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 31ST DECEMBER 2015

HIGHLIGHTS

- Revenue was approximately RMB916.1 million, which decreased by approximately 5.2%, when compared to RMB966.6 million recorded in 2014.
- Profit attributable to equity holders of the Company was approximately RMB52.6 million in 2015, while it was approximately RMB187.6 million in 2014, representing a decrease of approximately 72.0%.
- The Group's EBITDA*(Note)* was approximately RMB121.2 million, which decreased by approximately 56.3% compared with that achieved in the previous year of approximately RMB277.6 million.
- The diluted earnings per share was RMB0.0679, while it was RMB0.2729 a year before.
- The Board does not recommend payment of final dividend for the year ended 31st December 2015.

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" or "HC") for the year ended 31st December 2015. 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 31st December 2015

	Note	**2015**	2014
		RMB'000	*RMB'000*
Revenue	*3*	**916,138**	966,637
Cost of revenue	*4*	**(95,513)**	(72,433)
Gross profit		**820,625**	894,204
Other income	*5*	**4,374**	9,706
Selling and marketing expenses	*4*	**(598,874)**	(530,578)
Administrative expenses	*4*	**(198,226)**	(179,396)
Operating profit		**27,899**	193,936
Finance income		**43,376**	31,779
Finance cost		**(47,802)**	(4,951)
Share of post-tax losses of associates		**(2,102)**	(477)
Share of post-tax profits of joint ventures		**11,955**	801
Profit before income tax		**33,326**	221,088
Income tax expense	*6*	**(10,268)**	(37,827)
Profit for the year		**23,058**	183,261
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
Fair value gain on available-for-sale financial assets		**158,283**	16,067
Currency translation difference		**(17,808)**	2,355
Total comprehensive income for the year, net of tax		**163,533**	201,683
Profit attributable to:			
Equity holders of the Company		**52,552**	187,633
Non-controlling interests		**(29,494)**	(4,372)
		23,058	183,261
Total comprehensive income attributable to:			
Equity holders of the Company		**193,027**	206,055
Non-controlling interests		**(29,494)**	(4,372)
		163,533	201,683

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31st December 2015

	Note	**2015** **RMB'000**	2014 *RMB'000*
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	*7*	**0.0696**	0.2833
Diluted earnings per share	*7*	**0.0679**	0.2729
Dividends	*8*	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2015

	Note	2015 RMB'000	2014 RMB'000
Assets			
Non-current assets			
Land use rights		**176,145**	180,882
Investment properties		**510,551**	194,974
Properties under development		**–**	359,415
Property, plant and equipment		**291,073**	296,052
Intangible assets	*9*	**1,461,722**	105,687
Long term deposits, prepayments and other receivables	*12*	**74,989**	92,649
Non-current portion of finance leases receivables		**24,000**	–
Deferred income tax assets		**17,271**	4,452
Investments accounted for using equity method		**518,716**	316,363
Available-for-sale financial assets	*11*	**421,690**	174,267
Financial assets at fair value through profit and loss		**5,100**	–
		3,501,257	1,724,741
Current assets			
Properties under development		**670,683**	–
Direct selling costs		**105,316**	113,746
Current portion of finance leases receivables		**68,846**	–
Deposits, prepayments and other receivables	*12*	**435,372**	57,467
Trade receivables	*12*	**111,794**	31,692
Inventories		**3,073**	520
Cash and cash equivalents		**790,701**	1,321,989
		2,185,785	1,525,414
Total assets		**5,687,042**	3,250,155
Equity			
Equity attributable to the Company's equity holders			
Share capital		**85,090**	66,465
Other reserves		**1,976,484**	741,008
Retained earnings		**405,359**	352,807
		2,466,933	1,160,280
Non-controlling interests		**132,013**	154,887
Total equity		**2,598,946**	1,315,167

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31st December 2015

	Note	2015 RMB'000	2014 RMB'000
Liabilities			
Non-current liabilities			
Non-current portion of finance lease obligation		**249**	979
Non-current portion of bank borrowings	*13*	**20,000**	32,766
Non-current portion of other borrowings	*13*	**26,597**	8,373
Deferred government grants		**195,048**	206,300
Deferred income tax liabilities		**148,131**	23,987
Receipt in advance		**53,237**	519,532
Issued convertible bonds – liability portion		**600,225**	553,956
		1,043,487	1,345,893
Current liabilities			
Current portion of finance lease obligation		**734**	1,175
Trade payables	*14*	**3,618**	2,988
Accrued expenses and other payables	*14*	**148,935**	72,782
Deferred revenue	*14*	**267,154**	371,747
Current portion of bank borrowings	*13*	**479,760**	90,000
Current portion of other borrowings	*13*	**952**	8,525
Deferred government grants		**7,898**	–
Receipt in advance		**1,088,866**	–
Other taxes payables		**23,271**	15,357
Income tax payables		**23,421**	26,521
		2,044,609	589,095
Total liabilities		**3,088,096**	1,934,988
Total equity and liabilities		**5,687,042**	3,250,155

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2015

	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 1st January 2015	66,465	741,008	352,807	1,160,280	154,887	1,315,167
Comprehensive income						
Profit 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 difference	–	(17,808)	–	(17,808)	–	(17,808)
Total comprehensive income	–	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 31st 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 31st December 2015

