaging in finance business; including micro-credit financing, lease financing, and factoring services;

– Sale of properties and provision of property rental and management services via its O2O business exhibition centre.

The condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. The interim condensed consolidated financial information has been approved for issue by the Board on 24 August 2018.

Significant events and transactions
On 23 April 2018, the Group completed the step acquisition for the 43.84% equity interest of Shanghai Mianlian E-business Company Limited ("Mianlian"). Upon completion, the Group held 51% equity interest in Mianlian in aggregate. The acquiree is principally engaged in sales of goods through its B2B trading platform. The result from Mianlian has been reflected in the "Transaction services" segment.

On 27 June 2018, Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited ("Jingu") obtained the approval from China Banking Regulatory Commission in relation to the change of the composition of the board of director. Upon the completion, the Group would have the right to appoint one director to the board, which in turn enable the Group to exercise significant influence to Jingu. The investment has been reclassified from "financial assets at fair value through profit or loss" to "investment in associate company" on the approval date, the gain on fair value changed from the beginning of the current period to the approval date amounting to RMB94,000,000 was recognised in "other gains, net" in the consolidated statement of profit or loss.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by HC Group Inc.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) *New and amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HK (IFRIC) 22	Foreign currency transactions and advance consideration
HKAS 28 (Amendment)	Investment in associate and joint ventures
HKAS 40 (Amendments)	Transfer of investment property
HKFRS 1 (Amendment)	First time adoption of HKFRS

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any material impact on the Group's accounting policies and did not require retrospective adjustments.

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

The following new standards and amendments to standards and interpretations have been issued but not yet to be effective for the financial year beginning 1 January 2018 and have not been early adopted:

HKFRS 19 (Amendments)	Employee benefits(1)
HKFRS 28 (Amendments)	Investment in associates and joint ventures(1)
HKFRS 9 (Amendments)	Prepayment features with negative compensation(1)
HKFRS 16	Leases(1)
HK(IFRIC)-Int23	Uncertainty over income tax treatments(1)
Amendments to HKFRS	Annual improvements to HKFRS 2015-2017 cycle(1)
HKFRS 17	Insurance contracts(2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture(3)

(1) Effective for the Group for annual period beginning on 1 January 2019.
(2) Effective for the Group for annual period beginning on 1 January 2021.
(3) Effective date to be determined.

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognised 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 recognised. 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 RMB185,096,000. 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 1 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 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note (a) and (b) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. As explained in note (c) below, the Group elects to use a modified retrospective approach for transition of HKFRS 15 without restating comparative information. The Group will recognise the cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings.

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Notes	RMB'000
Closing retained earnings 31 December 2017 – HKAS 39		815,417
Reclassify investments from available-for-sale financial assets ("AFS") to financial assets at fair value through profit or loss ("FVPL")	(i)	63,515
Increase in provision for trade receivables, contract assets and finance lease receivables	(ii)	(13,674)
Increase in deferred tax assets relating to impairment provisions	(ii)	1,201
Opening retained earnings 1 January 2018 – HKFRS 9		866,459

(a) HKFRS 9 Financial Instruments – Impact of adoption

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018

	Notes	FVPL RMB'000	FVOCI AFS RMB'000
Closing balance 31 December 2017 – HKAS 39 *		172,021	568,460
Reclassify investments from AFS to FVPL	(a)	533,925	(533,925)
Reclassify investments from FVPL to FVOCI	(b)	(76,932)	76,932
Opening balance 1 January 2018 – HKFRS 9		629,014	111,467

* The closing balances as at 31 December 2017 show available-for-sale financial assets under fair value through other comprehensive income ("FVOCI"). These reclassifications have no impact on the measurement categories. The financial assets at amortised cost are after reclassifications and adjustments arising from the adoption of HKFRS 15 and include trade receivables and other financial assets at amortised cost, but exclude cash and cash equivalents.

The impact of these changes on the Group's equity is as follows:

Financial assets – 1 January 2018

	Notes	**Effect on AFS reserves** *RMB'000*	**Effect on retained earnings** *RMB'000*
Opening balance – HKAS 39		63,515	815,417
Reclassify investments from AFS to FVPL	*(a)*	(63,515)	63,515
Opening balance – HKFRS 9		–	878,932

(a) Reclassification from available-for-sale financial assets to FVPL
Certain investments in equity shares and private fund were reclassified from available-for-sale to financial assets at fair value through profit and loss (RMB533,925,000 as at 1 January 2018). They do not meet the HKFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest and the Group does not designate investment in equity instrument previously recognised in available-for-sale as FVOCI. Related fair value gains of RMB63,515,000 were transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018.

(b) Reclassification from FVPL to FVOCI
Certain investments in equity shares were reclassified from financial assets at FVPL (RMB76,932,000 as at 1 January 2018) to FVOCI, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(c) Reclassification from available-for-sale financial assets to FVOCI
The Group elected to present in OCI changes in the fair value of certain equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB34,535,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and related fair value gains were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 January 2018.

(d) Other financial assets
Equity securities that held for trading are required to be classified as FVPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from adoption.

(ii) *Impairment of financial assets*

The Group has following types of financial assets at amortised cost that are subjected to HKFRS 9's new expected credit loss ("ECL") model:

- Trade receivables
- Contract assets
- Finance lease receivables
- Loans and interest receivables

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables, contract assets and finance lease receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and finance lease receivables.

To measure the expected credit losses, trade receivables, contract assets and finance lease receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for trade receivables, contract assets and finance lease receivables.

1 January 2018	Current – 30 days	More than 30 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	More than 720 days past due	Total
Expected loss rate	1%	4%	11%	14%	53%	95%	6%
Gross carrying amount	356,160	27,259	24,191	34,207	15,756	6,776	464,349
Loss allowance	3,128	1,141	2,727	4,737	8,315	6,425	26,473

The loss allowances for trade receivables, contract assets and finance lease receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Trade receivables *RMB'000*	Contract assets *RMB'000*	Finance lease receivables *RMB'000*
At 31 December 2017			
– calculated under HKAS 39	17,914	–	–
Amounts restated through opening retained earnings	7,434	131	778
Amounts restated through opening non-controlling interests	216	–	–
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	**25,564**	**131**	**778**

The loss allowances further increased by RMB654,000 to RMB26,218,000 for trade receivables, increased by RMB325,000 to RMB456,000 for contract assets and increased by RMB78,000 for finance lease receivables during the six months ended 30 June 2018. The increase would have been RMB6,341,000 lower under the incurred loss model of HKAS 39.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Loans and interest receivables and other financial assets

The Group applies general approach under HKFRS 9 to measure expected credit losses for all loans and interest receivables and other financial assets accounted for at amortised cost.

Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired
Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The Group rebuts the presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due as management considers the probability of default is highly correlated with the collateral value and historical settlement pattern rather than the past due days.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Company and all the cash flows that the Company expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

On that basis, the loss allowance as at 1 January 2018 was determined as follows for loans and interest receivables.

1 January 2018	**Stage 1 Low credit risk (12 month ECL)** *RMB'000*	**Stage 2 not credit-impaired (Lifetime ECL)** *RMB'000*	**Stage 3 credit-impaired (Lifetime ECL)** *RMB'000*	**Total** *RMB'000*
Gross carrying amount	1,654,265	784	72,519	1,727,568
Less: estimated future cash flows if default occurs	(1,634,168)	(678)	(8,082)	(1,642,928)
Expected loss allowance	**20,097**	**106**	**64,437**	**84,640**
Expected loss rate	**1%**	**14%**	**89%**	**5%**

The ECL allowances for loans and interest receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Stage 1 Collectively assessed RMB'000	Stage 2 Collectively assessed RMB'000	Stage 3 Individually assessed RMB'000	Total RMB'000
At 31 December 2017 – calculated under HKAS 39	16,176	235	60,839	77,250
Amounts restated through opening retained earnings	2,902	(90)	2,519	5,331
Amounts restated through opening non-controlling interests	1,019	(39)	1,079	2,059
Opening loss allowance as at 1 January 2018 – calculated under HKFRS 9	**20,097**	**106**	**64,437**	**84,640**

The loss allowances decreased by RMB4,458,000 to RMB80,182,000 for loans and interest receivables assets during the six months to 30 June 2018. The change would have been an increase RMB4,633,000 under the incurred loss model of HKAS 39 instead of a decrease.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(c) *HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018*

Investments and other financial assets classification
From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment
From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, contract assets and financial lease receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For loans and interest receivables, the Group applies the general approach under HKFRS 9, which requires 12 month ECL and expected lifetime losses to be recognised according to 3 phrases.

