慧聪集团
HC GROUP

HC INTERNATIONAL, INC.
慧聰集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Revenue was approximately RMB3,702.5 million, increased by approximately 89.1%, when compared to RMB1,958.3 million recorded in 2016.
- Profit Attributable to Equity Holders of the Company was approximately RMB267.8 million in this year, while it was approximately RMB181.8 million in 2016, indicating an increase of approximately 47.3%;
- The Group's EBITDA* was approximately RMB653.1 million, increased by approximately 17.7% compared with that achieved in previous year of approximately RMB555.1 million.
- The Diluted EPS was RMB0.2559, while it was RMB0.1852 a year before.
- The Board does not recommend payment of final dividend for the year ended 31 December 2017

Note: * Profit before interest, income tax, depreciation, amortisation of intangible assets, land use rights and investment properties 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 31 December 2017 together with the comparative figures for the same period in 2016.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Revenue	3	**3,702,466**	1,958,283
Cost of revenue		**(2,397,882)**	(706,264)
Other income		**44,359**	19,590
Other gains, net		**168,255**	106,153
Selling and marketing expenses		**(708,070)**	(698,524)
Administrative expenses		**(304,467)**	(249,869)
Operating profit		**504,661**	429,369
Finance cost, net		**(85,962)**	(49,998)
Share of post-tax losses of associates		**(22,405)**	(13,502)
Share of post-tax profits of joint ventures		**19,774**	27,633
Profit before income tax		**416,068**	393,502
Income tax expense	4	**(98,758)**	(92,826)
Profit for the year		**317,310**	300,676
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Fair value (loss)/gain on available-for-sale financial assets		**(48,875)**	62,400
Fair value release on disposal of available-for-sale financial assets		**(28,605)**	(95,755)
Currency translation differences		**13,724**	13,876
Total comprehensive income for the year, net of tax		**253,554**	281,197
Profit attributable to:			
Equity holders of the Company		**267,777**	181,784
Non-controlling interests		**49,533**	118,892
		317,310	300,676

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2017

	Note	**2017** *RMB'000*	2016 *RMB'000*
Total comprehensive income attributable to:			
Equity holders of the Company		**204,021**	162,305
Non-controlling interests		**49,533**	118,892
		253,554	281,197
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	*5*	**0.2651**	0.1882
Diluted earnings per share	*5*	**0.2559**	0.1852

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Assets			
Non-current assets			
Land use rights		**166,671**	171,408
Investment properties		**642,087**	660,345
Property, plant and equipment		**286,358**	309,516
Intangible assets		**2,376,400**	1,521,619
Long term deposits, prepayments and other receivables	9	**11,146**	2,589
Loans and interest receivable	10	**304,400**	29,422
Deferred income tax assets		**21,115**	11,386
Investments accounted for using equity method		**124,583**	579,023
Available-for-sale financial assets	8	**528,960**	484,071
Financial assets at fair value through profit or loss		**–**	4,600
		4,461,720	3,773,979
Current assets			
Completed properties held for sale		**110,750**	364,617
Deferred expenses		**49,335**	81,351
Finance leases receivables		**155,587**	352,327
Loans and interest receivable	10	**1,345,918**	52,714
Deposits, prepayments and other receivables	9	**164,046**	119,997
Trade receivables	9	**290,848**	154,989
Inventories		**142,910**	3,590
Available-for-sale financial assets	8	**39,500**	212,646
Financial assets at fair value through profit or loss		**172,021**	172,686
Cash and cash equivalents		**401,918**	963,523
		2,872,833	2,478,440
Total assets		**7,334,553**	6,252,419
Equity			
Equity attributable to the Company's equity holders			
Share capital		**100,740**	93,885
Other reserves		**2,737,941**	2,307,761
Retained earnings		**815,417**	587,143
		3,654,098	2,988,789
Non-controlling interests		**803,031**	279,354
Total equity		**4,457,129**	3,268,143