	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 1st January 2014	65,865	666,239	165,174	897,278	113,196	1,010,474
Comprehensive income						
Profit for the year	–	–	187,633	187,633	(4,372)	183,261
Other comprehensive income						
Fair value gain on available-for-sale financial assets, net of deferred tax	–	16,067	–	16,067	–	16,067
Currency translation difference	–	2,355	–	2,355	–	2,355
Total comprehensive income	–	18,422	187,633	206,055	(4,372)	201,683
Transactions with owners						
Shares purchased under share award scheme	–	(30,848)	–	(30,848)	–	(30,848)
Convertible bond – equity component	–	50,858	–	50,858	–	50,858
Share based compensation – value of employee services	–	29,912	–	29,912	–	29,912
Exercise of share options	600	6,353	–	6,953	–	6,953
Non-controlling interests arising on business combination	–	–	–	–	45,965	45,965
Change in ownership interests in subsidiaries without change of control	–	72	–	72	98	170
Total transactions with owners	600	56,347	–	56,947	46,063	103,010
Balance at 31st December 2014	66,465	741,008	352,807	1,160,280	154,887	1,315,167

NOTES

1 GENERAL INFORMATION

The core business of HC International, Inc. (the "Company") and its subsidiaries (together, the "Group") is to organise a business-to-business ("B2B") community across China by providing business information through both on-line and offline channels.

The Group is principally engaged in the following activities in the People Republic of China ("PRC"):

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

– Publishing its own trade catalogues and yellow page directories;

– Hosting exhibitions and seminar;

– Providing anti-counterfeiting products and services to enterprises;

– Providing lease financing service;

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

– In the process of constructing O2O business exhibition centres.

During the year ended 31st December 2015, the Group completed the acquisition of Orange Triangle Inc.. The acquiree operates a domestically leading IT vertical portals ("www.zol.com.cn") which offers information on product reviews and specifications regarding consumer electronics to the internet consumer users and integrated marketing solutions to the business users in the PRC.

On 25th September 2015, the Group established Huicong Finance Leasing Company Limited ("Huicong Finance Leasing") in Tianjin, the PRC. The Board considers the establishment of Huicong Finance Leasing shall be of a great assistance to the development of the internet finance sector of the Company, together with the Company's current business operations, Huicong Finance Leasing shall provide its customers with multiple solution services.

As at 31st December 2015, the O2O business exhibition centre ("the business exhibition centre") was under development and a substantial amount of construction cost had been incurred.

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

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

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 ("HKFRS") 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 1st January 2015

HKAS19 (Amendment)	Defined benefit plans: employee contributions
Annual improvements project	Annual improvements 2010-2012 cycle
Annual improvements project	Annual improvements 2011-2013 cycle

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial period beginning on 1st January 2015 that would have a material impact on the Group.

New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2015 and have not been early adopted

		Effective for accounting period beginning on or after
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1st January 2016
HKAS 1	Disclosure initiative	1st January 2016
HKAS 16, 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization	1st January 2016
HKAS 16, 41 (Amendment)	Agriculture: bearer Plants	1st January 2016
HKAS 27 (Amendment)	Equity Method in separate financial statement	1st January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: applying the consolidation exception	1st January 2016
HKFRS 10, HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1st January 2016
HKAS 27 (Amendment)	Equity Method in separate financial statement	1st January 2016
Annual improvements projects	Annual improvement 2012–2014 cycle	
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 9	Financial instruments	1st January 2018

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

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, share of profit/(loss) from associates and joint ventures.

As at 31st December 2015, the Group is organised into the following business segments:

(i) On-line services – provision of a reliable platform to customers to do business and meet business partners on-line.

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

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

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

3 SEGMENT INFORMATION (CONTINUED)

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

(iv) 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 31st December 2015.

	Year ended 31st December 2015						
	On-line 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	**86,222**	**(8,784)**	**4,666**	**(49,974)**	**(8,651)**	**46**	**23,525**
Other income	**–**	**–**	**–**	**–**	**–**	**–**	**4,374**
Share of post-tax losses of associates	**(684)**	**–**	**–**	**(1,389)**	**(29)**	**–**	**(2,102)**
Share of post-tax profits 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**

3 SEGMENT INFORMATION (CONTINUED)

	Year ended 31st December 2014						
	On-line 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	812,935	35,630	101,879	–	16,193	–	966,637
Segment results	215,072	(33,466)	13,141	(11,442)	925	–	184,230
Other income	–	–	–	–	–	–	9,706
Share of post-tax losses of associates	–	–	–	(477)	–	–	(477)
Share of post-tax profits of joint ventures	–	–	–	–	–	801	801
Finance income	–	–	–	–	–	–	31,779
Finance cost	–	–	–	–	–	–	(4,951)
Profit before income tax							221,088
Other information:							
Depreciation and amortisation	25,188	1,657	2,989	388	1,590	–	31,812
Share based compensation expense	25,115	1,103	3,654	14	26	–	29,912
Provision for impairment of prepayments	21,600	–	–	–	–	–	21,600

The Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC for the year ended 31st December 2015 (2014: same).

As at 31st December 2015, the total non-current assets other than long term deposits, prepayments and other receivables, investments accounted for using equity method, available-for-sale financial assets, financial assets at fair value through profit and losses and deferred tax assets located in the PRC is approximately RMB2,463,491,000 (2014: RMB1,137,010,000), and the total of these non-current assets located in other countries is Nil (2014: Nil).