(d) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the "cumulative catch-up" transitional method whereby the effects of adopting HKFRS 15 for uncompleted contract with customers as at 31 December 2017 are adjusted at the opening balance of equity as at 1 January 2018 and prior period comparatives are not restated.

The accounting policies were changed to comply with HKFRS 15, which replaces the provision of HKAS 18 Revenue ("HKAS 18") and the related interpretations that relate to the recognition, classification and measurement of revenue and costs.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The effects of the adoption of HKFRS 15 are as follows:

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities in relation to payments received in advance from customers for online services were previously presented as deferred revenue.
- Contract liabilities in relation to payments received in advance from customers for properties sales and merchandise sales and merchandise sales were previously presented as receipts in advance.
- Contract assets in relation to online services represent revenue recognised prior to the date on which it is invoiced to customers were previously presented as trade receivables.
- Contract assets in relation to the incremental costs, primarily sales commission paid, as a result of obtaining the online services contract were previously presented as deferred cost.

Accounting for online services and advertisement
Under HKFRS 15, advertising income from internet portals, mobile devices, trade catalogues, yellow page directories and printed periodicals is recognised at the point in time on the date of publication.

Subscription fee income from online services is recognised over the period of contracts entered with the customers. The excess of cumulative payments made by customers over the cumulative revenue recognised in consolidated statement of profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

The excess of cumulative revenue recognised in consolidated statement of profit or loss over the cumulative payments made by customers is recognised as contract assets. The contract assets are recognised as a receivable when the Group's right to consideration is unconditional.

Some contracts include multiple performance obligations and do not include any integration services. They are therefore accounted for as separate performance obligations. Revenue from each of the performance obligations is recognised at the stand-alone service price. Under HKFRS 15, the rebate to customers is a variable consideration and to be net off against the transaction price.

Accounting for marketing events, seminars and other services
Under HKFRS 15, revenue from the hosting of marketing events, trade exhibition and business seminars is recognised over the period when the related service is rendered or the event is held.

Accounting for B2B trading platform
Under HKFRS 15, revenue from B2B trading platform primarily represent merchandise sales. Revenue is recognised when control of the products has transferred, being when the goods are delivered. The Group acts as a principal and recognises the sales on a gross basis when they are primary obliged, subjected to inventory risk, have discretion right in establishing price, and obtain control of the goods before they are transferred to the customer.

Accounting for anti-counterfeiting business
Under HKFRS 15, anti-counterfeiting business comprised revenue from providing anti-counterfeiting products and services. Revenue from selling of anti-counterfeiting products is recognised at the point in time when the control of the products has been transferred, being when the goods are delivered. Revenue from anti-counterfeiting services is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided. Customers are invoiced upon the completion of services or on a regular basis.

Accounting for O2O business exhibition centre
Under HKFRS 15, revenue from O2O business exhibition centre comprised revenue from sales of properties and provision of property rental and management services. The control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Rental and management income is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

The excess of cumulative payments made by purchasers of properties over the cumulative revenue recognised in consolidated statement of profit or loss is recognised as contract liabilities. The contract liability is recognised as revenue when the Group satisfies its performance obligations.

Accounting for costs incurred to obtain a contract
Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs only incurred if the contract is obtained, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

		As at 1 January 2018	
Condensed consolidated statement of financial position (extract)	**As previously stated**	**Effects of the adoption of HKFRS 15**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Contract assets	–	62,297	62,297
Deferred expense	49,335	(49,335)	–
Trade receivables	290,848	(12,962)	277,886
Non-current liabilities			
Contract liabilities	–	40,282	40,282
Receipt in advance	40,282	(40,282)	–
Current liabilities			
Contract liabilities	–	322,564	322,564
Deferred revenue	158,983	(158,983)	–
Receipt in advance	163,581	(163,581)	–

The amount by each financial statement line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

Condensed consolidated statement of financial position (extract)	As at 30 June 2018 Without the adoption of HKFRS 15 *RMB'000*	Effects of the adoption of HKFRS 15 *RMB'000*	As reported *RMB'000*
Current assets			
Contract assets	–	81,049	81,049
Deferred expense	35,925	(35,925)	–
Trade receivables	438,666	(45,124)	393,542
Non-current liabilities			
Contract liabilities	–	40,282	40,282
Receipt in advance	40,282	(40,282)	–
Current liabilities			
Contract liabilities	–	365,927	365,927
Deferred revenue	126,412	(126,412)	–
Receipt in advance	239,515	(239,515)	–

Condensed consolidated statement of profit or loss (extract)	Six months ended 30 June 2018 Without the adoption of HKFRS 15 *RMB'000*	Effects of the adoption of HKFRS 15 *RMB'000*	As reported *RMB'000*
Revenue	3,794,687	(4,902)	3,789,785
Selling and marketing expenses	(359,983)	4,902	(355,081)

The adoption of HKFRS 15 has no impact to the net cash flow from operating, investing and financing activities on the condensed consolidated statement of cash flows.

Details of contract assets are as follows

	As at 30 June 2018 ***RMB'000***	As at 1 January 2018 *RMB'000*
Contract assets related to online services *(note i)*	**45,124**	12,962
Costs for obtaining contracts *(note ii)*	**35,925**	49,335
	81,049	62,297

Notes:

(i) These consist of revenue from online services recognised prior to the date on which it is invoiced to customers.

(ii) Management expects the incremental costs, principally comprises of sale, commissions and agency fees, as a result of obtaining the online services contract are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised.

Details of contract liabilities are as follows

	As at 30 June 2018 ***RMB'000***	As at 1 January 2018 *RMB'000*
Contract liabilities related to online services *(note i)*	**117,459**	147,914
Contract liabilities related to sales of goods on B2B trading platform *(note ii)*	**225,135**	150,506
Contract liabilities related to sales of properties *(note iii)*	**63,615**	64,426
	406,209	362,846

Notes:

(i) These consist of deferred revenue resulting from online services when the Group received payments in advance.

(ii) These consist of advanced payments, related to the B2B trading platform business, received for goods that have not yet been transferred to the customers.

(iii) These consist of advanced payments from customers and deferred revenue resulting from the properties sales and sales and leaseback arrangement, respectively.

5 Estimates and judgement

The preparation of condensed consolidated 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 31 December 2017.

6 Financial risk management and financial instruments

6.1 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 31 December 2017.

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

6.2 Liquidity risk

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

6.3 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 30 June 2018.

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
Assets				
Financial assets at fair value through other comprehensive income	**64,304**	**–**	**34,535**	**98,839**
Financial assets at fair value through profit or loss	**–**	**–**	**51,981**	**51,981**
	64,304	**–**	**86,516**	**150,820**

The following table presents the Group's financial assets and liabilities that are at fair value at 31 December 2017.

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Available-for-sale financial assets	39,500	–	528,960	568,460
Financial assets at fair value through profit or loss	169,921	–	2,100	172,021
	209,421	–	531,060	740,481
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	169,000	169,000
	–	–	169,000	169,000

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 at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Financial liabilities at fair value through profit or loss		Available-for-sale financial assets	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
As at 1 January	2,100	4,600	–	–	(169,000)	(41,500)	528,960	484,071
Effect on adoption of HKFRS 9	494,425	–	34,535	–	–	–	(528,960)	–
Additions	3,500	–	–	–	–	–	–	4,950
Acquisition of subsidiary	–	–	–	–	–	(182,200)	–	–
Transferred to investment in an associate	(541,000)			–				
Issuance of shares in related to contingent consideration arrangement	2,700	–	–	–	–	24,686	–	–
Cancellation of contingent consideration arrangement	–	–	–	–	165,626	–	–	–
Fair value changes credited/(charged) to consolidated statement of profit or loss	90,256	(400)		–	3,374	28,414	–	–
Fair value changes credited to other comprehensive income	–	–	–	–	–	–	–	3,137
As at 30 June	51,981	4,200	34,535	–	–	(170,600)	–	492,158

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 leave once every half year, in line with the Group's half-yearly reporting dates.

(ii) The fair value of the financial assets through profit or loss represent contingent consideration arrangements related to the acquisition of Orange Triangle Inc., Zhongfu Holdings Limited, Huijia Yuantian Limited and Shanghai Mianlian E-business Company Limited. The financial assets are 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:

	30 June 2018	31 December 2017
Orange Triangle Inc.		
Risk-free rate	2.11%	1.22%
Probability to achieve the performance target	100%	90%
Zhongfu Holdings Limited		
Risk-free rate	1.74%	1.35%
Probability to achieve the performance target	80%	80%
Huijia Yuantian Limited		
Risk-free rate	1.88%	1.49%
Probability to achieve the performance target	90%	90%
Shanghai Mianlian E-business Company Limited		
Risk-free rate	2.49%	–
Probability to achieve the performance target	100%	–

7 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.