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Liabilities			
Non-current liabilities			
Non-current portion of bank borrowings	*11*	**712,376**	127,376
Non-current portion of other borrowings	*11*	**267,412**	22,206
Deferred government grants		**175,658**	185,508
Deferred income tax liabilities		**271,710**	144,654
Receipt in advance		**40,282**	40,282
Financial liabilities at fair value through profit or loss		**115,672**	27,123
		1,583,110	547,149
Current liabilities			
Current portion of finance lease obligations		**–**	158
Trade payables	*12*	**19,482**	7,916
Accrued expenses and other payables	*12*	**219,864**	216,882
Deferred revenue	*12*	**158,983**	244,367
Current portion of bank borrowings	*11*	**393,837**	724,528
Current portion of other borrowings	*11*	**123,505**	9,372
Deferred government grants		**20,627**	14,500
Receipt in advance		**163,581**	453,540
Convertible bonds – liabilities portion		**41,387**	654,743
Financial liabilities at fair value through profit or loss		**53,328**	14,377
Other taxes payables		**34,422**	36,898
Income tax payables		**65,298**	59,846
		1,294,314	2,437,127
Total liabilities		**2,877,424**	2,984,276
Total equity and liabilities		**7,334,553**	6,252,419

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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 shareholders of subsidiaries	–	–	–	–	11,112	11,112
Transactions with non-controlling interests	–	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2017

	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 2017	93,885	2,307,761	587,143	2,988,789	279,354	3,268,143
Comprehensive income						
Profit for the year	–	–	267,777	267,777	49,533	317,310
Other comprehensive (loss)/income						
Fair value loss on available-for-sale financial assets, net of deferred tax	–	(48,875)	–	(48,875)	–	(48,875)
Fair value release on disposal of available-for-sale financial assets, net of deferred tax	–	(28,605)	–	(28,605)	–	(28,605)
Currency translation differences	–	13,724	–	13,724	–	13,724
Total comprehensive (loss)/income	–	(63,756)	267,777	204,021	49,533	253,554
Transactions with owners						
Issuance of shares in relation to contingent consideration arrangement	358	24,352	–	24,710	–	24,710
Issuance of new shares	7,438	513,227	–	520,665	–	520,665
Buy-back of shares	(982)	(24,317)	(982)	(26,281)	–	(26,281)
Exercise of share options	41	476	–	517	–	517
Share based compensation – value of employee services	–	33,815	–	33,815	–	33,815
Partial redemption of convertible bonds – equity portion	–	(47,494)	22,817	(24,677)	–	(24,677)
Non-controlling interests arising on business combination	–	–	–	–	471,808	471,808
Contribution from non-controlling shareholders of subsidiaries	–	–	–	–	8,713	8,713
Transactions with non-controlling interests	–	(6,123)	–	(6,123)	(6,377)	(12,500)
Dividend paid	–	–	(61,338)	(61,338)	–	(61,338)
Total transactions with owners	6,855	493,936	(39,503)	461,288	474,144	935,432
Balance at 31 December 2017	100,740	2,737,941	815,417	3,654,098	803,031	4,457,129

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

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

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

– Providing cross-industrial integrated marketing and advertising services;

– Providing trading and agency services through its B2B trading platform;

– Hosting exhibitions and seminars;

– Providing anti-counterfeiting products and services to enterprises;

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

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

On 3 February 2017, the Group completed the acquisition of the entire equity interest of Huijia Yuantian Limited, which in turn holds entire interest of Beijing Huijia Yuantian Advertisement Media Company Limited ("北京慧嘉元天文化傳媒有限公司" or "Beijing Huijia"). The acquiree through its subsidiaries are principally engaged in provision of marketing and public relations services mainly via mobile terminal in the PRC. The results from Beijing Huijia have been reflected in the "Online services" segment (Note 3).

On 28 November 2017, The Group also completed the acquisition of an additional 30% of equity interest in Chongqing Digital China Huicong Micro-Credit Company Limited ("重慶神州數碼慧聰小額貸款有限公司" or "Micro-Credit"). The Company indirectly owns 70% of the equity interest of Micro-Credit upon completion of the acquisition. The acquiree principally engaged in micro-credit financing business. The result from Micro-Credit has been reflected in the "Financing Services" segment (Note 3).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of HC International, Inc. and its subsidiaries.

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time for their annual reporting period commencing 1 January 2017:

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income taxes
HKFRS 12 (Amendments)	Disclosure of interest in other entities

The application of the amendments to HKFRS in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

(iv) New standards and amendments to HKFRS in issue but not yet effective

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group.

