HC INTERNATIONAL, INC.
慧聰網有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2280)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- Revenue was approximately RMB1,958.3 million, which increased by approximately 113.8%, when compared to RMB916.1 million recorded in 2015.
- Profit attributable to equity holders of the Company was approximately RMB181.8 million in 2016, while it was approximately RMB52.6 million in 2015, representing an increase of approximately 245.9%.
- The Group's EBITDA[*(Note)*] was approximately RMB555.1 million, which increased by approximately 357.9% compared with that achieved in the previous year of approximately RMB121.2 million.
- The diluted earnings per share was RMB0.1852, while it was RMB0.0679 a year before.
- The Board recommended the payment of final dividend of HK$0.05 per share for the year ended 31 December 2016.

Note: Profit before interest, income tax, depreciation, amortisation and share based payment

The board ("Board") of directors (the "Directors") of HC International, Inc. (the "Company")is pleased to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016. The consolidated financial statements of the Group for the year have been audited by PricewaterhouseCoopers, the auditor of the Company in accordance with Hong Kong Standards on Auditing. In addition, the results have also been reviewed by the audit committee of the Company (the "Audit Committee").

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016** ***RMB'000***	2015 *RMB'000*
Revenue	*3*	**1,958,283**	916,138
Cost of revenue		**(706,264)**	(95,513)
Gross profit		**1,252,019**	820,625
Other income		**19,590**	4,374
Other gains/(losses), net		**127,017**	(1,500)
Selling and marketing expenses		**(698,524)**	(598,874)
Administrative expenses		**(270,733)**	(196,726)
Operating profit		**429,369**	27,899
Finance income		**47,375**	43,376
Finance cost		**(97,373)**	(47,802)
Share of post-tax loss of associates		**(13,502)**	(2,102)
Share of post-tax profit of joint ventures		**27,633**	11,955
Profit before income tax		**393,502**	33,326
Income tax expense	*4*	**(92,826)**	(10,268)
Profit for the year		**300,676**	23,058
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value gain on available-for-sale financial assets		**62,400**	158,283
Fair value release on disposal of available-for-sale financial assets		**(95,755)**	–
Currency translation differences		**13,876**	(17,808)
Total comprehensive income for the year, net of tax		**281,197**	163,533
Profit attributable to:			
Equity holders of the Company		**181,784**	52,552
Non-controlling interests		**118,892**	(29,494)
		300,676	23,058

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2016

	Note	**2016** **RMB'000**	2015 *RMB'000*
Total comprehensive income attributable to:			
Equity holders of the Company		**162,305**	193,027
Non-controlling interests		**118,892**	(29,494)
		281,197	163,533
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	*5*	**0.1882**	0.0696
Diluted earnings per share	*5*	**0.1852**	0.0679

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Assets			
Non-current assets			
Land use rights		**171,408**	176,145
Investment properties		**660,345**	510,551
Property, plant and equipment		**309,516**	291,073
Intangible assets		**1,521,619**	1,461,722
Long term deposits, prepayments and other receivables	9	**32,011**	74,989
Non-current portion of finance leases receivables		**–**	24,000
Deferred income tax assets		**11,386**	17,271
Investments accounted for using equity method		**579,023**	518,716
Available-for-sale financial assets	8	**484,071**	421,690
Financial assets at fair value through profit or loss		**4,600**	5,100
		3,773,979	3,501,257
Current assets			
Properties under development		**–**	670,683
Completed properties held for sale		**364,617**	–
Direct selling costs		**81,351**	105,316
Current portion of finance leases receivables		**352,327**	68,846
Deposits, prepayments and other receivables	9	**172,711**	435,372
Trade receivables	9	**154,989**	111,794
Inventories		**3,590**	3,073
Available-for-sale financial assets	8	**212,646**	–
Financial assets at fair value through profit or loss		**172,686**	–
Cash and cash equivalents		**963,523**	790,701
		2,478,440	2,185,785
Total assets		**6,252,419**	5,687,042
Equity			
Equity attributable to the Company's equity holders			
Share capital		**93,885**	85,090
Other reserves		**2,307,761**	1,976,484
Retained earnings		**587,143**	405,359
		2,988,789	2,466,933
Non-controlling interests		**279,354**	132,013
Total equity		**3,268,143**	2,598,946

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Liabilities			
Non-current liabilities			
Non-current portion of finance lease obligations		**–**	249
Non-current portion of bank borrowings	*10*	**127,376**	20,000
Non-current portion of other borrowings	*10*	**22,206**	26,597
Deferred government grants		**185,508**	195,048
Deferred income tax liabilities		**144,654**	148,131
Receipt in advance		**40,282**	53,237
Issued convertible bonds – liabilities portion		**–**	600,225
Financial liabilities at fair value through profit or loss		**27,123**	–
		547,149	1,043,487
Current liabilities			
Current portion of finance lease obligations		**158**	734
Trade payables	*11*	**7,916**	3,618
Accrued expenses and other payables	*11*	**216,882**	148,935
Deferred revenue	*11*	**244,367**	267,154
Current portion of bank borrowings	*10*	**724,528**	479,760
Current portion of other borrowings	*10*	**9,372**	952
Deferred government grants		**14,500**	7,898
Receipt in advance		**453,540**	1,088,866
Issued convertible bonds – liabilities portion		**654,743**	–
Financial liabilities at fair value through profit or loss		**14,377**	–
Other taxes payables		**36,898**	23,271
Income tax payables		**59,846**	23,421
		2,437,127	2,044,609
Total liabilities		**2,984,276**	3,088,096
Total equity and liabilities		**6,252,419**	5,687,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to the Company's equity holders					
	Share capital	Other reserves	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	66,465	741,008	352,807	1,160,280	154,887	1,315,167
Comprehensive income/(loss)						
Profit/(loss) for the year	–	–	52,552	52,552	(29,494)	23,058
Other comprehensive income						
Fair value gain on available-for-sale financial assets, net of deferred tax	–	158,283	–	158,283	–	158,283
Currency translation differences	–	(17,808)	–	(17,808)	–	(17,808)
Total comprehensive income/(loss)	–	140,475	52,552	193,027	(29,494)	163,533
Transactions with owners						
Issuance of new shares	18,417	1,063,819	–	1,082,236	–	1,082,236
Share based compensation – value of employee services	–	29,231	–	29,231	–	29,231
Exercise of share options	208	1,951	–	2,159	–	2,159
Contribution from non-controlling interests	–	–	–	–	6,620	6,620
Total transactions with owners	18,625	1,095,001	–	1,113,626	6,620	1,120,246
Balance at 31 December 2015	85,090	1,976,484	405,359	2,466,933	132,013	2,598,946