During the period, the Group adjusted its organisation structure into four business sectors, namely (i) Information Services Segment, (ii) Transaction Services Segment, (iii) Data Services Segment and (iv) O2O Business Exhibition Centre Segment.

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

As at 30 June 2018, the Group is organised into the following business segments:

(i) Information services segment, which mainly include the online services provided through "hc360.com" and "zol.com.cn", and seminars and other services.

(ii) Transaction services segment, which mainly include B2B trading platform and financing services.

(iii) Data services segment, which mainly include the anti-counterfeiting products and services, supply chain management and advance marketing services utilising the digital big data and tools.

(iv) O2O business exhibition centre segment, which mainly include sale of properties and provision of properties rental and management services.

The table below shows the segment information of sales or other transactions between the business segments for the period ended 30 June 2018 and 2017.

	Unaudited six months ended 30 June 2018				
	Information services *RMB'000*	Transaction services *RMB'000*	Data services *RMB'000*	O2O business *RMB'000*	Total *RMB'000*
Revenue	450,589	3,088,674	180,392	70,130	3,789,785
Segment results	85,742	27,065	6,073	16,323	135,203
Share of post-tax profits of associates					1,108
Other income					16,773
Other gains, net					115,241
Finance cost, net					(35,025)
Profit before income tax					233,300
Depreciation and amortisation	30,792	10,100	14,390	11,933	67,215

	Unaudited six months ended 30 June 2017				
	Information services	Transaction services	Data services	O2O business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	426,072	506,091	108,839	301,617	1,342,619
Segment results	75,689	1,537	2,968	78,068	158,262
Share of post-tax losses of associates					(6,344)
Share of post-tax profits of joint ventures					14,801
Other income					22,655
Other gains, net					66,866
Finance cost, net					(39,616)
Profit before income tax					216,624
Depreciation and amortisation	30,468	522	13,069	12,092	56,151

* The revenue of transaction services segment included the interest income generated by Chongqing Digital China Huicong Micro-credit Co. Limited, which was a joint venture of the Group and was acquired in November 2017. Its financial results were previously included in "Share of post-tax profits of joint ventures".

	Unaudited six months ended 30 June 2018 ***RMB'000***
Timing of revenue recognition	
– At a point in time	**3,093,804**
– Overtime	**695,981**
	3,789,785

The Group is domiciled in the PRC. For the six months ended 30 June 2018, all the sales to external customers are in the PRC (2017: same).

The comparative amounts have been reclassified to conform with current period's presentation.

8 Business combination

Step acquisition of Shanghai Mianlian E-business Co., Limited (上海棉聯電子商務有限公司) ("Mianlian")
On 6 May 2016, Beijing Huicong Zaichuang Technology Co., Limited (北京慧聰再創科技有限公司) ("Beijing Zaichuang"), a wholly-owned subsidiary of the Company, had contributed RMB5,000,000 by way of cash to Mianlian for approximately 15% of its equity interest. The investment was classified as an associate under "Investments accounted for using the equity method" as the Group has significant influence in Mianlian.

On 8 April 2018, Shanghai Huijing E-commerce Co., Limited. (上海慧旌電子商務有限公司) ("Shanghai Huijing"), a wholly-owned subsidiary of the Company entered into a capital increase agreement with Mianlian and their existing shareholders, pursuant to which Shanghai Huijing has conditionally agreed to make capital contribution amounted to RMB50,000,000 by way of cash to Mianlian to subscribe approximately 43.84% of its equity interest (the "Step Acquisition"). Upon the capital injection, the equity interest held by Beijing Zaichuang would be diluted to 7.16%. As a result, the Group holds in aggregate of approximately 51% of equity interests in Mianlian and therefore, it becomes a non-wholly owned subsidiary 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. On 23 April 2018, all the conditions precedent under the capital increase agreement have been fulfilled and the shares of Mianlian have been issued to the Group.

The fair value of the Group's then effective equity holding immediately before the completion of the Step Acquisition form part of the total consideration of the Step Acquisition and was included in the calculation of goodwill on the Step Acquisition.

As at 23 April 2018, the fair value of the initial 15% interest in Mianlian held by Beijing Zaichuang prior to the completion of the Step Acquisition was estimated by Access Partner Consultancy & Appraisals Limited, an independent professional qualifies valuer, to be RMB6,400,000, which comparing to the carrying amount of RMB4,096,000 as at the acquisition date will give rise to a fair value gain of RMB2,304,000. The gain was recognised as "Gain on step acquisition" under "Other gains, net" in the consolidated statement of profit or loss.

The goodwill of RMB21,544,000 arising from the Step Acquisition is attributable to the synergies from combining the operations of the Group and Mianlian. None of the goodwill recognised is expected to be deductible for income tax purpose.

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

	At 23 April 2018 *RMB'000*
Cash consideration	50,000
Fair value of existing shares held by the Group	6,400
Total consideration	**56,400**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	40,156
Property, plant and equipment *(Note 15)*	128
Trade and other receivables	50,844
Deferred tax assets *(Note 19)*	450
Intangible assets – trademark *(Note 15)*	12,200
Intangible assets – database *(Note 15)*	2,100
Intangible assets – customer relationship *(Note 15)*	3,000
Inventory	28,743
Trade and other payables	(23,109)
Borrowings	(41,842)
Deferred tax liabilities *(Note 19)*	(4,325)
Total identifiable net assets	**68,345**
Non-controlling interests	(33,489)
Goodwill *(Note 15)*	21,544
	56,400

	At 23 April 2018 *RMB'000*
Cash consideration	50,000
Cash and cash equivalents in the subsidiary acquired	(40,156)
Outflow of cash to acquire business, net of cash acquired	9,844

Revenue and profit contribution

The acquired business contributed revenue of RMB277,272,000 and net profit of RMB152,000 to the Group for the period from 23 April 2018 to 30 June 2018. If the acquisition had occurred on the 1 January 2018, consolidated revenue and consolidated profit after tax for the six months ended 30 June 2018 of the Group would have been RMB4,047,368,000 and RMB198,087,000 respectively.

Mianlian Performance Targets and adjustment mechanism

Part of the consideration is subject to certain performance targets and adjustment mechanisms for the twelve months ended 30 April 2019.

Acquisition-related costs of RMB350,000 are included in administrative expenses in consolidated statement of profit or loss.

9 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 30 June	
	2018	2017
	RMB'000	*RMB'000*
Associates	**651,695**	136,751
Joint ventures	**166**	455,229
	651,861	591,980

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

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Associates	**1,108**	(6,344)
Joint ventures	**–**	14,801
	1,108	8,457

(a) *Investment in associates*

	Unaudited six months ended 30 June 2018 RMB'000	2017 RMB'000
Beginning of the period	124,418	138,595
Additions	–	4,500
Transfer from financial asset at fair value through profit or loss *(Note i)*	541,000	–
Disposal	(10,735)	–
Deemed disposal *(Note 8)*	(4,096)	
Share of post-tax profits/(losses) of associates	1,108	(6,344)
End of the period	651,695	136,751

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 30 June 2018. 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 30 June 2018	% of effective interest 30 June 2017	Nature of the relationship	Measurement method
Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited (內蒙古呼和浩特金谷農村商業銀行股份有限公司)	PRC	9.8	9.7	Associate *(Note i)*	Equity
Hui De Holding Co., Ltd.* (慧德控股有限公司)	PRC	12.0	12.0	Associate *(Note ii)*	Equity
Zhejiang Huicong Investment Co., Ltd* (浙江慧聰投資有限公司)	PRC	29.6	29.6	Associate *(Note iii)*	Equity

* English names are translated for identification purpose only

Note i: Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited* ("Jingu") provides banking services in the PRC. In 2015 and 2016, the Group has acquire 9.72% equity interest of Jingu through purchase from existing shareholders and capital injection, the investment was classified as "available-for-sale financial asset", the fair value of the investment is amounted to RMB447,000,000 as at 31 December 2017.

In June 2018, Jingu proposed a resolution to recompose the board of directors. Pursuant to the resolution, the Group could nominate one director, which in turn enable the Group exercise significant influence to Jingu. The recomposition is approved by China Banking Regulatory Commission on 27 June 2018, as a result, the investment is reclassified from "financial asset at fair value through profit or loss" to "investment in an associate company". The gain on fair value for the period until the approval date amounting to RMB94,000,000, and it was recognised in the consolidated statement of profit or loss.