Amendments to HKFRS	Annual improvements to HKFRS 2015-2017 cycle(2)
HKAS 28 (Amendments)	Investments in associates and joint ventures(1)
HKAS 40 (Amendments)	Transfer of investment property(1)
HKFRS 1 (Amendments)	First time adoption of HKFRS(1)
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions(1)
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts(1)
HKFRS 9	Financial instruments(1)
HKFRS 9 (Amendments)	Prepayment features with negative compensation(2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture(4)
HKFRS 15	Revenue from contracts with customers(1)
HKFRS 15 (Amendments)	Clarifications to HKFRS 15(1)
HKFRS 16	Leases(2)
HKFRS 17	Insurance contracts(3)
HK(IFRIC)-Int22	Foreign currency transactions and advance consideration(1)
HK(IFRIC)-Int23	Uncertainty over income tax treatments(2)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of preparation** (Continued)

(iv) ***New standards and amendments to HKFRS in issue but not yet effective*** (Continued)

Note:

(1) Effective for the Group for annual period beginning on 1 January 2018.
(2) Effective for the Group for annual period beginning on 1 January 2019.
(3) Effective for the Group for annual period beginning on 1 January 2021.
(4) Effective date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9, "Financial Instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39. The Group is currently assessing the impact of adopting HKFRS 9 and, based on its preliminary assessment, the impact on the Group's financial statements are not expected to be significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New standards and amendments to HKFRS in issue but not yet effective (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has performed preliminary assessment on the adoption of HKFRS 15 and the initial result indicated that the impact on the Group's financial statements are not expected to be significant other than changes on the disclosure.

HKFRS 16 Leases

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such operating lease payment is accounted for in the consolidated statements of profit or loss when incurred and the Group's future operating lease commitments are not reflected in the consolidated statement of financial position. As of 31 December 2017, the Group's total operating lease commitments amounted to RMB205,310,000.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payment and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flow going forward.

The standard will be mandatory for adoption by the Group for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New standards and amendments to HKFRS in issue but not yet effective (Continued)

HKFRS 16 Leases (Hong Kong)

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 before income tax. This measurement basis excludes the effect of finance income and cost, other income, other gains/(losses), and net share of post-tax (losses)/profit from associates and joint ventures.

As at 31 December 2017, the Group is organised into the following business segments:

(i) Online services – provision of a reliable platform and digital interactive media marketing tools to customers to do business and meet business partners online and provide advertisement services.

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

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

(iv) B2B trading platform – provisions of trading and agency services via its B2B trading platform.

(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 – provision of micro-credit financing business, finance leasing and factoring services in the PRC.

There were no sales or other transactions between the business segments for the year ended 31 December 2017.

3 SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2017						
	Online Services	Seminars and other services	O2O business exhibition centre	B2B trading platform *(Note a)*	Anti-counterfeiting products and services	Financing services *(Note b)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**951,170**	**131,723**	**433,097**	**2,041,038**	**106,066**	**39,372**	**3,702,466**
Segment results	**202,789**	**9,358**	**72,408**	**(17,797)**	**(5,546)**	**30,835**	**292,047**
Other income							**44,359**
Other gains net							**168,255**
Share of post-tax losses of associates	**(6,902)**	**–**	**(15,035)**	**–**	**(468)**	**–**	**(22,405)**
Share of post-tax profits of joint ventures	**–**	**–**	**–**	**–**	**–**	**19,774**	**19,774**
Finance income							**21,105**
Finance cost							**(107,067)**
Profit before income tax							**416,068**
Other information:							
Depreciation and amortisation	**81,062**	**4,022**	**24,319**	**224**	**6,380**	**1,223**	**117,230**
Share based compensation expense	**24,493**	**1,932**	**4,708**	**345**	**1,380**	**957**	**33,815**

3 SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2016						
	Online Services	Seminars and other services	O2O business exhibition centre	B2B trading platform *(Note a)*	Anti-counterfeiting products and services	Financing services *(Note b)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	823,106	93,179	842,081	126,197	66,137	7,583	1,958,283
Segment results	76,597	4,509	226,294	(11,667)	(17,542)	4,571	282,762
Other income							19,590
Other gains, net							127,017
Share of post-tax (losses)/ profit of associates	(19,355)	–	5,855		(2)	–	(13,502)
Share of post-tax profits 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	69,119	2,221	4,252	128	6,310	–	82,030
Share based compensation expense	21,538	2,568	3,678	1,368	414	–	29,566

(a) The segment result of B2B trading platform for the year end 31 December 2016 was included in online services.