4 EXPENSES BY NATURE

	2015 RMB'000	2014 RMB'000
Direct expenses of trade catalogues and yellow page directories	**10,785**	18,970
Direct expenses of on-line services	**7,220**	3,094
Direct expenses of seminars and other services	**52,404**	42,465
Direct expenses of anti-counterfeiting products and services	**25,104**	7,904
Agency cost	**106,607**	166,262
Marketing expenses	**142,933**	71,472
Network and telephone expenses	**18,057**	15,731
Auditor's remuneration	**3,052**	2,886
– Audit services	**2,490**	2,123
– Non audit services	**562**	763
Employee benefits expenses	**300,399**	224,020
Staff commission	**71,147**	86,326
Amortisation of land use rights	**428**	428
Amortisation of intangible assets	**24,189**	1,498
Depreciation of property, plant and equipment	**29,615**	29,886
Fair value loss on financial assets at fair value through profit or loss	**1,500**	–
Provision for impairment and write off of trade receivables	**8,212**	5,390
Bargain purchase from business combination	**–**	(38)
Loss/(gain) on disposal of property, plant and equipment	**185**	(86)
Operating lease payments in respect of land and buildings	**29,243**	19,887
Impairment of prepayment of land use rights	**–**	21,600
Professional fee	**10,511**	8,743
Travelling expenses	**15,424**	11,030
Exchange loss	**10,448**	1,469
Other expenses	**25,150**	43,470
Total cost of revenue, selling and marketing expenses and administrative expenses	**892,613**	782,407

5 OTHER INCOME

	2015 RMB'000	2014 RMB'000
Government grants	**4,374**	9,706

The Group received grants mainly from various local tax authorities in the PRC for promoting electronic trading platform amongst the enterprises in the PRC, the conditions specified in the government approval were fully achieved during the year.

6 INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current income tax expense		
– Hong Kong profits tax	**–**	–
– The PRC Corporate income tax ("CIT")	**26,758**	40,394
Deferred income tax credit	**(16,490)**	(2,567)
	10,268	37,827

7 EARNINGS PER SHARE

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**52,552**	187,633

	2015	2014
	No. of shares	No. of shares
	('000)	*('000)*
Weighted average number of shares in issue	**755,356**	662,209
Incremental shares from assumed exercise of share options granted	**18,583**	25,376
Diluted weighted average number of shares	**773,939**	687,585
Basic earnings per share (in RMB)	**0.0696**	0.2833
Diluted earnings per share (in RMB)	**0.0679**	0.2729

8 DIVIDENDS

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

To the best knowledge of the Directors, there was no arrangement under which a shareholder has waived or agreed to waive any dividends during the years ended 31st December 2015 and 31st December 2014, respectively.

9 INTANGIBLE ASSETS

	Goodwill *RMB'000*	Customer relationship (Direct sale customer) *RMB'000*	Customer relationship (Distribution) *RMB'000*	Patent *RMB'000*	Non-compete agreement *RMB'000*	Software development *RMB'000*	Data library *RMB'000*	Total *RMB'000*
At 1st January 2014								
Cost	–	–	–	–	–	25,409	21,986	47,395
Accumulated amortisation and impairment	–	–	–	–	–	(25,404)	(21,986)	(47,390)
Net book amount	–	–	–	–	–	5	–	5
Year ended 31st December 2014								
Opening net book amount	–	–	–	–	–	5	–	5
Acquisitions	50,314	24,300	20,600	11,100	270	188	–	106,772
Additions	–	–	–	–	–	408		408
Amortisation	–	(759)	(303)	(347)	(22)	(67)	–	(1,498)
Closing net book amount	50,314	23,541	20,297	10,753	248	534	–	105,687
At 31st December 2014								
Cost	50,314	24,300	20,600	11,100	270	26,798	–	133,382
Accumulated amortisation and impairment	–	(759)	(303)	(347)	(22)	(26,264)	–	(27,695)
Net book value	50,314	23,541	20,297	10,753	248	534	–	105,687

9 INTANGIBLE ASSETS (CONTINUED)

	Goodwill	Customer relationship (Direct sale customer)	Customer relationship (Distribution)	Patent	Non-compete agreement	Trade name and dominate name	Software development	Data library	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st January 2015									
Cost	50,314	24,300	20,600	11,100	270	–	26,798	–	133,382
Accumulated amortisation and impairment	–	(759)	(303)	(347)	(22)	–	(26,264)	–	(27,695)
Net book amount	50,314	23,541	20,297	10,753	248	–	534	–	105,687
Year ended 31st December 2015									
Opening net book amount	50,314	23,541	20,297	10,753	248	–	534	–	105,687
Acquisitions	980,247	299,000	–	–	–	91,958	1,418	7,600	1,380,223
Additions	–	–	–	–	–	–	1	–	1
Amortisation	–	(16,629)	(1,212)	(1,387)	(90)	(3,083)	(521)	(1,267)	(24,189)
Closing net book amount	1,030,561	305,912	19,085	9,366	158	88,875	1,432	6,333	1,461,722
At 31st December 2015									
Cost	1,030,561	323,300	20,600	11,100	270	92,000	28,219	7,600	1,513,650
Accumulated amortisation and impairment	–	(17,388)	(1,515)	(1,734)	(112)	(3,125)	(26,787)	(1,267)	(51,928)
Net book value	1,030,561	305,912	19,085	9,366	158	88,875	1,432	6,333	1,461,722

10 BUSINESS COMBINATIONS

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

On 3rd July 2015, 北京橙三角科技有限公司 ("Orange Beijing"), a wholly owned subsidiary of Orange Triangle Inc., 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 (together, the as "Structured Contracts") with the shareholders of 北京知行銳景科技有限公司 ("Beijing Zhixing Ruijing Technology Co., Ltd"). The shareholders of Beijing Zhixing Ruijing unconditionally and irrevocably authorise any individual designated by the Group to represent them in exercising all their rights as shareholders of Beijing Zhixing Ruijing 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 Beijing Zhixing Ruijing 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.

10 BUSINESS COMBINATIONS (CONTINUED)

In accordance with the Agreements, the Group has acquired the control over Beijing Zhixing Ruijing 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 Beijing Zhixing Ruijing's variable returns. The Group is also entitled to substantially all of the operating profits and residual interest generated by Beijing Zhixing Ruijing. Consequently, Beijing Zhixing Ruijing has become a subsidiary of the Group with effect from 3rd July 2015. The results and financial position of Orange Triangle and Beijing Zhixing Ruijing have been included in the consolidated financial statements of the Group from 3rd July 2015.