Note ii: Hui De Holding Co., Ltd* ("Hui De") provides investment management and project investments in the PRC. The Group holds 60% equity 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 equity interest in Hui De.

Note iii: 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 interests 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.

	Jingu Unaudited six months ended 30 June		**Hui De Unaudited six months ended 30 June**		**Zhejiang HC Unaudited six months ended 30 June**	
	2018 *RMB'000*	2017 *RMB'000*	**2018** *RMB'000*	2017 *RMB'000*	**2018** *RMB'000*	2017 *RMB'000*
Assets	**65,690,985**	N/A	**1,244,865**	551,492	**831,860**	662,925
Liabilities	**60,254,547**	N/A	**1,271,435**	462,492	**704,293**	450,556
Revenue	**849,554**	N/A	**–**	–	**156,964**	–
Share of profits/(losses) for the period ended 30 June	*Note (i)*	N/A	**1,081**	1,264	**1,855**	(3,175)

Note (i): In the opinion of Directors, the financial result for the period from the approval date to reporting date is immaterial to the Group.

10(a) Expenses by nature

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

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cost of properties sold	**22,370**	169,487
Direct expenses of B2B trade platform	**3,003,499**	462,887
Marketing and consultancy expenses	**124,719**	84,535
Amortisation of land use rights *(Note 15)*	**2,368**	2,368
Amortisation of intangible assets *(Note 15)*	**38,994**	31,041
Depreciation of property, plant and equipment *(Note 15)*	**16,724**	13,613
Amortisation of investment properties *(Note 15)*	**9,129**	9,129
Employee benefits expenses, including directors' emoluments	**210,286**	200,392
(Reversal of)/provision for impairment of loans and interest receivables	**(4,458)**	1,430
Provision for impairment and direct write-off of trade receivables	**2,807**	4,021
Provision for impairment of contract assets	**325**	–
Provision for impairment of finance lease receivables	**78**	–
Operating lease payments in respect of land and buildings	**27,216**	28,807

10(b) Other gains, net

Other gains and losses are analysed as follows:

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Change in fair value on financial asset at fair value through profit or loss in relation to Jingu	**94,000**	–
Change in fair value on other financial assets at fair value through profit or loss	**15,704**	(1,029)
Change in fair value on financial liabilities at fair value through profit or loss	**3,590**	28,414
Gain on disposal of available-for-sale financial asset	**–**	34,889

11 Finance cost, net

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest expense:		
– Bank borrowings	**(35,629)**	(25,421)
– Other borrowings	**(1,781)**	(812)
– Convertible bonds	**(1,506)**	(24,080)
– Others	**(2,794)**	(2,262)
Finance cost	**(41,710)**	(52,575)
Finance income	**6,685**	12,959
Finance cost, net	**(35,025)**	(39,616)

12 Income tax expense

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax expense		
– Hong Kong Profits Tax (i)	**–**	–
– The PRC Corporate Income Tax ("CIT") (ii)	**(35,249)**	(44,292)
– The PRC Land Appreciation Tax ("LAT") (iii)	**(15,771)**	(12,421)
– The PRC Withholding Tax (iv)	**–**	(22,800)
Deferred income tax credit/(expense)		
– The PRC Corporate Income Tax	**17,157**	15,568
– The PRC Withholding Tax (v)	**–**	(4,579)
Income tax expense	**(33,863)**	(68,524)

(i) No Hong Kong Profits Tax has been provided as there is no assessable profits arising in Hong Kong for the period (2017: 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 the PRC which were approved as High and New Technology Enterprises and accordingly, they were subject to a reduced preferential CIT rate of 15% for the period. Moreover, certain subsidiaries were qualified for the local government tax concession scheme to enjoy a preferential tax rate for the period.

(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 1 January 2008 are generally subject to a 10% withholding tax. For the period ended 30 June 2018, no withholding tax is recognised (30 June 2017: RMB22,800,000).

(v) 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 RMB150,992,000 at 30 June 2018 (31 December 2017: RMB131,325,000). Such amounts are considered by the directors to be permanently reinvested.

During the period ended 30 June 2017, the Group recognised the relevant deferred tax liabilities of RMB4,579,000 on dividend declared by a PRC subsidiary but not yet paid.

13 Earnings per share

	Unaudited six months ended 30 June 2018 RMB'000	Unaudited six months ended 30 June 2017 RMB'000
Profit attributable to equity holders of the Company	190,958	107,520

	Unaudited six months ended 30 June 2018 No. of Shares '000	Unaudited six months ended 30 June 2017 No. of Shares '000
Weighted average number of shares in issue	1,118,167	1,000,863
Incremental shares from assumed exercise of share options granted	1,971	33,809
Diluted weighted average number of shares	1,120,138	1,034,672

	Unaudited six months ended 30 June 2018	Unaudited six months ended 30 June 2017
Basic earnings per share (in RMB)	0.1708	0.1074
Diluted earnings per share (in RMB)	0.1705	0.1039

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period 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. The Company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. Since diluted earnings per share is increased when taking into account the adjustment on conversion of the convertible debt, the convertible debt is anti-dilutive and is ignored in the calculation of diluted earnings per share.

14 Dividends

No dividends was paid or declared by the Company during the period (30 June 2017: HK$0.02 per share).

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

	Property, plant and equipment RMB'000	Land use rights RMB'000	Investment Properties RMB'000	Intangible assets RMB'000	Goodwill RMB'000
Opening net book amount as at 1 January 2018	**286,358**	**166,671**	**642,087**	**1,051,173**	**1,325,227**
Additions	**9,743**	**–**	**–**	**–**	**–**
Acquisition of a subsidiary *(Note 8)*	**128**	**–**	**–**	**17,300**	**21,544**
Disposals	**(305)**	**–**	**–**	**–**	**–**
Depreciation and amortisation	**(16,724)**	**(2,368)**	**(9,129)**	**(38,994)**	**–**
Closing net book amount as at 30 June 2018	**279,200**	**164,303**	**632,958**	**1,029,479**	**1,346,771**
Opening net book amount as at 1 January 2017	309,516	171,408	660,345	452,632	1,068,987
Additions	4,181	–	–	9	–
Acquisition of subsidiaries	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 30 June 2017	297,615	169,040	651,216	527,100	1,319,083

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 RMB930,000,000 as at 30 June 2018 (31 December 2017: RMB946,000,000). 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.

16 Trade receivables, deposits, prepayments and other receivables

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Trade receivables *(Note a)*	419,760	308,762
Less: provision for impairment of trade receivables	(26,218)	(17,914)
Trade receivables – net	393,542	290,848
Deposits, prepayments and other receivables	342,342	175,192
	735,884	466,040
Less: Non-current deposits, prepayments and other receivables	(44,707)	(11,146)
Current portion	691,177	454,894

(a) *Trade receivables*

The Group generally grants a credit period of 90 days to 270 days to customers depending on business segment. The aging analysis of the gross trade receivables based on recognition date is as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Current to 90 days	219,424	176,883
91 to 180 days	122,738	59,654
181 to 365 days	41,319	48,882
Over 1 year	36,279	23,343
	419,760	308,762

Note:

The online advertising customers are usually granted with a credit period ranging from 90 days to 180 days after full execution of the contracted advertisement orders.

The carrying amounts of trade receivables approximate their fair values.

Balances are denominated in RMB and there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers nationally dispersed.

The Group has recognised a loss of approximately RMB3,972,000 for the impairment of its trade receivables during the period ended 30 June 2018 (2017: RMB4,021,000).

As at 30 June 2018, trade receivables of approximately RMB26,218,000 (31 December 2017: RMB17,914,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

(b) *Deposits, prepayments and other receivables*

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Non-current portion:		
– Deposits	5,438	5,715
– Prepayment for acquisition of subsidiary *(Note)*	38,590	–
– Other prepayments	679	5,431
	44,707	11,146
Current portion:		
– Deposits	19,888	18,141
– Prepayments	250,007	128,138
– Other receivables	27,740	17,767
	297,635	164,046
	342,342	175,192
The fair values are as follows:		
Deposits	25,326	23,856
Prepayments	289,276	133,569
Other receivables	27,740	17,767
	342,342	175,192
Denominated in:		
HK dollars	7,100	6,978
Renminbi	335,242	168,214
	342,342	175,192

Note:

The prepayment is in relation to the acquisition of 51% of equity interest in 中模雲（天津）建築科技有限公司 and its subsidiaries. The acquisition is completed on 18 July 2018.

The comparative amounts have been reclassified to conform with the current period's presentation.

17 Loans and interest receivables

Loans and interest receivables reflect the outstanding balance of loans granted to associates, employees and customers.