(b) The segment revenue results of financing services included the interest income since completed the acquisition of Micro-Credit from 28 November 2017.

Further to the announcement made by the Group, subsequent to the year end, on 21 March 2018, the Group would adjust its organisation structure into three business sectors, namely (i) Information Service Segment, (ii) Transaction Services Segment and (iii) Data Services Segment.

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

(ii) Transaction Services Segment, which mainly include the O2O business exhibition centre, B2B trading platform and financing services.

(iii) Data Services Segment, which mainly include the anti-counterfeiting products and services, and advance marketing services utilising the digital big data and tools being conducted by – Beijing Huijia. (The segment results of Huijia has been included in the "online services" segment above in 2017.)

3 SEGMENT INFORMATION (CONTINUED)

The Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC for the year ended 31 December 2017 (2016: same).

As at 31 December 2017, the total non-current assets other than long term deposits, prepayments and other receivables, finance leases receivables, loans and interest receivable, 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 RMB3,471,516,000 (2016: RMB2,662,888,000),and the total of these non-current assets located in other countries is Nil (2016: Nil).

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

4 INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
Current income tax expense		
– Hong Kong profits tax	**–**	–
– The PRC Corporate income tax ("CIT")	**65,335**	57,316
– The PRC land appreciation tax ("LAT")	**17,046**	36,187
– The PRC Withholding tax	**22,800**	–
Deferred income tax (credit)/expense		
– PRC Corporate income tax	**(11,002)**	(677)
– PRC Withholding tax	**4,579**	–
	98,758	92,826

5 EARNINGS PER SHARE

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to equity holders of the Company	**267,777**	181,784

	2017	2016
	No. of shares	No. of shares
	('000)	*('000)*
Weighted average number of shares in issue	**1,010,215**	965,982
Incremental shares from assumed exercise of share options granted	**36,083**	15,728
Diluted weighted average number of shares	**1,046,298**	981,710
Basic earnings per share (in RMB)	**0.2651**	0.1882
Diluted earnings per share (in RMB)	**0.2559**	0.1852

6 DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim dividend paid of HK$0.02 (2016: Nil) per share *(note a)*	**17,953**	–
No proposed final dividend (2016: final dividend of HK$0.05 per share *(Note b)*)	**–**	43,385
	17,953	43,385

Notes:

(a) An interim dividend of HK$0.02 per share (2016 Nil) was paid on 18 September 2017.

(b) No final dividend of financial year ended 31 December 2017 was declared (2016: final dividend of HK$0.05 per share, amounting to RMB43,385,000 was paid on 30 June 2017.)

7 BUSINESS COMBINATIONS

(a) Huijia Yuantian Limited

On 13 January 2017, Mu Hao Holdings Limited, Hong Rui Technology Holdings Limited, Chance Technology Co., Ltd and Vanguard Technology Holdings Limited (Collectively, the "HJ Sellers"), the Company and Mr. Zou Kai (鄒凱), Mr. Hong Chaoran (洪超然), Ms. Wang Fei (王菲) and Mr. Sun Yi (孫毅) (collectively, the "HJ Seller Guarantors") entered into the sale and purchase agreement, pursuant to which the HJ Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire the entire issued share capital of Huijia Yuantian Limited, for an aggregate consideration of RMB362,000,000 (equivalent to approximately HK$409,091,000). Part of the consideration amounting to RMB162,652,000 (equivalent to approximately HK$184,091,000) in cash and the remaining portion was settled by issuance and allotment of convertible bonds which are subject to downward adjustments stipulated in the sale and purchase agreement.

On 3 February 2017, all the conditions precedent under the sale and purchase agreement have been fulfilled and the entire shares of Huijia Yuantian Limited has been transferred to the Company and the acquisition has been completed, which the Group has acquired the control over Huijia Yuantian Limited as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the its variable returns.