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2016

	Attributable to the Company's equity holders					
	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 at 1 January 2016	85,090	1,976,484	405,359	2,466,933	132,013	2,598,946
Comprehensive income						
Profit for the year	–	–	181,784	181,784	118,892	300,676
Other comprehensive income/(loss)						
Fair value gain on available-for-sale financial assets, net of deferred tax	–	62,400	–	62,400	–	62,400
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	–	(95,755)	–	(95,755)	–	(95,755)
Currency translation differences	–	13,876	–	13,876	–	13,876
Total comprehensive (loss)/income	–	(19,479)	181,784	162,305	118,892	281,197
Transactions with owners						
Issuance of shares upon conversion of convertible bonds	8,045	326,506	–	334,551	–	334,551
Buy-back of shares	(529)	(60,410)	–	(60,939)	–	(60,939)
Exercise of share options	1,279	10,429	–	11,708	–	11,708
Share based compensation – value of employee services	–	29,566	–	29,566	–	29,566
Share purchase for Share Award Scheme	–	(6,386)	–	(6,386)	–	(6,386)
Non-controlling interests arising on business combination	–	–	–	–	14,085	14,085
Contribution from non-controlling interests	–	–	–	–	11,112	11,112
Changes in ownership interests in subsidiaries without change of control	–	51,051	–	51,051	3,252	54,303
Total transactions with owners	8,795	350,756	–	359,551	28,449	388,000
Balance at 31 December 2016	93,885	2,307,761	587,143	2,988,789	279,354	3,268,143

NOTES

1 GENERAL INFORMATION

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

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

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

– Providing industrial search result prioritising services through its B2B website "hc360.com" and offering comprehensive IT-related product information by "zol.com.cn"; and providing trading and agency services through its O2O trading platform "ibuychem.com";

– Publishing its own trade catalogues and yellow page directories;

– Hosting exhibitions and seminars;

– Providing anti-counterfeiting products and services to enterprises;

– Providing lease financing services;

– Engaging in micro-credit internet financing business through its joint venture;

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

During the year ended 31 December 2016, the Group completed the acquisition of the entire issued share capital of ZhongFu Holdings Limited, which in turn indirectly holds 80.38% equity interest of Zhejiang ZhongFu Internet Technology Company Limited* (浙江中服網絡科技有限公司). Zhejiang ZhongFu Internet Technology Company Limited is principally engaged in the provision of vertical websites in the garment industry in the PRC.

The Group also completed the construction of the O2O business exhibition centre and obtained the final acceptance certificate from local authorities and started to recognise the revenue from sale of the properties of O2O business exhibition centre.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

* *English name is translated for identification purpose only.*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

New and amended standards have been issued and effective for the financial year beginning 1 January 2016

HKFRS 14	Regulatory deferral accounts
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Annual improvements projects	Annual improvement 2012-2014

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial period beginning on 1 January 2016 that would have a material impact on the Group.

3 SEGMENT INFORMATION

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

The Executive Directors assess the performance of the operating segments based on a measure of profit/(loss) before income tax. This measurement basis excludes the effect of finance income and cost, other income, other gains/(losses), net, share of profit/(loss) from associates and joint ventures.

As at 31 December 2016, the Group is organised into the following business segments:

(i) Online services – provision of a reliable platform to customers to do business and meet business partners online.

(ii) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.

(iii) Seminars and other services – services for hosting of seminars.

3 SEGMENT INFORMATION (CONTINUED)

(iv) O2O business exhibition centre – sales of properties and provision of property rental and management services.

(v) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprises.

(vi) Financing services – engaged in micro-credit internet financing business and lease financing services in the PRC.

There were no sales or other transactions between the business segments for the year ended 31 December 2016.

	Year ended 31 December 2016						
	Online Services *RMB'000*	**Trade catalogues and yellow page directories** *RMB'000*	**Seminars and other services** *RMB'000*	**O2O business exhibition centre** (Note) *RMB'000*	**Anti-counterfeiting products and services** *RMB'000*	**Financing services** *RMB'000*	**Total** *RMB'000*
Revenue	949,303	11,268	81,911	842,081	66,137	7,583	1,958,283
Segment results	64,930	1,126	3,383	226,294	(17,542)	4,571	282,762
Other income							19,590
Other gains/(losses), net							127,017
Share of post-tax profit/(loss) of associates	(19,355)	–	–	5,855	(2)	–	(13,502)
Share of post-tax profit of joint ventures	–	–	–	–	–	27,633	27,633
Finance income							47,375
Finance cost							(97,373)
Profit before income tax							393,502
Other information:							
Depreciation and amortisation	69,247	241	1,980	4,252	6,310	–	82,030
Share based compensation expense	22,906	328	2,240	3,678	414	–	29,566

Note:

During the year ended 31 December 2016, the revenue derived from O2O business exhibition centre consists of sales of properties of approximately RMB839,890,000 (2015: Nil) and rental and management services income of approximately RMB2,191,000 (2015: Nil).

3 SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2015						
	Online Services *RMB'000*	Trade catalogues and yellow page directories *RMB'000*	Seminars and other services *RMB'000*	O2O business exhibition centre *RMB'000*	Anti-counterfeiting products and services *RMB'000*	Financing services *RMB'000*	Total *RMB'000*
Revenue	733,309	18,251	109,364	–	55,168	46	916,138
Segment results	87,722	(8,784)	4,666	(49,974)	(8,651)	46	25,025
Other income							4,374
Other losses							(1,500)
Share of post-tax loss of associates	(684)	–	–	(1,389)	(29)	–	(2,102)
Share of post-tax profit of joint ventures	–	–	–	–	–	11,955	11,955
Finance income							43,376
Finance cost							(47,802)
Profit before income tax							33,326
Other information:							
Depreciation and amortisation	41,007	694	5,800	407	6,324	–	54,232
Share based compensation expense	23,042	774	4,639	284	492	–	29,231

The Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC for the year ended 31 December 2016 (2015: same).

As at 31 December 2016, the total non-current assets other than long term deposits, prepayments and other receivables, finance leases receivables, investments accounted for using equity method, available-for-sale financial assets, financial assets at fair value through profit or losses and deferred tax assets located in the PRC is approximately RMB2,662,888,000 (2015: RMB2,463,491,000), and the total of these non-current assets located in other countries is Nil (2015: Nil).

4 INCOME TAX EXPENSE

	2016 ***RMB'000***	2015 *RMB'000*
Current income tax expense		
– Hong Kong profits tax	**–**	–
– The PRC corporate income tax ("CIT")	**57,316**	26,758
– The PRC land appreciation tax ("LAT")	**36,187**	–
Deferred income tax credit	**(677)**	(16,490)
	92,826	10,268

5 EARNINGS PER SHARE

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**181,784**	52,552

	2016	2015
	No. of shares	No. of shares
	('000)	*('000)*
Weighted average number of shares in issue	**965,982**	755,356
Incremental shares from assumed exercise of share options granted	**15,728**	18,583
Diluted weighted average number of shares	**981,710**	773,939
Basic earnings per share (in RMB)	**0.1882**	0.0696
Diluted earnings per share (in RMB)	**0.1852**	0.0679

6 DIVIDENDS

A dividend in respect of the year ended 31 December 2016 of HK$0.05 per share (2015: Nil) was proposed by the Board on 28 March 2017 and to be approved by the shareholders in the forthcoming annual general meeting. This proposed final dividend, amounting to RMB44,636,000 (HK$49,900,000) has not been recognised as a liability in the financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2017.

7 BUSINESS COMBINATIONS

Zhongfu Holdings Limited

On 18 December 2015, Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited and Mr Moustache Holdings Limited (collectively, the "ZhongFu Sellers"), the Company, and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠), and Mr. Liao Bin (廖斌) (collectively, the "ZhongFu Seller Guarantors") entered into a sale and purchase agreement, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of ZhongFu Holdings Limited, for an aggregate consideration of HK$170,807,500. Part of the consideration amounting to HK$70,095,000 was paid in cash and the remaining portion was settled by issuance and allotment of convertible bonds which are subject to adjustments stipulated in the sale and purchase agreement.