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Loans to customers *(Note (a), (b), (c))*	**1,685,335**	1,632,113
Loans to employees	**8,002**	10,350
Loans to associates	**63,540**	65,540
Interest receivables	**24,175**	19,565
Loans and interest receivables, gross	**1,781,052**	1,727,568
Less: impairment allowance *(Note (d))*		
– Collective assessed	**(19,227)**	(16,176)
– Individually assessed	**(60,955)**	(61,074)
Total impairment allowance	**(80,182)**	(77,250)
Loans and interest receivables, net	**1,700,870**	1,650,318
Less: Non-current portion	**(223,013)**	(304,400)
Current portion	**1,477,857**	1,345,918

(a) *Analysed by nature*

The balance comprises loans granted in micro-credit financing business, and finance leasing business:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Individual loans	**718,519**	847,989
Corporate loans	**966,816**	784,124
Loans to customers, gross	**1,685,335**	1,632,113
Less: impairment allowance		
– Collective assessed	**(18,799)**	(16,176)
– Individually assessed	**(60,954)**	(61,074)
Total impairment allowance	**(79,753)**	(77,250)
Loans receivables, net	**1,605,582**	1,554,863
Less: Non-current portion	**(170,215)**	(269,794)
Current portion	**1,435,367**	1,285,069

For the period ended 30 June 2018, the weighted average annual interest rate for the loans receivable were approximately 11.9% (2017: 12.7%).

(b) *Analysed by type of collateral*

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Unsecured loans	**737,378**	762,174
Guaranteed loans	**550,919**	400,822
Collateralised loans	**397,038**	469,117
Loans to customers, gross	**1,685,335**	1,632,113
Less: impairment allowance		
– Collective assessed	**(18,799)**	(16,176)
– Individually assessed	**(60,954)**	(61,074)
Total impairment allowance	**(79,753)**	(77,250)
Loans receivables, net	**1,605,582**	1,554,863

(c) Overdue loans analysed by type of collateral and overdue period

As at 30 June 2018	**Not overdue** *RMB'000*	**Overdue within 3 months** *RMB'000*	**Overdue more than 3 months to one year** *RMB'000*	**Overdue more than one year** *RMB'000*	**Total** *RMB'000*
Unsecured loans	733,852	118	100	3,308	737,378
Guaranteed loans	447,874	35,356	15,560	52,129	550,919
Collateralised loans	300,464	12,450	44,350	39,774	397,038
	1,482,190	47,924	60,010	95,211	1,685,335

As at 31 December 2017	Not overdue *RMB'000*	Overdue within 3 months *RMB'000*	Overdue more than 3 months to one year *RMB'000*	Overdue more than one year *RMB'000*	Total *RMB'000*
Unsecured loans	718,911	82	40,450	2,731	762,174
Guaranteed loans	335,203	9,980	31,606	24,033	400,822
Collateralised loans	463,017	6,100	–	–	469,117
	1,517,131	16,162	72,056	26,764	1,632,113

Overdue loans represent loans receivables of which the whole or part of the principal or interest was overdue for one day or more. All amounts are shown as gross amount of overdue loans before any allowance for impairment losses.

(d) *Movement of allowances for impairment losses*

	Collectively assessed *RMB'000*	Individually assessed *RMB'000*	Total *RMB'000*
As at 1 January 2018	16,176	61,074	77,250
Effect on adoption of HKFRS 9	4,027	3,363	7,390
Opening loss allowance as at 1 January 2018-calculated under HKFRS 9	20,203	64,437	84,640
Reversal for the period	(976)	(3,482)	(4,458)
As at 30 June 2018	19,227	60,955	80,182

	Collectively assessed *RMB'000*	Individually assessed *RMB'000*	Total *RMB'000*
As at 1 January 2017	–	–	–
Acquisition of a subsidiary	15,705	74,951	90,656
Charge/(reversal) for the period from 29 November 2017 to 31 December 2017	471	(13,877)	(13,406)
As at 31 December 2017	16,176	61,074	77,250

18 Others financial assets and liabilities

(a) Financial assets at fair value through profit or loss and other comprehensive income

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	
	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*	**Unaudited 30 June 2018 *RMB'000***	Audited 31 December 2017 *RMB'000*
Contingent shares in relation to acquisition of Orange Triangle Inc.	–	2,100	–	–
Contingent shares in relation to acquisition of Zhongfu Holdings Limited	1,400	–	–	–
Contingent shares in relation to acquisition of Huijia Yuantian Limited	900	–	–	–
Trading securities – listed securities *(Note (i))*	–	169,921	64,304	–
Investments in private investment fund and unlisted companies *(Note (ii))*	49,681	–	34,535	–
Financial assets at fair value through profit or loss	51,981	172,021	98,839	–
Less: Non–current	(46,631)	–	(98,839)	–
Current	5,350	172,021	–	–

On 5 January 2018, the Company entered into subscriptions agreement with the bondholders of Zhongfu Holdings Limited and Huijia Yuantian Limited in relation to the contingent consideration for the acquisition completed in 2016 and 2017, respectively. Pursuant to the subscription agreement, the Company agreed to allot 36,028,500 new shares in aggregate to the bondholders in exchange for the surrender of the convertible bonds of the Company. The shares allotted will be put into custodian accounts and would be released to the bondholders or repurchased by the Company subjected to the achievement of the target for Zhongfu Holdings Limited and Huijia Yuantian Limited, as set out in the agreement, representively. The subscription has been completed on 16 January 2018, a gain on the subscription amounted to RMB216,000 is recognised in "other gains, net" in the consolidated statement profit or loss.

As at 30 June 2018, the fair value of the contingent consideration was of approximately RMB2,300,000 (31 December 2017: RMB2,100,000).

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 6.3(b)(ii).

Note (i): Trading securities – listed securities

At the adoption of HKFRS 9, certain investments in listed securities held as long-term strategic investments that are not expected to be sold in the short to medium term were reclassified from financial assets at FVPL to FVOCI. All of the trading securities are listed in the Shanghai Stock Exchange and Hong Kong 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 6.3).

Note (ii): Investments in private investment fund and unlisted companies

Investments in private investment fund and unlisted companies held for trading by the Group are classified as financial assets at fair value. At the adoption of HKFRS 9, certain investment in unlisted company held as long-term strategic investments that are not expected to be sold in the short to medium term were reclassified to FVOCI. As these instruments are not trade in an active market, they are within level 3 of the fair value hierarchy (Note 6.3).

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

	Zhongfu Holdings Limited		**Huijia Yuantian Limited**	
	30 June 2018 ***RMB'000***	31 December 2017 *RMB'000*	**30 June 2018** ***RMB'000***	31 December 2017 *RMB'000*
Current	–	14,393	–	38,935
Non-current	–	12,607	–	103,065
Total	–	27,000	–	142,000

19 Deferred income tax

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

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Opening balance at 1 January	**(250,595)**	(133,268)
Effect on adoption of HKFRS 9	**1,716**	–
Credited to the profit or loss	**17,157**	10,989
Credited to the other comprehensive income	**2,201**	19,204
Acquisition of a subsidiary	**(3,875)**	(15,825)
Closing balance at 30 June	**(233,396)**	(118,900)

20 Receipt in advance

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
Receipt in advance for O2O business exhibition centre business	**–**	40,282
Receipt in advance for B2B trading platform business	**–**	150,506
Other receipt in advance	**–**	13,075
	–	203,863
Less: Non-current	**–**	(40,282)
Current	**–**	163,581

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

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Trade payables *(Note a)*	39,212	19,482
Deferred revenue	–	158,983
Accrued salaries and staff benefits	15,896	28,190
Accrued expenses	99,622	90,467
Deposit from customers	61,638	73,507
Other payables	30,108	27,700
	246,476	398,329

(a) *Trade payables*

The aging analysis of the trade payables are as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Current to 90 days	35,588	9,843
91 to 180 days	1,124	6,426
181 to 365 days	555	2,142
Over 1 year	1,945	1,071
	39,212	19,482

22 Borrowings

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Non-current portion:		
Bank borrowings	480,000	712,376
Other borrowings	333,342	267,412
Total non-current borrowings	813,342	979,788
Current portion:		
Bank borrowings	622,163	393,837
Other borrowings	230,931	123,505
Total current borrowings	853,094	517,342
Total borrowings	1,666,436	1,497,130

Movements in borrowings are analysed as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Six months ended 30 June		
As at 1 January	1,497,130	883,482
Additions of borrowings	197,082	40,633
Acquisition of a subsidiary *(Note 8)*	41,842	–
Repayments of borrowings	(69,618)	(40,421)
As at 30 June	1,666,436	883,694

Bank borrowings bear average interest rate of 6.32% per annum (31 December 2017: 5.98% per annum), mature ranging from 2018 to 2022, part of which amounting to RMB507,376,000 (31 December 2017: RMB507,376,000) are secured by certain properties and land use right amounting to RMB1,020,862,000 (31 December 2017: RMB1,054,040,000).