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

7 BUSINESS COMBINATIONS (CONTINUED)

(a) Huijia Yuantian Limited (Continued)

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

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

(b) Chongqing Digital China Huicong Micro-Credit Co. Ltd

On 25 October 2017, the Group entered into equity transfer agreement for further acquisition of 30% of equity interest of Micro-Credit with Digital China Holdings Limited at consideration of RMB541,819,000.

On 28 November 2017, all the condition precedent under the equity transfer agreement have been fulfilled and the Group completed the acquisition of additional 30% equity interest in Micro-Credit. The Group has acquired the control over Micro-Credit and reclassified the interest in Micro-Credit as investment in subsidiary. Gain on the 40% equity interest were carried at equity method and amounting to RMB460,037,000 before the Step acquisition. Step acquisition represents the fair value gain of RMB117,963,000 on remeasuring the existing 40% equity interest held by the Group at the step acquisition date.

The goodwill of RMB19,626,000 arising from the step-acquisition is attributable to the synergies from combining the operations of the Group and Micro-Credit. None of the goodwill recognised is expected to be deductible for income tax purpose.

7 BUSINESS COMBINATIONS (CONTINUED)

(b) Chongqing Digital China Huicong Micro-Credit Company Limited (Continued)

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

	RMB'000
Consideration:	
On 28 November 2017	
Cash consideration	541,819
Fair value of existing shares held by the Group	578,000
Total consideration	1,119,819
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	70,207
Property, plant and equipment	83
Prepayment, deposit and other receivables	14,290
Loans and interest receivable, net of provision	1,472,046
Deferred tax assets	15,991
Intangible assets – license	554,000
Intangible assets – software	7,900
Accrued and other payables	(30,883)
Other borrowings	(368,890)
Deferred tax liabilities	(140,475)
Income tax payable	(21,489)
Other taxes payable	(1,076)
Total identifiable net assets	1,571,704
Non-controlling interest	(471,511)
Goodwill	19,626
	1,119,819

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed securities *(Note i)* *RMB'000*	**Unlisted securities** *RMB'000*	**Total** *RMB'000*
At 1 January 2016	329,137	92,553	421,690
Additions	–	407,935	407,935
Disposals	(181,340)	(32,553)	(213,893)
Fair value gain recognised in other comprehensive income	27,257	46,636	73,893
Currency translation differences	7,092	–	7,092
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
At 1 January 2017	182,146	514,571	696,717
Additions	–	58,400	58,400
Disposals	(91,935)	(30,500)	(122,435)
Fair value (loss)/gain recognised in other comprehensive income	(84,989)	25,989	(59,000)
Currency translation differences	(5,222)	-	(5,222)
At 31 December 2017	–	568,460	568,460
Less: non-current portion	–	(528,960)	(528,960)
Current portion	–	39,500	39,500

Set out below are securities which, in opinion of directors, are material to the Group as at 31 December 2017.

Name of the security	**Nature of the security**	**Total amount** **2017** ***RMB'000***	2016 *RMB'000*
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 Company Limited"*)	Unlisted ordinary shares	**447,000**	422,000

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

There were no impairment provisions on available-for-sale financial assets made during the year ended 31 December 2017 (2016: Nil).

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

9 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**308,762**	162,632
Less: provision for impairment of trade receivables	**(17,914)**	(7,643)
Trade receivables – net	**290,848**	154,989
Deposits, prepayments and other receivables	**175,192**	122,586
	466,040	277,575
Less: Non-current deposit, prepayments and other receivables	**(11,146)**	(2,589)
Current portion	**454,894**	274,986

(a) Trade receivables

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

	2017	2016
	RMB'000	*RMB'000*
Current to 90 days	**176,883**	98,603
91 to 180 days	**59,654**	37,608
181 to 270 days	**32,837**	17,085
271 to 365 days	**16,045**	3,098
Over 1 year	**23,343**	6,238
	308,762	162,632

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 RMB13,459,000 for the impairment of its trade receivables during the year ended 31 December 2017 (2016: RMB878,000).

As at 31 December 2017, trade receivables of approximately RMB17,914,000 (2016: RMB7,643,000) were impaired and have been provided for. The individually impaired receivables mainly represent sales made to customers which have remained long overdue.