On 5 January 2016, 杭州賽典信息科技有限公司 ("Hangzhou Saidian Information"), a wholly owned subsidiary of ZhongFu Holdings Limited, entered into a series of structured contracts, including exclusive technical services agreement, exclusive licensing agreement on intellectual property; exclusive right to purchase agreement; voting rights proxy agreement and pledge agreement with the shareholders of 杭州賽點科技有限公司 ("Hangzhou Saidian Technology"), Mr. Guo Jiang (郭江), Mr. Chen Xuejun (陳學軍).

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

7 BUSINESS COMBINATIONS (CONTINUED)

Zhongfu Holdings Limited (Continued)

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

Hangzhou Saidian Technology in turn hold 80.38% of the equity interest of Zhejiang Zhongfu Internet Technology Company Limited (浙江中服網絡科技有限公司) ("Zhejiang Zhongfu"). Consequently, Zhejiang Zhongfu has become a subsidiary of the Group with effect from 8 January 2016.

The results and financial position of ZhongFu Holdings Limited, Hnagzhou Saidian Information, Hangzhou Saidian Technology and Zhejiang Zhongfu have been included in the consolidated financial statements of the Group from 8 January 2016.

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

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

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

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed securities (Note i) RMB'000	Unlisted securities (Note ii) RMB'000	Total RMB'000
As at 1 January 2015	130,412	43,855	174,267
Additions	–	57,900	57,900
Fair value gain recognised in other comprehensive income	198,725	(9,202)	189,523
As at 31 December 2015	329,137	92,553	421,690
Less: non-current portion	(329,137)	(92,553)	(421,690)
Current portion	–	–	–
As at 1 January 2016	329,137	92,553	421,690
Additions	–	407,935	407,935
Disposals	(181,340)	(32,553)	(213,893)
Fair value gains recognised in other comprehensive income	27,257	46,636	73,893
Currency translation differences	7,092	–	7,092
As at 31 December 2016	182,146	514,571	696,717
Less: non-current portion	–	(484,071)	(484,071)
Current portion	182,146	30,500	212,646

Set out below is security which, in opinion of directors, is material to the Group as at 31 December 2016.

		Total amount		% of equity interest	
Name of the security	**Nature of the security**	**2016** ***RMB'000***	2015 *RMB'000*	**2016**	2015
Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited Company*	Unlisted ordinary shares	**422,000**	60,000	**9.72%**	2.49%

Note i: The balance mainly represents the fair value of the ordinary shares of companies listed in Main Board of The Stock Exchange of Hong Kong Limited.

Note ii: The balance represents the fair value of the ordinary shares of unlisted companies.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2016 (2015: Nil).

* *English names are translated for identification purpose only*

9 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**162,632**	121,165
Less: provision for impairment of trade receivables	**(7,643)**	(9,371)
Trade receivables – net	**154,989**	111,794
Deposits, prepayments and other receivables	**175,898**	481,366
Loans to employees	**28,824**	28,995
	359,711	622,155
Less: non-current deposit, prepayments and other receivables	**(32,011)**	(74,989)
Current portion	**327,700**	547,166

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

	2016	2015
	RMB'000	*RMB'000*
Current to 90 days	**98,603**	92,106
91 to 180 days	**37,608**	14,733
181 to 365 days	**20,183**	9,911
Over 1 year	**6,238**	4,415
	162,632	121,165

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 RMB878,000 for the impairment of its trade receivables during the year ended 31 December 2016 (2015: RMB8,212,000).

As at 31 December 2016, trade receivables of approximately RMB7,643,000 (2015: RMB9,371,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

As at 31 December 2016, trade receivables of approximately RMB21,552,000 (2015: RMB19,688,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
91 to 180 days	**2,773**	14,733
181 to 365 days	**18,378**	4,955
1–2 years	**401**	–
	21,552	19,688

9 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**9,371**	4,224
Impairment of receivables	**878**	8,212
Write off for impaired receivables	**(2,606)**	(3,065)
At 31 December	**7,643**	9,371

The creation and release of provision for impaired receivables have been included in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not include a provision for impairment of other receivables.

The maximum exposure to credit risk at the reporting date is the fair values of trade receivables disclosed above. The Group did not hold any collateral as security.

10 BORROWINGS

	2016	2015
	RMB'000	*RMB'000*
Non-current portion:		
Bank borrowings	**127,376**	20,000
Other borrowings	**22,206**	26,597
	149,582	46,597
Current portion:		
Bank borrowings	**724,528**	479,760
Other borrowings	**9,372**	952
	733,900	480,712
	883,482	527,309

Movements in borrowings is analysed as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**527,309**	139,664
Additions of borrowings	**940,818**	568,287
Repayments of borrowings	**(584,645)**	(180,642)
At 31 December	**883,482**	527,309

10 BORROWINGS (CONTINUED)

Bank borrowings mature until 2018 and bear average interest rate of 5.95% per annum (2015: 5.54% per annum), part of which amounting to approximately RMB160,000,000 (2015: RMB100,000,000) are secured by certain properties and land use right with carrying value amounting to approximately RMB257,271,000 (2015: RMB147,822,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. The borrowings are unsecured, mature ranging from 2017 to 2019 and bear average interest rate of 6.3% per annum (2015: 6.4% per annum).

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

The table below summarises the maturity analysis of bank borrowings based on agreed scheduled repayments set out in the loan agreements.

	Bank borrowings		**Other borrowings**	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**724,528**	479,760	**9,372**	952
Between 1 and 2 years	**127,376**	20,000	**19,792**	8,320
Between 2 and 5 years	**–**	–	**2,414**	18,277
	851,904	499,760	**31,578**	27,549

As at 31 December 2016, the Group has undrawn banking facilities amounting to approximately RMB12,624,000 (2015: Nil).

11 TRADE PAYABLES, DEFERRED REVENUE AND ACCRUED EXPENSES AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**7,916**	3,618
Deferred revenue	**244,367**	267,154
Accrued salaries and staff benefits	**22,826**	32,838
Accrued agency commissions	**15,385**	18,421
Accrued expenses	**109,647**	28,070
Deposit from customers	**51,528**	45,430
Other payables	**17,496**	24,176
	469,165	419,707

(a) The aging analysis of trade payables is as follows:

	2016	2015
	RMB'000	*RMB'000*
Current to 90 days	**6,136**	2,710
91 to 180 days	**1,163**	593
181 to 365 days	**395**	159
Over 1 year	**222**	156
	7,916	3,618

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2016, the Group continued its reforms of B2B business. According to the "active transaction", the Group has deeply mined the trading information of vertical industries by internally relying on more than 10 platforms like household appliances, machinery, hardware tools, chemicals and textile, and it has assisted the customers to complete their transaction, payment, storage and transportation. Throughout the year 2016, the Group has assisted Small to Medium enterprises ("SMEs") to complete Gross Merchandise Volume ("GMV") amount of approximately RMB41.6 billion while throughout the year 2015, the Group had completed GMV amount of approximately RMB5.62 billion, representing an increase of approximately 640%.