Other borrowings of RMB27,816,000 were obtained for the investment in an associate. These borrowings are provided by the non-controlling shareholder of Huicong Tianjin, in which 25% of its equity interest is effectively held by Liu Jun, an executive Director and the chief executive officer of the Company. The borrowings are unsecured, mature ranging from 2018 to 2020 and bear average interest rate of 6.34% per annum (31 December 2017: 6.2% per annum).

The remaining other borrowings are provided by independent third parties and bear interest rate ranging from 4.5% to 8% per annum (31 December 2017: 5.5%-7.1% per annum). Borrowings amounting to RMB421,374,000 (31 December 2017: RMB255,000,000) are secured either by certain loan receivables, inventories, and listed equity shares held by the Group with total carrying amount of RMB581,823,000 (31 December 2017: RMB381,730,000) or are guaranteed by the Company.

The Group's borrowings were repayable as follows:

	Bank borrowings		**Other borrowings**	
	30 June 2018 ***RMB'000***	31 December 2017 *RMB'000*	**30 June 2018** ***RMB'000***	31 December 2017 *RMB'000*
Within 1 year	**622,163**	393,837	**230,931**	123,505
Between 1 and 2 years	**340,000**	572,376	**293,207**	257,555
Between 2 and 5 years	**140,000**	140,000	**40,135**	9,857
	1,102,163	1,106,213	**564,273**	390,917

As at 30 June 2018, the Group has undrawn banking facilities amounting to approximately RMB13,850,000 (31 December 2017: Nil).

23 Share capital

	Number of Shares	Ordinary Shares *RMB'000*
As at 1 January 2018	1,085,323,710	100,740
Issuance of shares in relation to contingent consideration arrangement *(Note a)*	36,028,500	2,964
As at 30 June 2018	1,121,352,210	103,704
As at 1 January 2017	1,004,308,103	93,885
Issuance of shares in relation to contingent consideration arrangement *(Note a)*	4,042,750	358
Buy-back of shares *(Note b)*	(6,300,000)	(556)
As at 30 June 2017	1,002,050,853	93,687

The total authorised number of ordinary shares is 2,000,000,000 shares (30 June 2017: 2,000,000,000) with a par value of HK$0.1 per share (30 June 2017: HK$0.1 per share). All issued shares are fully paid.

During the six months ended 30 June 2018 and 2017, no share option has been exercised.

The total number of issued shares of the Company were 1,121,352,210 as at 30 June 2018 (30 June 2017: 1,002,050,853).

(a) *Issuance of shares in related to contingent consideration arrangement*
The company issued 36,028,500 shares on 16 January 2018 to the bondholders of the convertible bonds in relations to the acquisition of Zhongfu Holdings Limited and Huijia Yuantian Limited completed in 2016 and 2017, respectively, in exchange for their surrender of the convertible bonds of the Company. The fair value of the shares issued amounted to RMB166,584,000 (HK$5.6 per share) on the issuance date.

In 2017, according to the audited consolidated financial statement of Zhejiang Zhongfu Internet Technology Company Limited ("Zhejiang Zhongfu"), a subsidiary of Zhongfu Holdings Limited. 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 8 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.

(b) *Buy-Back of shares*

During the six months ended 30 June 2018, the Group acquired 750,000 (2017: 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 RMB2,764,000 (2017: 26,281,000) and has been deducted from shareholders' equity.

(c) *Share option*

On 3 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 3 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 30 June 2018 and 2017 no share options were exercised.

On 18 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 30 June 2018 and 30 June 2017. 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 18 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.

On 13 October 2017, a total of 29,930,000 share options were granted to a director pursuant to share option scheme. The grantee can exercise these options at an exercise price of HK$6.474 per share in ten years period starting from the expiry of the twelve months from the date of granting of option, being 13 October 2017. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise option up to 20% and gradually up to 100% at the fifth anniversary of the date of grant.

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

	2018		2017	
	Exercise price in HK$ per share	**Share options**	Exercise price in HK$ per share	Share options
As at 1 January	**1.49**	**–**	1.49	–
	1.24	**–**	1.24	1,454,000
	0.604	**400,000**	0.604	400,000
	0.82	**1,438,000**	0.82	1,438,000
	1.108	**200,000**	1.108	200,000
	4.402	**1,500,000**	4.402	1,500,000
	9.84	**9,972,000**	9.84	9,972,000
	6.476	**29,930,000**	6.476	–
Granted	**1.49**	**–**	1.49	–
	1.24	**–**	1.24	–
	0.604	**–**	0.604	–
	0.82	**–**	0.82	–
	1.108	**–**	1.108	–
	4.402	**–**	4.402	–
	9.84	**–**	9.84	–
	6.476	**–**	6.476	29,930,000
Lapsed and exercised	**1.49**	**–**	1.49	–
	1.24	**–**	1.24	(1,454,000)
	0.604	**–**	0.604	–
	0.82	**–**	0.82	–
	1.108	**–**	1.108	–
	4.402	**–**	4.402	–
	9.84	**–**	9.84	–
	6.476	**–**	6.476	–
As at 30 June 2018/ 31 December 2017	**1.49**	**–**	1.49	–
	1.24	**–**	1.24	–
	0.604	**400,000**	0.604	400,000
	0.82	**1,438,000**	0.82	1,438,000
	1.108	**200,000**	1.108	200,000
	4.402	**1,500,000**	4.402	1,500,000
	9.84	**9,972,000**	9.84	9,972,000
	6.476	**29,930,000**	6.476	29,930,000

Expiry date	Exercise price HK$ per share	Share options 30 June 2018	31 December 2017
29 September 2018	0.604	**400,000**	400,000
7 April 2020	0.82	**1,438,000**	1,438,000
28 March 2021	1.108	**200,000**	200,000
3 April 2023	4.402	**1,500,000**	1,500,000
18 November 2023	9.84	**9,972,000**	9,972,000
13 October 2027	6.476	**29,930,000**	29,930,000

(d) *Share Award Scheme*

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

On 14 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 20 August 2012, the shareholders resolved to grant Guo Jiang, the then executive director of the Company who resigned on 27 March 2018, 16,700,000 shares, subjected to a vesting period of 72 months.

The awarded shares will be held by the trustee in accordance with the rules of the Share Award Scheme and the relevant trust period.

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

The following table represents the movement for number of unvested shares under the Share Award Scheme for the period ended 30 June 2018 and 30 June 2017.

	Number of Shares (in thousand unit)
As at 1 January 2018	15,360
Amount vested during the period	(2,359)
As at 30 June 2018	13,001
As at 1 January 2017	21,735
Amount vested during the period	(2,226)
As at 30 June 2017	19,509

24 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*	AFS reserve *RMB'000*	Financial assets at fair value through other comprehensive income reserve *RMB'000*	Total *RMB'000*
As at 1 January 2018	2,509,775	3,364	27,507	109,817	122,589	1,478	(686)	(99,418)	63,515	-	2,737,941
Effect on adoption of HKFRS 9	-	-	-	-	-	-	-	-	(63,515)	-	(63,515)
Buy-back of shares	-	-	-	-	-	(2,764)	-	-	-	-	(2,764)
Issuance of new shares in relation to contingent consideration arrangement	163,620	-	-	-	-	-	-	-	-	-	163,620
Share based compensation-value of employee services	-	-	-	-	28,691	-	-	-	-	-	28,691
Vesting of awarded share	14	-	-	-	(8,839)	-	-	8,825	-	-	-
Fair value loss on financial asset at fair value through other comprehensive income, net of deferred tax	-	-	-	-	-	-	-	-	-	(11,131)	(11,131)
Transaction with non-controlling interests *(Note 25)*	-	-	(11,671)	-	-	-	-	-	-	-	(11,671)
Currency translation differences	-	-	-	-	-	-	2,248	-	-	-	2,248
As at 30 June 2018	2,673,409	3,364	15,836	109,817	142,441	(1,286)	1,562	(90,593)	-	(11,131)	2,843,419