The goodwill of RMB980,247,000 arising from the acquisition is attributable the synergies and technical talent and economies of scale expected from combining the operations of the Group and Beijing Zhixing Ruijing. None of the goodwill recognised is expected to be deductible for income tax purpose.

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

	RMB'000
Consideration:	
At 3rd July 2015	
Cash	**446,795**
Contingent shares	**859,802**
Financial assets at fair value through profit and loss	**(6,600)**
Total consideration transferred	**1,299,997**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	**7,043**
Property, plant and equipment	**5,198**
Intangible assets – customer relationships *(Note 9)*	**299,000**
Intangible assets – trade name and dominate name *(Note 9)*	**91,958**
Intangible assets – database *(Note 9)*	**7,600**
Intangible assets – other *(Note 9)*	**1,418**
Trade and other receivables	**87,903**
Trade and other payables	**(40,620)**
Borrowings	**(40,000)**
Deferred tax liabilities	**(99,750)**
Total identifiable net assets	**319,750**
Goodwill *(Note 9)*	**980,247**
	1,299,997

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Cogobuy Group *(Note 1)* *RMB'000*	**Zamplus (Cayman) Holdings Limited** *(Note 2)* *RMB'000*	**Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*** *(Note 3)* *RMB'000*	**Total** *RMB'000*
As at 1st January 2014	–	–	–	–
Additions	124,282	30,743	–	155,025
Fair value gain recognised in other comprehensive income	6,130	13,112	–	19,242
As at 31st December 2014 and 1st January 2015	130,412	43,855	–	174,267
Additions	–	–	57,900	57,900
Fair value gain recognised in other comprehensive income	198,725	(11,302)	2,100	189,523
As at 31st December 2015	329,137	32,553	60,000	421,690

* *English names are translated for identification propose only.*

Note 1: In July 2014, the Group subscribed for 38,758,000 ordinary shares of Cogobuy Group for an aggregate amount of US$20,000,000 (equivalent to approximately RMB124,282,000). Cogobuy Group is a corporation listed on the Main Board of the Stock Exchange of Hong Kong Limited, the investment from the Group represents 2.8% of all issued share capital of Cogobuy Group at the acquisition date.

Note 2: The Group subscribed for 89,286 shares of Zamplus (Cayman) Holdings Limited ("Zamplus") for an aggregate amount of US$5,000,000 (equivalent to approximately RMB30,743,000). Zamplus is a private company incorporated in the Cayman Islands. Its subsidiaries provide consulting services on online advertisement to the customers. The investment from the Group represents 4.76% of all shares of Zamplus at the acquisition date.

Note 3: In July 2015, the Group subscribed for 19,300,000 shares of 內蒙古呼和浩特金谷農村商業銀行股份有限公司 (Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company*) ("Jingu") for an aggregate amount of RMB57,900,000. Jingu is a joint stock company incorporated in the PRC. The investment from the Group represents 2.49% of the issued shares of Jingu at the acquisition date.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31st December 2015 (2014: Nil).

12 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**121,165**	35,916
Less: provision for impairment of trade receivables	**(9,371)**	(4,224)
Trade receivables – net	**111,794**	31,692
Deposits, prepayments and other receivables	**481,366**	100,292
Loans to employees	**28,995**	49,824
	622,155	181,808
Less: Non-current deposit, prepayments and other receivables	**(74,989)**	(92,649)
Current portion	**547,166**	89,159

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

	2015	2014
	RMB'000	*RMB'000*
Current to 90 days	**92,106**	27,815
91 to 180 days	**14,733**	2,464
181 to 365 days	**9,911**	2,827
Over 1 year	**4,415**	2,810
	121,165	35,916

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 RMB8,212,000 for the impairment of its trade receivables during the year ended 31st December 2015 (2014: RMB5,390,000).

As at 31st December 2015, trade receivables of approximately RMB9,371,000 (2014: RMB4,224,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

As at 31st December 2015, trade receivables of approximately RMB19,688,000 (2014: RMB3,877,000) 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:

	2015	2014
	RMB'000	*RMB'000*
91 to 180 days	**14,733**	2,464
181 to 365 days	**4,955**	1,413
	19,688	3,877

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

(a) (Continued)

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

	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**4,224**	2,822
Impairment of receivables	**8,212**	5,390
Write off for impaired receivables	**(3,065)**	(3,988)
At end of the year	**9,371**	4,224

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.

13 BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Non-current portion:		
Bank borrowings	**20,000**	32,766
Other borrowings	**26,597**	8,373
	46,597	41,139
Current portion:		
Bank borrowings	**479,760**	90,000
Other borrowings	**952**	8,525
	480,712	98,525
	527,309	139,664

13 BORROWINGS (CONTINUED)

Movements in borrowings is analysed as follows:

	2015	2014
	RMB'000	*RMB'000*
At 1st January	**139,664**	113,671
Additions of borrowings	**568,287**	137,562
Repayments of borrowings	**(180,642)**	(111,569)
At 31st December	**527,309**	139,664

Bank borrowings are unsecured and mature until 2017 and bear average interest rate of 5.54% per annum (2014: 7.66% per annum).

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 in 2018 and bear average interest rate of 6.4% per annum (2014: 6.5% per annum). The carrying amounts of borrowings approximate their fair values and are denominated in RMB.

The Group's borrowings were repayable as follows:

	Bank borrowings		**Other borrowings**	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**479,760**	90,000	**952**	8,525
Between 1 and 2 years	**20,000**	32,766	**8,320**	–
Between 2 and 5 years	**–**	–	**18,277**	8,373
	499,760	122,766	**27,549**	16,898

As at 31st December 2015, the Group has no undrawn banking facilities (2014: RMB137,235,000).