In 2016, the Group had underwent a series of reformation in the Internet technology service, including continuously updating Xunpanbao product, intelligent matching the needs of buyers and sellers, enabling the sellers to manage effective buyers from background, establishing the customizing matching team, establishing entrusted operation team that could assist clients to operate the platform shops, promoting result-driven products like Liuliangbao for which customers flexibly select product according to their demand, and adjusting marketing strategies at any time. In 2016, the contribution of B2B1.0 (including online services, trade catalogues and yellow page, seminars and anti-counterfeiting products) to the Group's revenue grew by approximately 22.1% year on year.

As for finance cluster, the Group provided micro-loan products through its joint ventures, and provided finance lease services through its wholly-owned subsidiaries. As the "lubricant" for transactions, micro-loan products and finance leases have become the growth engine of profits while strengthened the financial capacity of seller's supply chain. In addition, through the internal industry platforms and the B2B trading platforms of some joint-stock enterprises, SMEs' customers are able to flexibly use the online payment tool "HuiFuBao" to enjoy online payment without an upper limit and to guarantee the fund security, thereby facilitating the completion of transaction.

The business exhibition center of the Group related to small household electrical appliances was officially completed and commenced operation on 18 March 2016. More than 700 enterprises of small household electrical appliances entered into the Group's business exhibition center to serve the large distributors as well as small to medium online and offline distributors of small household electrical appliances home and abroad by leveraging on the natural advantages of "store in the front, factory at the back" in Shunde. Apart from the part used for exhibition in the mall, surrounding buildings were used for developing office space. The business exhibition center has become the first domestic O2O mall of B2B nature thanks to unremitting efforts of the Group and its business partners. Such project contributed significantly to the profit while promoted the B2B trade of small household electrical appliances in its completion year when certain revenue was recognised at the end of 2016.

In addition, development of applications of mobile terminals in B2B e-commerce transactions, B2B warehousing and logistics services provided by third parties through strategic cooperation, technical support of anti-counterfeiting and anti-channel conflict provided by holding company are all significant components of the B2B ecosystem. Apart from product information in relation to B2B e-commerce value, the value of new generation of B2B2.0 business has been widely recognized by more customers in 2016.

The Group encountered a tough transformation from offline to online under the internet boom, successfully spanning into the eighth year of operations under the internet environment indicating a new milestone for us. Now, we are facing another round of B2B e-Commerce reformation. We need to take the initiative to undergo changes while upgrading our B2B1.0 into a more vertical in-depth platform via transaction-orientation. We are also strategically planning for B2B2.0 which is transaction based, along with finance cluster and other B2B related services, to implement product upgrades and innovations, and at the same time, to enhance the quality of services so that we will eventually achieve considering fee-paying through efforts. In order to achieve a sound balance of the ecosystem of the B2B platform, we have been adhering to the motto of "servicing the buyers" since 2013. We also have been providing high quality procurement service for buyers to facilitate the balance between demand and supply and thus the closing of deals.

We assisted the accurate marketing and effort-based payment between buyers and sellers through online Biao-Wang Search, Mai-Mai-Tong, Cai-Gou-Tong and value-added services such as LiuLiangBao, which are based on the development of Mai-Mai-Tong, and through system matched Xunpanbao and artificial professional matching team to facilitate final deals. As the "lubricant" for transaction, Internet financial products have assisted buyers to strengthen the short-term financial capacity of supply chain, and HuiFuBao serves as an online transaction payment tool to ensure buyers' fund security. At the same time, we also promoted the communication and activities within the community of industry via various offline forums, trade fairs, expositions, Feasts for Industry Brands, enhancing the complementary effect of online and offline marketing in such a way that the marketing efforts of e-commerce will be maximised, so as to increase the successful rate of transactions.

In 2016, approximately 48.5% of the revenue of the Group was generated from online services, approximately 43.0% of the revenue was from O2O business exhibition center, approximately 4.8% was from paper media, seminars and other activities, approximately 0.4% was from finance cluster and approximately 3.4% was from anti-counterfeiting products and services.

(1) Products

Online Products

The Group provides its online services mainly through the platform of "www.hc360.com" and its online application, on which business information is collected and disseminated with an aim to facilitate the location and matching of buyers and sellers.

The online platform is further divided by industries (such as household appliances, electronics and chemical painting, etc.) to assist users by providing information and updates of the relevant industries. The Group currently derives revenues from its online services mainly through Mai-Mai-Tong, Biao-Wang Member, entrusted operation and Xunpanbao performance-based services.

Mai-Mai-Tong

Mai-Mai-Tong is the principal B2B product of the Group. Currently, Mai-Mai-Tong offers free subscription and fee-paying membership (with subscription fee varying based on the services attached). After registering for Mai-Mai-Tong, users may establish their online storefront on the Group's online platform, on which they may disseminate information subject to vetting of the Group for promotion of its products and services. Users may join industry portals on the platform, and may view messages disseminated by counterparties on the platform. Supplementary services provided to Mai-Mai-Tong users include precise search, Cai-Gou-Tong, user quick match, Huifubao, visitor analysis, Wechat customer service and other integrated e-commerce services (such as industry news access, online consulting, smart shop backend, credit certification, independent website).

The Group also engages third party institutions to provide identity certification to fee-paying enterprises members of Mai-Mai-Tong. Services of Mai-Mai-Tong may be offered to users alone or together with other value-added services (for example, Biao-Wang search) as a package. In 2015 and 2016, we carried out a series of reforms based on Mai-Mai-Tong and added value-added services:

a) Mobile End Services

We introduced Mai-Mai-Tong mobile services and provided online-shops on Wechat platform for customers which are serving over 100,000 customers in aggregate.

At the end of 2016, the Group began to develop the "Super Trade Catalogues" products, the mobile end application to gradually replace the printed magazines "HC Trade Catalogues" and "HC Yellow Page Directory". The Group has developed mobile end APPs for different industries together with Huijia Yuantian Limited, a wholly-owned subsidiary of the Group, with the social media as the carrier, the Group utilised the industry information and big data analysis to carry out the targeting vertical industry precision marketing. At the end of 2016, the Super Trade Catalogues of household appliance industry and the hospitality industry has been online. In February 2017, the Super Trade Catalogue of machinery industry was brought online and was named "Zhaojihui".

b) Transaction Matching Services

In July 2015, the Group established a transaction matching team to provide trade-matching services for B2B industry buyers and sellers based on Mai-Mai-Tong. The average number of daily service is over 10,000.

Currently, over 1,000 effective daily matching contracts are entered into by the transaction matching team, of which some transactions are paid by Huifubao online payment system. The matching transactions are mainly from engineering machinery, chemical engineering, textile, tool and household appliance industries.

c) Xunpanbao Services

Xunpanbao aims at matching high cost-effective products and sellers for buyers, representing the value-added services of Mai-Mai-Tong currently. It is proposed that sellers will be charged by classes based on effective number of buyers in the future.

d) Entrusted Operation Services

The Group launched entrusted operation services at the end of 2015. With a view to assisting small enterprises for starting their e-commerce operation business, the services provided for customers include website decoration, products releasing, buyer reception and real time maintenance. The entrusted operation services have been recognised by customers. Currently, more than 2,000 customers subscribe such services monthly.

e) Liuliangbao

The Group launched Liuliangbao product at the end of 2016, which is a marketing model with precise promotion and flexible operation, and its advertising service charged on the base of performance saves cost for enterprises. It provides not only advertising places for multi-directional diversion on the website, but also a large number of external network traffic introduction and precise push, which enable the promotional products to obtain free mass exposure, and charges on the basis of clicks. It is a new generation of value-added performance-based service that the Group introduced to the Mai-Mai-Tong members.