	Share premium	Convertible bond reserve	Others reserve	Merger reserve	Share-based compensation reserves	Share and capital redemption reserve	Exchange reserve	Share held for share award scheme	AFS reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 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	(29,993)	–	–	–	–	4,824	–	–	–	(25,169)
Issuance of shares in related to contingent consideration arrangement	24,300	–	–	–	–	–	–	–	–	24,300
Share based compensation-value of employee services	–	–	–	–	21,450	–	–	–	–	21,450
Vesting of awarded share	6,610	–	–	–	(13,062)	–	–	6,452	–	–
Fair value loss on AFS, net of deferred tax	–	–	–	–	–	–	–	–	(68,300)	(68,300)
Fair value release on disposal of AFS, net of deferred tax	–	–	–	–	–	–	–	–	(28,605)	(28,605)
Currency translation differences	–	–	–	–	–	–	10,243	–	–	10,243
As at 30 June 2017	2,020,436	50,858	33,630	109,817	125,475	(25,229)	(4,167)	(113,230)	44,090	2,241,680

25 Transaction with non-controlling interests

Acquisition of additional interest in subsidiary

During the period, Beijing Huicong Zaichuang Technology Co., Limited (北京慧聰再創科技有限公司) ("Beijing Zaichuang"), a wholly-owned subsidiary of the Company, has entered into share purchase agreements with Mr. Ma Wei (馬偉), Mr. Liu Hong Chun (劉洪春), and Ms. Bao Lili (包莉莉) (collectively the "Sellers"), respectively. Pursuant to the agreement, the Sellers agreed to transfer in aggregate 10% of the issued shares of Beijing Panpass Information Technology Co., Ltd ("北京兆信信息技術股份有限公司" or "Panpass") for a consideration of RMB21,581,000. The carrying amount of the non-controlling interests in Panpass held by the Sellers at the acquisition was RMB9,910,000. The Group recognised a decrease in non-controlling interests of RMB9,910,000 and a decrease in other reserve of RMB11,671,000. After the transaction, the Group holds 65% of the issued shares of Panpass.

26 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:

(a) Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	Unaudited six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**3,400**	3,064
Share-based payments	**24,267**	8,418
	27,667	11,482

(b) Related party transaction

		Unaudited six months ended 30 June	
		2018	2017
	Nature of transactions	***RMB'000***	*RMB'000*
Associates *(Note i)*	Interest income	**2,655**	1,647
Key management personnel *(Note i)*	Interest income	**563**	698

Note (i): The Group has granted loan receivables to certain associates and certain key management personal of a subsidiary. The loans are charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.

(c) Related party balance

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Borrowing from:		
Associates *(Note (i))*	646,050	N/A
Loan and interest receivables from:		
Associates *(Note (ii))*	87,391	83,441
Key management personnel *(Note (iii))*	52,907	86,496
Deposits received from		
Associates *(Note (iv))*	600	3,992
Key Management personnel *(Note (v))*	2,440	2,440

Note (i): The balance represents bank borrowings from Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited, which become an associate of the Group since 27 June 2018. Part of the borrowings amounting to RMB345,000,000 will mature on 25 October 2019, and is interest bearing at a rate of 6,2% per annum. Part of the borrowings amounting to RMB300,000,000 will mature on 5 November 2018, and is interest bearing at a rate of 5.7% per annum. These borrowings are either secured by certain properties or guaranteed by an associate of the Group.

Note (ii): The Group granted loans amounting to RMB20,800,000, RMB20,800,000 and RMB5,940,000 to 慧德控股有限公司 ("Hui De") during the year ended 31 December 2014, 2015 and 2016 respectively. The loans will mature during the years ending 31 December 2020, 2018 and 2019 respectively, and are interest bearing at a rate of 7%, 7% and 6% per annum.

The balance also includes loans receivables from 北京融商通聯科技有限公司 ("Rongshangtonglian"), an associate of the Group, amounting to RMB9,000,000 (31 December 2017: RMB18,000,000). The loan is interest bearing at a rate of 8% per annum and will mature on 31 August 2018.

The balance also includes loans receivables from 廣東家電世界電子商務有限公司 ("Household Appliances World"), an associate of the Group, amounting to RMB7,000,000 (31 December 2017: nil). The loans are interest bearing at a rate of 10% per annum and will mature during the year ended 31 December 2018.

The remaining balance includes loans granted to certain associates amounting to RMB10,310,000 (31 December 2017: RMB8,310,000) through financing services company of the Group. The loans will mature during the year ended 31 December 2018 and is interest bearing at rate ranging from 12% to 15% per annum (31 December 2017: 15% per annum). These loans are granted under ordinary course of business with terms and conditions mutually agreed by parties concerned on an arm's length basis.

* *English name are translated for identification purpose only*

Note (iii): The balance mainly includes loan receivables of RMB6,802,000 (31 December 2017: RMB7,770,000) granted to several management members of Beijing Panpass Information Technology Co., Ltd ("Panpass"), a subsidiary acquired by the Group on 8 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 28 September 2021, and are interest bearing at rate of 5% per annum. These management members hold 4% (31 December 2017: 6%) equity interest of Panpass after the acquisition of Panpass by the Group on 8 October 2014.

The balance also represents loan receivables of RMB1,200,000 (31 December 2017: RMB2,400,000) granted in connection with the employee share scheme. On 21 December 2012, the Group for the sole purpose of purchase of shares of the Group at market price. Maturity date of the loan has been extended from 21 December 2017 to 21 December 2018. The loan is dominated in HK dollars and interest bearing at a rate of 5% per annum.

The remaining balance includes loans granted to certain key management personnel through a financing services company of the Group. Loan amounting to RMB46,050,000 (31 December 2017: RMB74,050,000) will mature during the year ending 31 December 2018, and the remaining balance of RMB2,000,000 (31 December 2017: RMB2,000,000) will mature during the year ended 31 December 2019. The loans are interest bearing at rate ranging from 8% to 12% per annum (31 December 2017: 8% to 12% per annum). The loans are granted under ordinary course of business with terms and conditions mutually agreed by parties concerned on an arm's length basis.

Note (iv): The balance includes deposits received by a financing services company of the Group form certain associates and a key management personnel of the Company as guarantee for the loan granted to their customers and himself. The deposit would be refunded upon the repayment of the loans which will mature during the year ended 31 December 2018.

27 Contingent liabilities

As at 30 June 2018, there were no material contingent liabilities to the Group (31 December 2017: same).

28 Commitments

(a) *Financial commitments*

Financial commitments as at 30 June 2018 and 31 December 2017 are analysed as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Injection of investment in financial assets at fair value through other comprehensive income	–	33,000
	–	33,000

(b) *Capital commitments*

Capital commitments as at 30 June 2018 and 31 December 2017 are analysed as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Purchase of computer system	**1,680**	–
	1,680	–

(c) *Commitments under operating leases*

(i) As a lessee

At 30 June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Within one year	**33,106**	27,952
In the second to fifth year inclusive	**151,990**	177,358
	185,096	205,310

(ii) As a lessor

At 30 June 2018, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of buildings which expire as follows:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Within one year	**6,237**	3,904
In the second to fifth year inclusive	**24,198**	15,877
Over the fifth year	**40,756**	42,194
	71,191	61,975

29 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 30 June 2018, the amount of outstanding guarantees for mortgages were approximately RMB70,320,000 (31 December 2017: RMB287,763,000).

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.

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

As at 30 June 2018, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

(a) Directors' and chief executive's long positions in the shares of the Company ("Shares")

Name of Director	Class of Shares	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
Liu Jun	Ordinary	Beneficial owners	74,800,000 *(Note 1)*	–	–	–	74,800,000 *(Note 1)*	6.67%
Liu Xiaodong	Ordinary	Interest of controlled corporation	–	–	62,273,794 *(Note 2)*	–	62,273,794 *(Note 2)*	5.55%
Guo Fansheng	Ordinary	Beneficial owners	57,749,015 *(Note 3)*	–	–	–	57,749,015 *(Note 3)*	5.15%
Li Jianguang	Ordinary	Interest of controlled corporation	–	–	32,000,384 *(Note 4)*	–	32,000,384 *(Note 4)*	2.85%
Lee Wee Ong	Ordinary	Beneficial owners	26,850,672 *(Note 5)*	–	–	–	26,850,672 *(Note 5)*	2.39%

Notes:

1. Such interests in the Company comprise: (i) 44,870,000 Shares and (ii) 29,930,000 underlying Shares derived from the Options held by Mr. Liu Jun.

2. Such interests in the Company comprise: 62,273,794 Shares held by Wisdom Limited (a company wholly and beneficially owned by Mr. Liu Xiaodong). Mr. Liu Xiaodong is deemed, or taken to have, interested in all the Shares held by Wisdom Limited pursuant to the SFO.