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

(a) **Trade receivables** (Continued)

As at 31 December 2017, trade receivables of approximately RMB27,891,000 (2016: RMB21,552,000) 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:

	2017	2016
	RMB'000	*RMB'000*
91 to 180 days	**2,759**	2,773
181 to 270 days	**1,805**	15,502
271 to 365 days	**14,466**	2,876
Over 1 year	**8,861**	401
	27,891	21,552

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**7,643**	9,371
Provision for impairment of trade receivables	**13,459**	878
Write off for impaired trade receivables	**(3,188)**	(2,606)
At 31 December	**17,914**	7,643

The creation and release of provision for impaired receivables have been included in the consolidated statement of profit or loss. 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 LOANS AND INTEREST RECEIVABLE

Loans and interest receivables reflect the outstanding balance of loans granted to associates, employees and loans from financing services segment.

	2017	2016
	RMB'000	*RMB'000*
Loans to associates	**65,540**	47,540
Loans to employees	**10,350**	28,824
Loans from financing service segment *(Note a)*	**1,632,113**	–
Interest receivables	**19,565**	5,772
Loans and interest receivable, gross	**1,727,568**	82,136
Less: allowance for impairment		
– Collective assessed	**(16,176)**	–
– Individually assessed	**(61,074)**	–
Total allowance for impairment	**(77,250)**	–
Loans and interest receivable, net	**1,650,318**	82,136
Less: Non-current portion	**(304,400)**	(29,422)
Current portion	**1,345,918**	52,714

Note a: Detail of loans from financing services segment consist:

	2017
	RMB'000
Individual loans	**847,989**
Corporate loans	**784,124**
Loans receivable, gross	**1,632,113**
Less: allowance for impairment	
– Collective assessed	**(16,176)**
– Individually assessed	**(61,074)**
Total allowance for impairment	**(77,250)**
Loans receivable, net	**1,554,863**
Less: Non-current portion	**(269,794)**
Current portion	**1,285,069**

For the year ended 31 December 2017, the weighted average annual interest rate for the loans receivable were approximately 12.7%, and the outstanding loan receivables were RMB1,632,113,000 as at 31 December 2017.

11 BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Non-current portion:		
Bank borrowings	**712,376**	127,376
Other borrowings	**267,412**	22,206
	979,788	149,582
Current portion:		
Bank borrowings	**393,837**	724,528
Other borrowings	**123,505**	9,372
	517,342	733,900
	1,497,130	883,482

Movements in borrowings is analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**883,482**	527,309
Acquisition of a subsidiary	**368,890**	–
Additions of borrowings	**944,368**	940,818
Repayments of borrowings	**(699,610)**	(584,645)
At 31 December	**1,497,130**	883,482

Bank borrowings bear average interest rate of 5.98% per annum (2016: 5.95% per annum), part of which amounting to RMB507,376,000 are secured by certain properties and land use right with carrying value amounting to RMB1,054,040,000 (2016: RMB257,271,000).

Other borrowings are provided by the non-controlling shareholders of a subsidiary of the Group for the investment in an associate. The borrowings are unsecured, mature ranging from 2017 to 2019 and bear average interest rate of 6.2% per annum (2016: 6.3% per annum).

Other borrowings also included loans provided by independent asset management companies and private equity fund for operational purpose. The loans from third parties bear average interest rate of 6.2% per annum. Part of which amounting to RMB255,000,000 are secured by certain loans receivable with carrying value amounting to RMB381,730,000.

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

11 BORROWINGS (CONTINUED)

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

	Bank borrowings		Other borrowings	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**393,837**	724,528	**123,505**	9,372
Between 1 and 2 years	**572,376**	127,376	**257,555**	19,792
Between 2 and 5 years	**140,000**	–	**9,857**	2,414
	1,106,213	851,904	**390,917**	31,578

As at 31 December 2017, the Group has no undrawn banking facilities (2016: RMB12,624,000).