Search Products

Search products, operated under the brand "Biao-Wang", are one of the value-added services provided to fee-paying Mai-Mai-Tong users. It provides keyword search result services through improving and prioritizing users' page links/products' ranking and providing scrolling display on the Group's platform upon searching specific keywords. The Group currently derives revenue from its search products by charging service fees annually per keyword. Such fixed fees are determined based on the ranking and display position on the Group's platform, and are being charged on a pre-paid basis upon entering into service contracts with users, without regard to number of clicks.

Online Transaction Service

"HuiFuBao" is a payment tool developed by the Group to facilitate online transactions. In light of the increasing demand of SMEs for transaction safety, speed and convenience, online transaction has become the future development of the B2B market. Based on its own strategies and business characteristics, and at the aim of fully satisfying customers' requests, the Group has developed online transaction service tailored to the B2B market, which facilitates high value payment and addresses customers' concern about the safety issue. HuiFuBao is a product provided to Mai-Mai-Tong users with an aim to assisting transactions between buyers and sellers of the online platform. HuiFuBao operates through the operation and cooperation pursuant to a payment services agreement (支付服務協議) and a transaction funding escrow services cooperation agreement (交易資金監管服務合作協議). For the principal terms of such agreements, please refer to the announcement of the Company dated 25 September 2014. Currently, the Group does not derive any revenue from or charge buyers or sellers for the use of HuiFuBao service. Focusing on the B2B transactions, the Group has continued to extend its online transaction services and develop respective transaction modules based on the needs of different industries so as to continue with the transactions of each sector. In order to build a B2B transaction platform, the Group will continue to explore various approaches to enhance the stability of the B2B loop operations, and to include various elements (such as O2O and Internet finance) in order to further smoothen the operation.

Online Advertising

Online advertising services are also provided by the Group on the online platform and subdivided industry webpages. The Group derives advertisement income, which are determined based on, among others, display position and size, frequency of display, without regard to number of clicks.

Financial Service Products

Mai Mai Loan, a finance product developed by our joint venture company, Digital China HC Micro-Credit Co., Ltd (神州數碼慧聰小額貸款有限公司), is a service which can promote the development of B2B transaction platform. In addition, we also cooperate with financial institutions to provide microfinance products to SMEs. Today, SMEs are facing difficulties in securing bank loans with stringent requirements of loan approval resulted from the contracted capital liquidity in China. Mai Mai Loan and microfinance products offer our customers opportunities to apply for microloan from our joint ventures and financial institutions which cooperate with us. Internet financial products can to certain extent help SMEs improve their cash flows.

Offline Products

As for trade catalogues, "HC Trade Catalogues", is an authoritative industry purchasing guide in China. It covers a myriad of corporate information and price dynamics with extensive coverage and strong industrial influence established over the years. It is one of the leading catalogues in B2B industry. As for yellow page directories, as a business yearbook for specific industries, the "Yellow Page Directories" feature a systematic compilation of industry information, product technology and industry yellow page information. This product acts as an important reference that bridges manufacturers, suppliers, administrative organisations and users in different industries. Nevertheless, with the emerging of internet technologies and products, more and more users have migrated to our new online substitutes. Hence, the Group will shift its focus from paper media information business to mobile end information products with multi-media as its carrier (with Super Trade Catalogues as a representative sample of new products), and such new products will also be gradually introduced to all customers.

As a result, the Group would transit the specially customized information and advertisement of paper media to developed new product of broadcasting mobile-end content via multiple media (representative new product is ChaoJiShangQing). Customer interested in the paper media product would also be covered by new products eventually.

Feasts for Industry Brands

The Group launched the promotion campaign for industry brands in 2008, which aims at rewarding people and enterprises which made significant contribution to the industrial development, reform and transformation, building up brand influence for leading enterprises in the industry and thereby promoting industrial progress. In 2016, the Group once again successfully organised such campaign, and drove industry development with the theme of "influence changes the future of the industry".

Anti-counterfeiting Products and Services

This segment provides digital identity management services and unique identification labels and tools (such as anti-counterfeiting tags) to customers that require source-tracing, logistics-tracking and consumer brand building for "Original Brand". The services and their database are rendered via both PC and mobile apps. Such business is operated by our acquired subsidiary, Beijing Panpass Information Technology Company Limited.

B2B2C Products and Services

Since the acquisition of Orange Triangle Inc. (ZoL.com.cn, 中關村在線), the service scope of IT consumer products such as mobile and accessories, recoverable gear, computer, camera, computer hardware and software has been expanded to large-scale customers leveraging on the more than 70% coverage of tech-sensitive user in China, and also opened up the information and advertising channels for IT consumer product producer, capillary retailers and end-consumers.

Since the acquisition of ZhongFu Holdings Limited (efu.com.cn, 浙江中服), the serving scope of consumer product of clothing industry (fashion brand, clothing, colth etc.) has been expanded to distribute product and brand advertisements for large-scale distributer, blood-vessel shops and end-customers, and also opened up B2B2C channel via online & offline promotion activities.

(2) Marketing Channels

Through three sales teams, namely the Industry Direct Sales, the Agency Sales and the Telemarketing Sales teams, hc360.com provides online and offline products and services of the Company to customers in segmented professional marketplaces. Established since 2006, such sales model helps enterprises to realise steady revenue growth with mature and active attitude to respond to changes in marketing. As one of the major sales forces of the Group, the Direct Sales Team focuses on selling high-end online and offline products, targeting at value-based and relationship-based customers. It also provides vertical and professional products and services to customers of various industries so as to achieve value enhancement. The Telemarketing Sales Team was formed in August 2006 to meet the needs of high value-added services and consumer product markets. The growth in its performance has been derived from the strengthening of its managing system, resulting in improvement in its working efficiency and market promotion ability. Today, the Telemarketing Sales Team has become a critical sales channel of the internet products of the Group. The Agency Sales team has been extending the regional market reach for the Group to the maximum degree and promoting brands. It has become an important supplementary sales force of the Group.

(3) Major Customers and Suppliers

The Group's customers consist of a vast amount of SMEs in the PRC. Most of the Group's revenue is derived from online products and since the relevant price of each online product is not significant and the online products are sold to a large number of customers, each customer's contribution towards the Group's revenue is relatively small. Therefore, the Company's reliance on any individual customer is low. In respect of Mai-Mai-Tong, Biao-Wang products and services, sales agreements are entered into between the Group and its customers. The terms of the sale agreements are divided into one year, and/or two year depending on different products. Upon the expiry of the sales agreements, customers have an option to renew the sales agreements.