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

	2015	2014
	RMB'000	*RMB'000*
Trade payables *(note a)*	**3,618**	2,988
Deferred revenue	**267,154**	371,747
Accrued salaries and staff benefits	**32,838**	10,938
Accrued agency commission	**18,421**	–
Accrued expenses	**28,070**	17,287
Deposit from customers	**45,430**	23,169
Other payables	**24,176**	21,388
	419,707	447,517

14 TRADE PAYABLES, DEFERRED REVENUE AND ACCRUED EXPENSES AND OTHER PAYABLES (CONTINUED)

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

	2015	2014
	RMB'000	*RMB'000*
Current to 90 days	**2,710**	2,479
91 to 180 days	**593**	247
181 to 365 days	**159**	152
Over 1 year	**156**	110
	3,618	2,988

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, our B2B business had gone through a series of reforms. Whilst the Chinese economy had encountered the structural adjustment of "New Normal", with traditional large-scale enterprises capitalizing on the brand advantages or the booming development of new industries and enterprises on one hand and the large-scale enterprises and traditional SMEs with low-competiveness products and overcapacity facing great difficulty in survival and transition on the other hand. Consequently, the survival and development of certain SMEs' website users were affected by the macro-economy and their ability to pay information advertising fees for B2B websites was weak.

Subsequent to the year of 2014, the Group continued to establish its own B2B ecosystem, including the building of the B2B2.0 transaction platform, providing the Internet financial products and services, promoting the added value of B2B1.0 service and proceeding the construction of the online to offline ("O2O") business exhibition centre and various micro-innovation projects. In 2015, the Group underwent a series of reformation in the Internet technology service, including the transformation from Infomercials and Biao-Wang Search to the pay-for-performance B2B2.0, enabling sellers to count the effective number of buyers by adding the supplementary service of "Mai-Mai-Tong" (eg. Xunpanbao), establishing the professional team that could exactly match the upstream and downstream transaction information so as to match transactions eventually, and assisting sellers to operate the platform shops. As for Internet finance, the Group facilitated the completion of online and offline transactions by providing products such as Maoyidai, Xinyongdai and Position Management through its joint ventures and providing financing lease services through its wholly-owned subsidiaries. In addition, development of applications of mobile terminals in B2B transactions, B2B warehousing and logistics services provided by third parties through strategic cooperation, and 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 recognised by customers in 2015, and it has seen a significant trend recently.

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 merchandise-orientation. We are also strategically planning for B2B2.0 which is transaction based, along with internet finance 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 matching between buyers and sellers through online Biao-Wang Search, Mai-Mai-Tong, Cai-Gou-Tong and value-added services such as Xun-Pan-Bao and entrusted operation, which are based on the development of Mai-Mai-Tong, and through professional matching transaction services and online financial products to facilitate final deals. At the same time we also promoted the communication and activities within the community of industry via various off-line forums, trade fairs, expositions, Feasts for Industry Brands, Trade Catalogues and Yellow Pages Directories, enhancing the complementary effect of off-line 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 2015, the Group completed gross merchandise volume ("GMV") amount of approximately RMB5.6 billion.

As of 31st December 2015, the Group's Stock Keeping Unit (SKU) had been further increased by 102.1% to 485 million from 240 million as of the end of 2014.

In 2015, approximately 80.0% of the revenue of the Group is generated from online services, and approximately 12.0% is from seminars and other activities, only approximately 2.0% is from the early business of traditional printed media while 6.0% is from anti-counterfeiting products and services.

(1) Products

Online Products

The Group provides its online services mainly through the platform of "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. Users subscribing for Mai-Mai-Tong have access to a range of services (free or fee-charging), which varies based on the category of memberships subscribed. Currently, Mai-Mai-Tong offers free subscription and fee-paying membership (with subscription fee varying based on 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, integrated e-commerce services (such as industry news access, online trade meeting, smart shop backend).

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, 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 online-shops on Wechat platform for customers which are serving over 10,000 customers in aggregate.

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.

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 chemical engineering, engineering machinery and household appliance industry.

c) Xunpanbao Services

Xunpanbao aims at matching high cost-effective products and sellers with 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

Based on Mai-Mai-Tong, the Group launched entrusted operation services in the end of 2015. With a view to assisting small enterprises for starting their e-commerce operation business, such services allow free shop keeping cost and provide services including website decoration, product distribution, buyer reception and real time maintenance for customers. The entrusted operation services have been recognised by customers. Currently, more than 2,000 customers subscribe to such services monthly.

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 hits.

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 25th September 2014. Currently, the Group does not derive any revenue 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-enabled 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 hits.

Financial Service Products

Mai Mai Loan, a finance product developed by our joint venture company, Digital China HC Micro-Credit Co., Ltd. is one of the services which can facilitate the growth of B2B trading platforms. In the meantime, 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 micro-finance product offer our customers opportunities to apply for micro-credit loans from both our joint venture company and financial institutions that we cooperate with. 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 purchasing guide in China. It covers a myriad of corporate information and price fluctuations 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 news. This product acts as an important reference that bridges manufacturers, suppliers, administrative organisations and users in different industries. Nevertheless, with the embracing of internet technologies and products, more and more users have migrated to our new online substitutes. The continuing operation of these trade catalogue and yellow page directory products will be carefully considerated by the Group in 2016.

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 2015, the Group once again successfully organised such campaign, and with the theme of "influence of China", drove industry development.

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 newly acquired subsidiary, Beijing Panpass Information Technology Company Limited.

B2b2C Products and Services

Since the acquisition of the domain name www.zol.com.cn (中關村在線) ("ZOL") by the Group in July 2015, the service scope of IT consumer products has been expanded to large-scale customers in order to open the information channels of high-worthy customers – retailers – consumers.