3. Such interest in the Company comprises:

   (a) 35,000,000 Shares (long position) held by Mr. Guo Fansheng; and

   (b) 22,749,015 Shares (long position) held by a trustee of a trust of which Mr. Guo Fansheng is a founder of a discretionary trust who can influence how the trustee exercise his discretion.

4. 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 pursuant to the SFO.

5. Such interests in the Company comprise: (i) 25,350,672 Shares and (ii) 1,500,000 underlying Shares derived from the 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 SCHEMES

Pursuant to the written resolutions of the Shareholders dated 30 November 2003, among others, a share option scheme (the "2003 Share Option Scheme") was adopted by the Company. The principal terms of the 2003 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 8 December 2003. Following the listing of the Shares being transferred from the GEM to the Main Board of the Stock Exchange on 10 October 2014, the 2003 Share Option Scheme adopted by the Company was terminated on 10 October 2014. Notwithstanding the termination of the 2003 Share Option Scheme, the outstanding options under the 2003 Share Option Scheme shall continue to be valid and exercisable in accordance with the Share Option Scheme.

On 22 May 2015, a new share option scheme were approved by the Shareholders ("2015 Share Option Scheme"). The principal terms of the 2015 Share Option Scheme were summarized in the appendix to the circular of the Company dated 5 May 2015.

OUTSTANDING SHARE OPTIONS

Share Option Schemes

As at 30 June 2018, options to subscribe for an aggregate of 43,440,000 Shares granted pursuant to the 2003 Share Option Scheme and the 2015 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 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2018 (Note 1)
Directors							
Liu Jun (Note 18)	13 October 2017	6.476	29,930,000				29,930,000
Lee Wee Ong (Note 17)	3 April 2013	4.402	1,500,000				1,500,000
Other employees							
In aggregate (Notes 2, 17)	29 September 2008	0.604	400,000				400,000
In aggregate (Notes 3, 17)	7 April 2010	0.82	1,438,000				1,438,000
In aggregate (Notes 4, 17)	28 March 2011	1.108	200,000				200,000
In aggregate (Notes 5, 17)	18 November 2013	9.84	9,972,000				9,972,000
Total			43,440,000				43,440,000

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$0.604 granted on 29 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 7 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 28 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 18 November 2013, the relevant grantees may exercise Options up to 10%, 20%, 40%, 70% and 100%, respectively, of the Shares comprised in his or her Option (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of Options.

For the Options exercisable at HK$6.476 granted on 13 October 2017, the relevant grantees may exercise Options up to 20%, 40%, 60%, 80% and 100%, respectively, of the Shares comprised in his or her Option (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of Options.

2. 1 employee has been granted Options under the 2003 Share Option Scheme to subscribe an aggregate of 400,000 Shares at HK$0.604 per Share.

3. 3 employees have been granted Options under the 2003 Share Option Scheme to subscribe an aggregate of 1,438,000 Shares at HK$0.82 per Share.

4. 2 employees have been granted Options under the 2003 Share Option Scheme to subscribe an aggregate of 200,000 Shares at HK$1.108 per Share.

5. 56 employees have been granted Options under the 2003 Share Option Scheme to subscribe an aggregate of 9,972,000 Shares at HK$9.84 per Share.

6. The fair value of Options granted under the 2003 Share Option Scheme on 18 February 2004, determined using the Binomial Model value model, was approximately RMB20,193,000. The significant inputs into the model were the exercise price of HK$2.4, standard deviation of expected share price returns of 32%, expected life of Options ranging from 5.4 to 6.6 years, expected dividend paid out rate of 0% and annual risk-free interest rate ranging from 1.34% to 4.43%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

7. The fair value of Options granted under the 2003 Share Option Scheme on 23 June 2006, determined using the Binomial Model valuation model, was approximately RMB3,919,000. The significant inputs into the model were exercise price of HK$1.49, standard deviation of expected share price returns of 34.8%, expected life of Options ranging from 3.2 to 5.5 years expected dividend paid out rate of 0% and annual risk free interest rate of 4.911%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

8. The fair value of Options granted under the 2003 Share Option Scheme on 11 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 of 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.

9. The fair value of Options granted under the 2003 Share Option Scheme on 29 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 of 3.133%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

10. The fair value of Options granted under the 2003 Share Option Scheme on 7 April 2010, determined using the Binomial Model valuation model, was approximately RMB12,527,000. The significant inputs into the model were exercise price of HK$0.82 standard deviation of expected share price returns of 79.8%, expected life of Options ranging from 3.4 to 5.9 years expected dividend paid out rate of 0% and annual risk-free interest rate of 2.865%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

11. The fair value of Options granted under the 2003 Share Option Scheme on 28 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.

12. The fair value of Options granted under the 2003 Share Option Scheme on 3 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.

13. The fair value of Options granted under the 2003 Share Option Scheme on 18 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.

14. The fair value of Options granted under the 2015 Share Option Scheme on 13 October 2017, determined using the Binomial Model valuation model, was approximately RMB100,356,000. The significant inputs into the model were exercise price of HK$6.476 standard deviation of expected share price returns of 62%, expected life of Options 4.9 years expected dividend paid out rate of 0.9% and annual risk-free interest rate 1.745%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

15. In respect of employees resigned during the period whose 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.

16. The values of Options recognised in share-based compensation reserves are subject to a number of assumptions and with regard to the limitation of the valuation model.

17. The Options were granted under the 2003 Share Option Scheme.

18. The Options were granted under the 2015 Share Option Scheme.

EMPLOYEES' SHARE AWARD SCHEME

On 17 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 17 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 4.18% of the issued share capital of the Company as at the date of this report. The awarded shares remain outstanding as at 30 June 2018 are set out below:

Name of Grantee	Date of grant	As at 1 January 2018	Granted during the period	Vested during the period	As at 30 June 2018
Ex-director					
Guo Jiang	20 August 2012	8,351,000			8,351,000
Other employees					
In aggregate *(Note 1)*	23 November 2011	5,009,443		(2,359,663)	2,649,780
	17 January 2014	2,000,000			2,000,000
Total		15,360,443		(2,359,663)	13,000,780

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

As at 30 June 2018, the interests and short positions of substantial shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Class of Shares	Long position	Short position	Capacity	Approximate percentage of shareholding as at 30 June 2018
Talent Gain Developments Limited	Ordinary	253,671,964 *(note 1)*		Interest in controlled corporation	22.62%
Digital China Holdings Limited	Ordinary	341,314,821 *(note 1)*		Interest in controlled corporation	30.44%
Guo Jiang	Ordinary	172,209,771 *(note 2)*	40,000,000	Beneficial Owner and Family Interest	15.36% (long position) 3.57% (short position)
Geng Yi	Ordinary	172,209,771 *(note 2)*	40,000,000	Beneficial Owner and Family Interest	15.36% (long position) 3.57% (short position)

Notes:

1 Such interests in the Company comprise: (1) 230,263,964 Shares held by Talent Gain Developments Limited and 23,408,000 Shares held by and Unique Golden Limited and 87,642,857 underlying shares derived from the proposed subscription of the Company by Digital China Holdings Limited pursuant to the formal sale and purchase agreement dated 19 May 2017. 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) 118,074,146 Shares are held by 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 17 November 2011; and (c) 35,000,000 Shares which were borrowed by Mr. Guo Jiang from Mr. Guo Fansheng pursuant to a stock borrowing agreement dated 9 May 2016 entered into between Mr. Guo Jiang and Mr. Guo Fansheng, of which 35,000,000 Shares were subsequently pledged to an independent third party.

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

Save as disclosed above, as at 30 June 2018, 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 had complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 24 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 Ms. Qi Yan and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the Chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and the unaudited interim results of the Group for the six months ended 30 June 2018.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company has reviewed these unaudited interim financial information of the Group for the six months ended 30 June 2018.

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 30 June 2018.

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 save as disclosed in this report, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2018, an aggregate of 750,000 Shares were repurchased by the Company on the Stock Exchange for a total consideration of HK$3,389,320. Subsequent to the period under review, the Company had further repurchased an aggregate of 600,000 Shares. Up to the date of this report, none of the aforesaid Shares repurchased were cancelled.

Save as disclosed in this 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 30 June 2018.

By order of the Board
HC Group Inc.
Liu Jun
Chairman and Chief Executive Officer

Beijing, PRC, 24 August 2018

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

Mr. Liu Jun *(Chairman, Executive Director and Chief Executive Officer)*
Mr. Lee Wee Ong *(Executive Director and Chief Financial Officer)*
Mr. Liu Xiaodong *(Executive Director and President)*
Mr. Guo Fansheng *(Non-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)*
Ms. Qi Yan *(Independent non-executive Director)*