The Company's major suppliers are as follows: (i) the verification supplier provides verification services for Mai-Mai-Tong members. Our verification supplier is an independent third-party company with the relevant verification qualifications, and is paid on a monthly basis according to the number of verifications carried out in that particular month. We have cooperated with this verification supplier for several years and our supply contract with the current verification supplier is renewed yearly; (ii) the search product suppliers provide search engine and promotion services for Biao Wang products, allowing our paid members to have a higher exposure of their products by getting more search engine hits and promoting their products and achieving transactions. We currently have 6 search product suppliers which are leading search engine providers like Baidu and 360 Search and the respectively service contracts with them are renewed on a yearly basis.

(4) Customer Service

With its business covering over 50 sectors, the Group has dedicated service team serving both purchasers and clients. It facilitates transactions by way of supply and demand matching, online negotiations, offline trade meetings and group purchasing. The Group provides "Report on Purchasers Practice Analysis" and "Report on Big Data Analysis", in order to thoroughly study the industry characteristics, member types and their spreads, process of making buying decision, buying practice, buying cycle and change of concerns, and also made predictions and justifications on buying trend to assist purchasers to complete their transactions in a more effective way.

Member Care

The Group sets up and improves customer service ratings system on the basis of the integration of various resources under hc360.com. To meet the changing requirements of the customers, the Group aims at investing more resources in research and development for network products and the operation of online items to introduce product and service systems tailored to the market needs. The Group launched customised services in accordance with the status of the members in order to improve the experience and degree of satisfaction of users as well as building up a closely bound internet community.

PROSPECTS

Since being listed on the GEM in 2003 and the transfer of listing to the Main Board in 2014, the Company has transformed from a traditional media company to a B2B online company and explored its most appropriate development path through transitions. A vertical in-depth services model is clearly formed. We again increased the trading properties of the platform, achieved by developing a series of services in trade-matching and pay-for-performance products in 2015 and 2016. We will continue to increase the frequency and self-motivated driven B2B trade in 2017.

In 2017, we will continue to provide services for the SMEs of B2B domestic trading and explore effective purchaser information in segmented industry by using the cloud computing to provide appropriate management tool to sellers. At the same time, we will enhance the transaction matching function of hc360.com as an integrated transaction platform, the function of online transaction payment, finance cluster, third-party logistics, anti-counterfeiting and anti-channel conflict services, in order to increase the transaction interaction between the upstream and downstream sellers; of which the promotion of pay-for-performance products, the development of high-precision marketing mobile applications, the rendering of added-value service for active transactions, is one of the major task for this year.

In 2017, we will continue to integrate internal resources and develop professional B2B platform in segmented areas. Meanwhile, we will enhance strategic cooperation with B2B portals of the Group (participated or controlled), expecting to enhance the trading properties of the platform. Meanwhile, in the light of a deep understanding of upstream and downstream value chain, we will initiate and further expand consignment sales.

Since the Group and Digital China Holdings Limited jointly established Chongqing Digital China Huicong Micro-Credit Co., Ltd.* (重慶神州數碼慧聰小額貸款公司) ("Micro-Credit Company") in September 2014, the Group sensibly utilised resources to assist customers in completing single or a combination of finance solutions such as trade loans, credit loans and guaranteed loan.

In November 2016, the Group further subscribed to approximately 9.72% shareholding in Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("Jingu Bank"). The Group will explore the potential business opportunities of Jingu Bank in this regard, and continue to provide micro-loan and finance lease services to SME customers through the Micro Credit Company and Huicong Finance Leasing Company Limited (慧聰融資租賃有限公司).

In 2017, under the strategy of trade and finance, the Group's financial products are expected to act as "lubricant" so as to help customers complete B2B transactions while bring better prospect in future profits for the Group.

The Group collaborated with its business partners to acquire lands with areas of 43,965 sq.m. and 48,103 sq.m. in Shunde District, Guangdong Province and Yuyao City, Zhejiang Province in February 2013 and December 2014, respectively. Among others, Huicong Shunde Household Electrical Appliances Center ("Shunde Household Electrical Appliances Center") located in Guangdong Province has completed construction by the end of 2015, and an opening ceremony was held in 18 March 2016. Huicong Yuyao Household Electrical Appliances Center (慧聰余姚家電城) (apart from household electrical appliance end-products, which are planned to trade plastic and plastic moulds manufactured for household electrical appliances) has commenced construction in March 2015 with a term for approximately 3 years.

Under the strategy of O2O business exhibition center, in 2017, the Group expects that Shunde Household Electrical Appliances Center will continue to increase the trading properties of the Group, make outstanding contribution to the construction of B2B ecosystem and collaborate with finance cluster and the traditional business of B2B1.0 to create enormous synergy.

In February 2017, the Group successfully completed 100% acquisition of Huijia Yuantian Limited, a company with mobile terminals as its carrier, developing digital interactive media marketing tools and driving marketing through technology to help customers build a cross-industry integrated marketing platform. With the Group's extensive industry information, in 2017, the Group is expected to develop a technology system for SMEs in different industries through an open mobile platform to achieve the commercial value of high-precision marketing, e-commerce and distribution as well as interactive media.

Professionalism and dedication are always the core DNA of hc360.com. These characteristics determine our focus on vertical integration and horizontal alignments strategies. With our distinguished way of doing business, along with our leading partners, we are able to provide one-stop solution for SMEs via our platform, helping them to build a long standing business with track records and heritage.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group's cash and bank balances increased by approximately RMB172,822,000 from approximately RMB790,701,000 as at 31 December 2015 to approximately RMB963,523,000.

The Group had total borrowings (including issued convertible bonds) and finance lease obligation amounted to approximately RMB1,538,383,000 as at 31 December 2016 (2015: RMB1,128,517,000). As at 31 December 2016 the gearing ratio of the Group was 15% (2015: 12%), whereas the Group's gearing ratio is calculated as net debt divided by total capital. The capital and reserves attributable to the Company's equity holders increased by approximately RMB221,326,000 as compared to last year.

The Group's net current assets amounted to approximately RMB41,313,000 as at 31 December 2016 (2015: RMB141,176,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.02 times as at 31 December 2016 as compared to approximately 1.07 times as at 31 December 2015. The Group's trade receivables turnover has decreased from approximately 28.58 days in 2015 to approximately 24.52 days in 2016.

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

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

The subscription constituted a major transaction of the Company. On 12 September 2016, an ordinary resolution was duly passed by the shareholders of the Company approving, confirming and ratifying the said subscription. According to approval by 中國銀行業監督管理委員會內蒙古監管局 (China Banking Regulatory Commission Inner Mongolia Supervisory Authority*) dated 13 September 2016, HC Internet was allowed to subscribe 105,000,000 shares of Jingu Bank, together with the 19,300,000 shares of Jingu Bank acquired by HC Internet on 22 July 2015, resulting in HC Internet holding approximately 9.72% of the issued share capital of Jingu Bank. As at 31 December 2016, HC Internet has paid the consideration in the amount of RMB315,000,000 in full.

Further details are set out in the announcements of the Company dated 7 December 2015, 30 June 2016, 16 August 2016 and 12 September 2016 and the circular of the Company dated 25 August 2016.

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES IN SHANGHAI GANGYIN E-COMMERCE CO., LTD

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

Further details in relation to available-for-sale financial assets are set out in the announcement of the Company dated 15 January 2016.