(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 different targeted market segments. 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, two-year and/or three 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 a joint venture 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 over 8 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 BiaoWang 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; (iii) for our Group's offline products like trade catalogues and yellow page directories, our Group also engages a printing supplier that provides industry and commerce catalogue and yellow pages printing services. The Group has been cooperating with the current printing supplier for over 10 years and a long-term service agreement has been entered.

(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 issues "Report on Purchasers Practice Analysis" on a regular basis, 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 Growth Enterprise Market of the Stock Exchange ("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 committed ourselves to understanding about our customers' needs, the market, the products and services, and business operations. Through the interactions of online and offline marketing, we help enterprises to establish internet sales network and online transaction channel.

After years of developing efforts, our proprietary and sustainable development strategy is gradually formed, which focuses on three major strategies of B2B domestic trading, vertical industry segmentation, "transaction + internet finance", O2O business exhibition centre and other B2B related services". In 2016, we will continue to improve specialty of portals for each subdivided area and transaction matching services. At the same time, in order to satisfy the needs of SMEs, HC360.com will be enhanced in B2B services as an integrated platform for online transaction payment, Internet finance, third parties logistics, anti-counterfeiting and anti-channel conflict, of which the provision of transaction matching services is still a major task this year. Through entrusted operation, Xunpanbao and matching services which are developed on the basis of Mai-Mai-Tong, high value-added and targeted B2B solutions will be formulated for customers.

Given the growing trend of the B2B eCommerce market, the Group intends to leverage its domestic trade expertise, extensive industry experience and new business experience under B2B2.0 to satisfy customer needs for comprehensive eCommerce and trading services. The Group currently covers over 50 industries and continues to increase its industry coverage, and provides more professional vertical in-depth services for segregated areas with enormous market and growth potential, i.e. vertical in – depth strategy. With its own advantage, the Group has offered online trading experience, O2O online and offline interactions, third parties logistic services, anti-counterfeit and anti-channel conflict services to form a crucial part of B2Becosystem. As part of the experience, HuiFuBao, an online transaction platform, was free to all subscribers. In the year, we expect that certain trading amounts will be transferred to online trading amounts through HuiFuBao due to synergetic effects arising from internet finance and O2O business exhibition centre. Currently, the Group has entered into agreements with over 20 third parties for providing better warehousing and logistics services. Successful marketing of online trading further expands the scale of internet finance services and optimises the service costs, which in turn benefits the B2B trading services. The Group also plans to develop B2B related business such as APPs and big data application to meet the needs of B2B ecological business circle.

On 8th January 2016, the Group formally completed the acquisition of 80.38% equity interests in 浙江中服網絡科技有限公司 (Zhe Jiang Zhong Fu Internet Technology Company Limited*) ("Zhong Fu"). The letter of intent for the acquisition was entered into on 3 July 2015. The operation of Zhong Fu's main portals includes www.efu.com.cn (中國服裝網), www.yifu.net (壹服) and www.51fashion.com.cn (時尚飾界), which primarily provide the garment industry in the PRC with information of vertical industries ranging from textile equipment, accessories and materials to finished products such as clothing, footwear and headwear.

Since the Group and Digital China Holdings Limited jointly established Chongqing Digital China Huicong Micro-Credit Co., Ltd. (the "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 position management. As of 31st December 2015, balance of loans of the Micro-Credit Company was approximately RMB1.3 billion.

On 12th July 2015, the Group subscribed to 2.49% shares of Inner Mongolia Hohhot Jingu Rural Commercial Bank Limited Company ("Hohhot Jingu"). The Group will explore the potential business opportunities of Hohhot Jingu 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 2016, under the strategy of trade and Internet finance, the Group's financial products are expected to act as "lubricant" so as to help customers complete B2B transactions with HuiFuBao.

Under the strategy of O2O business exhibition center, 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 for construction of O2O business exhibition centers. Among others, Huicong Shunde Household Electrical Appliances Center (慧聰順德家電城) ("Shunde Household Electrical Appliances Center") located in Guangdong Province has completed construction by the end of 2015 and an opening ceremony was held in 18th March 2016 with GMV of RMB558 million within three days after commencing operation.

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. Currently, household electrical appliance production in Zhongshan (Shunde) and Zhejiang Province (i.e. Yuyao) accounted for one-third in China with production value of more than approximately RMB100 billion per district.

The Shunde Household Electrical Appliances Center is expected to drive the trading volume of household electrical appliances in Shunde and Zhongshan and we aim to assist the manufacturers to facilitate destocking and raise the procurement efficiency of distributors by taking advantages of "store in the front, factory at the back". In 2016, the Group expects that Shunde Household Electrical Appliances Center will make outstanding contribution to the GMV, online transactions and the construction of B2B ecosystem, and collaborate with Internet finance and the traditional business of B2B1.0 to create enormous synergy.

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 31st December 2015, the Group's cash and bank balances amounted to RMB790,701,000 (2014: RMB1,321,989,000), which decreased by approximately RMB531,288,000.

The Group had total borrowings (including issued convertible bonds) and finance lease obligation which amounted to approximately RMB1,128,517,000 as at 31st December 2015 (2014: RMB695,774,000). As at 31st December 2015 the gearing ratio of the Group was 12% (2014: Nil), 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 RMB1,306,653,000 as compared to last year.

The Group's net current assets amounted to approximately RMB141,176,000 as at 31st December 2015 (2014: RMB936,319,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.07 times as at 31st December 2015 as compared to approximately 2.59 times as at 31st December 2014. The Group's trade receivables turnover has increased from approximately 8.14 days in 2014 to approximately 28.58 days in 2015.