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF ZERO COUPON CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 9 December 2015, the Company entered into the subscription agreement (the "Subscription Agreement") with Mr. Guo Jiang (an executive Director and the chief executive officer of the Company), Mr. Lee Wee Ong (an executive Director and chief financial officer of the Company), Mr. Liu Jun (an executive Director of the Company) and Mr. Liu Xiaodong (a shareholder of the Company and a director of several subsidiaries of the Company) (collectively, the "CB Subscribers"), pursuant to which the CB Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds (the "Convertible Bonds") in an aggregated principal amount of HK$500,000,000 to be issued by the Company under the specific mandate of the Company. The transactions contemplated under the Subscription Agreement constituted a connected transaction of the Company and was approved by the shareholders of the Company on 1 February 2016. On 26 May 2016, all the conditions precedent as set out in the Subscription Agreement had been fulfilled and the partial completion of the subscription of the Convertible Bonds took. Place of the Convertible Bonds in an aggregate principal amount of HK$380,000,000 were issued to Mr. Guo Jiang, Mr. Lee Wee Ong and Mr. Liu Jun in accordance with the terms of the Subscription Agreement.

On 31 May 2016, the Company received conversion notices from Mr. Guo Jiang, Mr. Lee Wee Ong and Mr. Liu Jun (as bondholders) in respect of the exercise of the conversion rights attached to the Convertible Bonds in the principal amount of HK$160,000,000, HK$60,000,000 and HK$160,000,000 (in aggregate of HK$380,000,000) respectively at the conversion price of HK$4.00 per share (the "Conversion"). As a result of the Conversion, on 1 June 2016, the Company allotted and issued 40,000,000 new shares, 15,000,000 new shares and 40,000,000 new shares (in aggregate of 95,000,000 shares) (the "Conversion Shares") to Mr. Guo Jiang, Mr. Lee Wee Ong and Mr. Liu Jun respectively. The Conversion Shares rank pari passu with all the existing shares of the Company at the date of allotment and among themselves in all respects.

On 20 January 2017, the Company entered into a termination deed with Mr. Liu Xiaodong (the "Termination Deed"), pursuant to which, the Company and Mr. Liu Xiaodong mutually agreed to terminate the Subscription Agreement on the part of the Company and Mr. Liu Xiaodong only and in accordance with relevant clauses in the Subscription Agreement.

With effect from the date of the Termination Deed, Mr. Liu Xiaodong ceased to subscribe for the Convertible Bonds with a principal amount of HK$120,000,000, and neither the Company nor Mr. Liu Xiaodong shall have any claim or action against each other in connection with the Subscription Agreement.

The Board considers that the Termination Deed has no material adverse impact on the business operations and financial position of the Group.

For more details, please refer to the announcements of the Company dated 9 December 2015, 30 December 2015, 1 February 2016, 29 February 2016, 1 April 2016, 26 May 2016, 1 June 2016 and 20 January 2017 and the circular of the Company dated 12 January 2016.

SHARE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ZHONGFU HOLDINGS LIMITED INVOLVING ISSUE OF CONVERTIBLE BONDS AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE STRUCTURED CONTRACTS

On 18 December 2015, Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr Moustache Holdings Limited (collectively, the "Sellers"), the Company, and Mr. Cao Guoxiong (曹國熊), Mr. He Shunsheng (何順生), Mr. Chen Xuejun (陳學軍), Mr. Guan Jianzhong (管建忠) and Mr. Liao Bin (廖斌) (collectively, the "Seller Guarantors") entered into a sale and purchase agreement, pursuant to which the Sellers had conditionally agreed to sell, and the Company had conditionally agreed to acquire the entire issued share capital of ZhongFu Holdings Limited for an aggregate consideration of HK$170,807,500 (subject to adjustments), to be settled by way of cash and issuance and allotment of convertible bonds of the Company (subject to adjustments). The said acquisition constituted a share transaction of the Company. The entering into of a series of structured contracts between, among others, the Group and Mr. Guo Jiang (an executive Director, chief executive officer and a substantial shareholder of the Company) constituted continuing connected transaction of the Company.

The completion of the transactions under the sale and purchase agreement took place on 8 January 2016 in accordance with the terms of the sale and purchase agreement.

HK$100,712,500 of the Consideration (being the aggregate principal amount of the allotment and issue of the said convertible bonds) is subject to downward adjustments on the basis of a yearly target amount of RMB10,000,000, RMB13,000,000 and RMB16,900,000 of the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu for the year ended 31st December 2016, 2017 and 2018 respectively.

According to the statutory combined audited financial statement of Zhejiang Zhongfu for the year ended 31 December 2016 dated 28 March 2017, the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu for the year ended 31 December 2016 exceeds RMB10,000,000. Accordingly, the relevant performance target for the year ended 31 December 2016 has been met, and the Sellers shall convert the said convertible bonds in the principal amount of HK$40,427,500 into shares of the Company at the conversion price of HK$10.00 per share. Accordingly, a total of 4,042,750 shares of the Company will be allotted and issued to the Sellers.

Please refer to the announcements of the Company dated 3 July 2015, 18 December 2015, 8 January 2016 and 28 March 2017 for further details.

PROPOSED DISPOSAL OF BEIJING ZHIXING RUIJING

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

On 20 September 2016, the Company received a written notice from Shanghai Ganglian pursuant to which Shanghai Ganglian had decided to terminate the transactions contemplated under the Framework Agreement (the "Termination") in view of the change of securities market conditions and policies of the PRC, in particular, the uncertainty of the relevant PRC listing policies on the return of overseas listed company to A shares and the material uncertainty on the part of Shanghai Ganglian to proceed with the transactions contemplated thereunder.

In view of the change of regulatory policies governing the transactions contemplated under the Framework Agreement and the uncertainty to proceed with the transactions, the Board, after careful consideration, accepted the reason of the Termination. The Termination was exercised pursuant to the terms of the Framework Agreement due to the change of regulatory laws, regulations and policies of the PRC resulting in the impracticability to complete the transactions contemplated thereunder. In view of the aforesaid and taking into account the interest of the Company as a whole, the Company agreed to the Termination.

After the Termination, Beijing Zhixing Ruijing continues to be a subsidiary of the Company and its results continue to be consolidated in the accounts of the Company.

The Directors believe that the Termination will have no material adverse impact on the existing operation, management and prospects of the Group.

Please refer to the announcements of the Company dated 6 May 2016, 13 May 2016, 27 May 2016, 30 May 2016, 6 June 2016, 29 June 2016, 30 June 2016 and 29 July 2016, and 4 August 2016, 23 August 2016, 14 September 2016, 21 September 2016, 23 September 2016 and 26 September 2016 and circular of the Company dated 30 August 2016 for further information.