DISCLOSEABLE TRANSACTION IN RELATION TO THE SALE AND PURCHASE OF 100% SHARES IN ORANGE TRIANGLE INC. INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Further to the entering into of the letter of intent dated 17th March 2015, on 8th May 2015, the Company (as purchaser), NAVI-IT Limited (the "Seller") and Mr. Liu Xiaodong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (楊葉) (together, the "Seller Guarantors") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, the Seller conditionally agreed to sell, and the Company conditionally agreed to acquire all the issued share capital of Orange Triangle Inc.

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

On 2nd June 2015, the Seller, the Company and the Seller Guarantors entered into a supplemental agreement, pursuant to which the Company and the Seller Guarantors agreed that in case the proposed repurchase and cancellation of such Consideration Shares cannot be implemented as a result of the failure to obtain the approvals from the creditors of the Company or the Shareholders for the reduction in capital of the Company or approvals from the relevant regulatory authorities, the Seller Guarantors or their designated persons undertake that the relevant parties shall dispose of all such Consideration Shares in the market and return all the proceeds to the Company within six months (instead of nine months as set out in the Sale and Purchase Agreement) commencing from the date of confirmation of failure of obtaining the relevant approvals.

On 3rd July 2015, the Group has fulfilled all the conditions precedent set out in the Sale and Purchase Agreement. The acquisition of 100% of share capital of Orange Triangle Inc. has been completed accordingly. The consideration was settled as to 30% of approximately RMB446,795,000 in cash and as to 70% by allotment of 155,684,485 Consideration Shares at HK$7 each subject to adjustment mechanism stipulated in the Sale and Purchase Agreement. As the conditions precedent of the Sale and Purchase Agreement were fulfilled, Beijing Orange Triangle Technology Co., Ltd (北京橙三角科技有限公司) ("Orange Beijing"), which is indirectly wholly and beneficially owned by Orange Triangle Inc., entered into a series of structured contracts (the "Structured Contracts") with Beijing Zhixing Ruijing Technology Co., Ltd (北京知行銳景科技有限公司) ("Beijing Zhixing Ruijing") and/or its shareholders on 3rd July 2015. Pursuant to the Structured Contracts, Orange Beijing or Orange Triangle Inc. will provide certain technical consultation and service, including but not limited to technical services support, intellectual property licensing, and business and management consultation, whereas Beijing Zhixing Ruijing will pay the service fee equal to a certain percentage of its net income. In addition, relevant parties have also entered into certain agreements in relation to, among other things, the pledge of, and grant of exclusive acquisition rights of, the equity interests in Beijing Zhixing Ruijing. Please also refer to the announcements of the Company dated 8th May 2015, 2nd June 2015 and 3rd July 2015 respectively for further details.

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

On 22nd July 2015, 北京慧聰互聯信息技術有限公司 (HC Internet Information Technology Company Limited*) ("HC Internet"), a wholly-owned subsidiary of the Group ("the Purchaser"), entered into a sale and purchase agreement with Wang Feng Feng (王鳳鳳), pursuant to which the Purchaser has conditionally agreed to acquire representing approximately 2.49% of the issued share capital of Hohhot Jingu for a consideration of RMB57,900,000. The acquisition constitutes a discloseable transaction of the Group under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As the industrial and commercial registration of the change in shareholding of Hohhot Jingu was still under progress, the parties to the Sale and Purchase Agreement have further entered into a supplemental agreement (the "Supplemental Agreement") on 22nd October 2015, pursuant to which the parties agree that all matters incidental to the completion shall be completed within one month from the date of the signing of the Supplemental Agreement. As at the date of this announcement, the acquisition has been completed. Please also refer to the announcements of the Company dated 22nd July 2015 and 22nd October 2015 for further details.

ESTABLISHMENT OF HUICONG FINANCE LEASING COMPANY LIMITED

On 25th September 2015, the Company via Hong Kong Huicong International Group Limited ("Hong Kong Huicong"), a wholly-owned subsidiary of the Company, established Huicong Finance Leasing Company Limited ("Huicong Finance Leasing") in Tianjin, the PRC. Huicong Finance Leasing is wholly owned by Hong Kong Huicong and the total registered capital is USD30,000,000. The Board considers the establishment of Huicong Finance Leasing shall be of great assistance to the development of the internet finance sector of the Company. Together with the Company's current business operations, Huicong Finance Leasing shall provide its customers with multiple solution services.

PLACING OF NEW SHARES

On 20th November 2015, the Company completed a placing (the "Placing") whereby an aggregate of 74,540,000 new shares of the Company were successfully placed to not less than six placees at the placing price of HK$3.82 per share by Shenwan Hongyuan Securities (H.K.) Limited (the "Placing Agent") in accordance with the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 12th November 2015. No placee has become a substantial shareholder (as defined under the Listing Rules) immediately following completion of the Placing. The gross proceeds amounted to approximately HK$284,742,800 and are intended to be used for potential acquisitions or investments, input of resources into the B2B 2.0 business (which mainly includes transactions and internet finance), as well as working capital and general corporate purposes. Please also refer to the announcements of the Company dated 12th November 2015 and 20th November 2015 for further details.

RESIGNATION OF EXECUTIVE DIRECTOR

Mr. Yang Ning resigned as an executive Director and president of the Company with effect from 30th March 2015 due to his personal commitments on his other business.

ADOPTION OF NEW SHARE OPTION SCHEME

Following the listing of the shares of the Company being transferred from GEM to the Main Board of the Stock Exchange on 10th October 2014, the share option scheme adopted on 30th November 2003 was terminated while share options granted remain valid. A new share option scheme (the "2015 Share Option Scheme") in compliance with the Listing Rules on the Stock Exchange has been adopted, and was duly approved by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 22nd May 2015. Please refer to the circular of the Company dated 5th May 2015 for further details of the adoption of the 2015 Share Option Scheme, including its terms and conditions.

INCREASED IN AUTHORISED SHARE CAPITAL

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

ACQUISITION OF A SUBSIDIARY – ZHONGFU HOLDINGS LIMITED

On 18th 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 the 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, which in turn held 80.38% of the equity interest of Zhong Fu, for an aggregate consideration of HK$170,807,500. Pursuant to the sale and purchase agreement, part of the consideration shall be settled in cash amounting HK$70,095,000 and the remaining shall be paid by issuance and allotment of the convertible bonds which are subject to downward adjustments on the basis of the performance targets to each of the Sellers.

The completion of the transactions contemplated under the sale and purchase agreement took place on 8th January 2016 in accordance with the terms of the sale and purchase agreement. Please also refer to the announcements of the Company dated 3rd July 2015, 18th December 2015 and 8th January 2016 for further details.

ACQUISITION OF AVAILABLE-FOR-SALE FINANCIAL ASSET – HOHHOT JINGU

On 7th December 2015, HC Internet, a wholly-owned subsidiary of the Group ("the Subscriber"), entered into the subscription agreement (the "Subscription Agreement") with Hohhot Jingu, pursuant to which HC Internet has conditionally agreed to subscribe for 108,661,533 subscription shares at RMB3 per subscription share. The consideration for the said subscription is RMB325,984,599 (subject to adjustment under the terms of the Subscription Agreement), which shall be settled by HC Internet in cash.

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

As at the date of this announcement, the subscription has not yet been completed. Please also refer to the announcement of the Company dated 7th December 2015 for further details.

ISSUANCE OF ZERO COUPON CONVERTIBLE BONDS

On 9th December 2015, the Company entered into the subscription agreement with agreement with Mr. Guo Jiang (the chief executive officer of the Company and an executive Director), Mr. Lee Wee Ong (an executive Director and chief financial officer of the Company), Mr. Liu Jun (a director of a non-wholly owned subsidiary of the Company) and Mr. Liu Xiaodong (a shareholder of the Company and a director of several subsidiaries of the Company) (collectively, the "Subscribers"), pursuant to which the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds with an aggregate principal amount of HK$500,000,000 to be issued by the Company under the specific mandate of the Company. As at the date of this announcement, the subscription has not yet been completed. Please also refer to the announcements of the Company dated 9th December 2015 and 29th February 2016 and the circular of the Company dated 12th January 2016 for further details.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 899,946,103 as at 31st December 2015.

STAFF AND REMUNERATION

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2015, the total number of Group's employees was 3,111, among which 2,012 were employed in the Sales and Marketing Division, 334 were employed in the Editorial Division, 304 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.

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 31st December 2015, the Group had no contingent liability (2014: Nil).

SUBSEQUENT EVENTS

(a) Acquisition of available-for-sale financial asset – Shanghai Ganyin

On 15th January 2016, 北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd*)) ("Zaichuang Technology"), an indirect wholly-owned subsidiary of the Company, entered into the subscription agreement with 上海鋼銀電子商務股份有限公司 (Shanghai Gangyin E-Commerce Co., Ltd*) ("Shanghai Gangyin"), pursuant to which Zaichuang Technology has agreed to subscribe for 22,000,000 shares of RMB1 each in the share capital of Shanghai Gangyin at the subscription price of RMB4.5 per subscription share at a consideration of RMB99,000,000 to be settled in cash. As at the date of this announcement, the transactions under the subscription agreement have been completed. Please also refer to the announcement of the Company dated 15th January 2016 for further details.

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

Shanghai Gangyin is principally engaged in the provision of e-commerce services for the trade of iron and steel commodities. Through operating a third party platform, 鋼銀平台 (Gangyin Platform*) (www.banksteel.com), Shanghai Gangyin provides upstream and downstream enterprises in the iron and steel industry with a package solution to e-commerce.

(b) Possible transaction with Shanghai Ganglian E-Commerce Holdings Co., Ltd

The Company is in preliminary discussion with 上海鋼聯電子商務股份有限公司 (Shanghai Ganglian E-Commerce Holdings Co., Ltd *) ("Shanghai Ganglian") in relation to a possible transaction which may involve disposal of the entire equity interest in Beijing Zhixing Ruijing, a wholly-owned subsidiary of the Company, to achieve the purpose of disposing certain assets of the Group which own and operate the domain names www.zol.com.cn (中關村在線) and www.zol.com (中關村商城) by the Group to Shanghai Ganglian, in exchange for cash and/or certain equity interest in Shanghai Ganglian (the "Possible Transaction"). Shanghai Ganglian is a company established under the laws of the People's Republic of China, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300226).

If the Possible Transaction materialises, it may constitute a notifiable transaction and/or connected transaction of the Company under the Listing Rules. As at the date of this announcement, no binding material term concerning the Possible Transaction has been agreed and the Company has not entered into any definitive agreement in relation to the Possible Transaction. Please also refer to the announcements of the Company dated 25th February 2016 and 16th March 2016 for further details.

* *For identification purposes only*

AUDIT COMMITTEE

The Company established the Audit Committee on 24th July 2003 with written terms of reference based on the guidelines set out in "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises two independent non-executive Directors, Mr. Zhang Ke and Mr. Xiang Bing and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the chairman of the Audit Committee.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, this results announcement and the annual results of the Company for the year ended 31st December 2015 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 31st December 2015. The Audit Committee held 5 meetings during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to 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 close 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 31st December 2015.

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 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year ended 31st December 2015.

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

Beijing, PRC, 30th March 2016

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. Li Jianguang *(Non-executive Director)*
Mr. Guo Wei *(Non-executive Director)*
Mr. Zhang Ke *(Independent non-executive Director)*
Mr. Xiang Bing *(Independent non-executive Director)*
Mr. Zhang Tim Tianwei *(Independent non-executive Director)*

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hcgroup.com), and the 2015 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.