CONNECTED TRANSACTION IN RELATION TO CAPITAL INCREASE AGREEMENT INVOLVING DEEMED DISPOSAL OF EQUITY INTEREST IN GUANGZHOU HUICONG

On 15 March 2016, Mr. Liu Jun, Mr. Song Bingchen, Mr. Han Gang and Mr. Xu Ke (collectively, the "Subscribers"), each being a director of certain indirect subsidiary(ies) of the Company, entered into the capital increase agreement with Shenzhen Jing Huicong Network Technology Company Limited (深圳市京慧聰網絡科技有限公司) ("Shenzhen Jing Huicong"), Beijing Huicong Interconnection Information Technology Company Limited (北京慧聰互聯信息技術有限公司) ("Beijing Huicong Interconnection") and Guangzhou Huicong Network Technology Company Limited (廣州慧聰網絡科技有限公司) ("Guangzhou Huicong"), each of them being an indirect wholly-owned subsidiary of the Company), pursuant to which the parties agreed that the registered capital of Guangzhou Huicong be increased from RMB5,000,000 to RMB8,333,333 ("Capital Increase"), comprising RMB3,333,333 to be contributed to the increase in registered the capital of Guangzhou Huicong, and RMB50,000,000 to be contributed to the capital reserve of Guangzhou Huicong. The Subscribers shall make capital contribution in an aggregate amount of RMB53,333,333 by installment. Upon completion of the Capital Increase, Guangzhou Huicong is owned as to approximately 40.00% by the Subscribers and approximately 60.00% by Shenzhen Jing Huicong and Beijing Huicong Interconnection collectively. The Capital Increase constituted a connected transaction of the Company. Please refer to the announcement of the Company dated 15 March 2016 for more details.

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF SHARES OF DIGITAL CHINA HOLDINGS LIMITED

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

The said acquisition constituted a discloseable transaction of the Company. The said transaction has been completed. Further details are set out in the announcement of the Company dated 5 July 2016.

DISCLOSEABLE TRANSACTION IN RELATION TO CORNERSTONE INVESTMENT IN SMART-CORE HOLDINGS LIMITED

On 23 September 2016, Hong Kong Huicong entered into a cornerstone investment agreement with Smart-Core Holdings Limited ("Smart-Core Holdings"), DBS Asia Capital Limited and Haitong International Securities Company Limited (collectively "the Joint Global Coordinators), pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Smart-Core Holdings up to an aggregate value of US$4,000,000 (equivalent to approximately HK$31,000,000). On 7 October 2016, Hong Kong Huicong was allocated 16,938,000 shares of Smart-Core Holdings for a total consideration of HK$30,996,540.

The said cornerstone investment agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company.

For further details, please refer to the announcement of the Company dated 26 September 2016.

CAPITAL STRUCTURE

During the year ended 31 December 2016, 15,352,000 shares of the Company were issued upon the exercise of share options under the share option scheme of the Company.

During the year ended 31 December 2016, convertible bonds with principle amount equivalent to HK$380,000,000 have been converted into 95,000,000 ordinary shares of the Company at the conversion price of HK$4 per share.

During the year ended 31 December 2016, 12,290,000 shares of the Company were repurchased pursuant to the general mandate to repurchase shares and 5,990,000 shares had been cancelled.

The total number of issued shares of the Company was 1,004,308,103 as at 31 December 2016 (2015: 899,946,103).

For details of shares repurchased during the financial year ended 31 December 2016 but cancelled on 17 February 2017, please refer to the section headed "SUBSEQUENT EVENTS" below.

STAFF AND REMUNERATION

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31 December 2016, the total number of Group's employees was 2,964, among which 1,673 were employed in the Sales and Marketing Division, 325 were employed in the Editorial Division, 612 were employed in the Information Technology Division and the remaining were employed in other divisions of the Group.

Remuneration of employees is generally in line with the market trend and commensurate with the salary level in the industry, with share options granted to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programmes and educational subsidies.

CHARGES ON GROUP ASSETS

As at 31 December 2016, part of the bank borrowings, amounting to RMB160,000,000 are secured by certain properties and land use right.

EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no contingent liability (2015: Nil).

SUBSEQUENT EVENTS

a) Discloseable Transaction in relation to the acquisition of the entire issued share capital of Huijia Yuantian Limited involving issue of convertible bonds

On 13 January 2017, the Group entered into a share purchase agreement with Mu Hao Holdings Limited, Hong Rui Technology Holdings Limited, Chance Technology Co. Ltd and Vanguard Technology Holdings Limited (together the "Vendors") and Mr. Zou Kai (鄒凱), Mr. Hong Chaoran (洪超然), Ms. Wang Fei (王菲) and Mr. Sun Yi (孫毅) (together the "Vendor Guarantors") to acquire the entire equity interest of Huijia Yuantian Limited at a total consideration amounted HK$409,090,909. Part of the consideration in the amount of HK$184,090,909 was settled by cash, while the remaining portion was settled by issuance and allotment of convertible bonds in the aggregate principal amount of HK$225,000,000 (subject to adjustments).

The transaction had been completed on 3 February 2017 in accordance with the terms of the sale and purchase agreement. Please refer to the announcements of the Company dated 13 January 2017 and 3 February 2017 for further details.

b) Cancellation of shares repurchased

A total of 6,300,000 shares repurchased on 15 November 2016, 16 November 2016, 28 November 2016, 29 November 2016, 30 November 2016, 1 December 2016, 2 December 2016, 5 December 2016, 9 December 2016, 12 December 2016, 16 December 2016, 22 December 2016 and 23 December 2016 were cancelled on 17 February 2017.

c) Termination of the Subscription Agreement by the Company and Mr. Liu Xiaodong

The Company has terminated the Subscription Agreement with Mr. Liu Xiaodong only on 20 January 2017. Please refer to the section headed "connected transaction in relation to subscription of zero coupon convertible bonds under specific mandate" above for further details.

AUDIT COMMITTEE

The Company established an 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 Mr. Tang Jie and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the chairman of the audit committee.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Company for the year ended 31 December 2016 and has met with external auditors and discussed the financial matters of the Group that arose during the course of audit for the year ended 31 December 2016. The audit committee held two meetings during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company had complied with the code provisions of the Code on Governance contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company total issued share capital was held by the public as at the date of this announcement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors 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 materially competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the year ended 31 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written confirmation or an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors are or have been remained independent.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Pursuant to the employees' share award scheme adopted on November 2011, trustee purchased an aggregate of 1,315,000 shares of the Company as awarded shares during the year ended 31 December 2016.

During the year ended 31 December 2016, 12,290,000 shares of the Company were repurchased pursuant to the general mandate to repurchase shares and 5,990,000 shares had been cancelled. Save as disclosed in this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31 December 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "AGM") is proposed to be held on 26 May 2017 (Friday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

Closure of Register of Members – Annual General Meeting

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend and vote at the AGM, from 23 May 2017 to 26 May 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 22 May 2017.

Closure of Register of Members – Final Dividend

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Friday, 2 June 2017 to Tuesday, 6 June 2017 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 1 June 2017.

DIVIDEND

The Board recommended the payment of a final dividend of HK$0.05 per share for the year ended 31 December 2016. The final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 26 May 2017 (the "AGM") and the final dividend will be payable on or around 30 June 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 6 June 2017.

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

Beijing, PRC, 28 March 2017

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

Mr. Guo Fansheng *(Executive Director and Chairman)*
Mr. Guo Jiang *(Executive Director and Chief Executive Officer)*
Mr. Lee Wee Ong *(Executive Director and Chief Financial Officer)*
Mr. Liu Jun *(Executive Director)*
Mr. Li Jianguang *(Non-executive Director)*
Mr. Wong Chi Keung *(Non-executive Director)*
Mr. Zhang Ke *(Independent non-executive Director)*
Mr. Zhang Tim Tianwei *(Independent non-executive Director)*
Mr. Tang Jie *(Independent non-executive Director)*

* *For identification purposes only*