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

	2017	2016
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**19,482**	7,916
Deferred revenue	**158,983**	244,367
Accrued salaries and staff benefits	**28,190**	22,826
Accrued agency commissions	**17,564**	15,385
Accrued expenses	**72,903**	109,647
Deposit from customers	**73,507**	51,528
Other payables	**27,700**	17,496
	398,329	469,165

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

	2017	2016
	RMB'000	*RMB'000*
Current to 90 days	**9,843**	6,136
91 to 180 days	**6,426**	1,163
181 to 365 days	**2,142**	395
Over 1 year	**1,071**	222
	19,482	7,916

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the financial year ended 31 December 2017, the Group generated a total revenue of approximately RMB3,702,466,000 (2016: RMB1,958,283,000). This represented an increase of approximately 89.1% as compared to that in 2016. The increase was mainly derived from the new segment of B2B trading platform which contribute RMB2,041,038,000.

For the Group's financial performance in different segments, a total revenue of approximately RMB951,170,000 was achieved from the online services segment in 2017, and represented an increase of approximately 15.6% from approximately RMB823,106,000 in 2016. Revenue derived from seminars and other services segment was approximately RMB131,723,000 in 2017, which represented an increase of approximately 41.4% from approximately RMB93,179,000 in 2016. Revenue from anti-counterfeiting products and services segment increased from approximately RMB66,137,000 in 2016 to approximately RMB106,066,000 in 2017 which represented an increase of approximately 60.4%. Revenue from financing services segment was approximately RMB39,372,000. Revenue from O2O business exhibition centre was approximately RMB433,097,000.

During the financial year ended 31 December 2017, the Group increased its operating expenses from approximately RMB948,393,000 in 2016 to approximately RMB1,012,537,000 which was mainly due to the increase of staff salaries.

The Group achieved a profit for the year of approximately RMB317,310,000 in 2017 (2016: RMB300,676,000).

The Board does not recommend payment of any final dividend for the year ended 31 December 2017 (2016: HK$0.05 per share).

BUSINESS REVIEW

In 2017, the Group further adjusted its business structure by enhancing the Group's "Industrial Internet" strategy, and leveraged the ecological synergies in information flow, transactional flow and data follow through its three major segments, namely "information service, transaction service, and data service".

The Group aims at reforming the industry and transformation of empowered enterprise by utilizing the internet and the traditional industry which are data-empowered, and providing services to upstream and downstream enterprises through "information + transaction + data", thereby meeting the market demand and the nation's technological strategies. With the continuous deepening of the Group's service chain, the Group continues to expand its business presence geographically, transition its trading from domestic trades into domestic trades and foreign trades, and extend its business overseas under the national initiative of "Belt and Road". At the same time, the Group's business, which was previously driven by a single mode, i.e. serving small-to-medium enterprise, has been gradually changed to a dual mode, i.e. serving small-to-medium enterprise and large customers.

Information Services Segment

In 2017, the Group's hc360.com continued to undergo in-depth upgrade in relation to the internet information service, including improving and enhancing traditional product services such as Mai Mai Tong ("買賣通") and customer experiences, and focused on utilizing technological innovations to drive the upgrades of product, service and technologies as well as efficient operations. By utilizing artificial intelligence, the most suitable products and services can be matched up with vendors and purchasers more accurately, effectively reducing the operation cost of customers, accurately reaching target users and enhancing user experience, which would achieve the purpose of maximizing marketing effectiveness.

The Group's zol.com.cn, being the largest technology portal in China, continued to provide comprehensive service solutions integrating product information, professional consultancy, technology videos and interactive marketing to brand owners including a number of Fortune 500 companies. Relying on the refined cultivation and innovation of technology industries such as mobile phones, home appliances and commercial sectors, through professional evaluated content, website traffic acquisition and technology upgrades, we continuously expanding our position in the industry and increase our market share. We also elevate the Group's capability to influence brand customers and purchasers, so as to complete the layout of the vertical B2B product internet platform for the technology industry.

In 2017, we continued to upgrade the quality of the services offered to users on zol.com.cn and achieved major breakthrough. We reached a strategic cooperation with Baidu, TouTiao, Tmall and JD in terms of data sharing. This cooperation establishes the main entrance for data traffic across the entire platform, and boosting the brand value for customers to a new level. In the coming 5G era, zol.com.cn is ready to take on the new round of outbreaks of the science and technology industry, and will gain tremendous room for growth and development opportunities.

During the whole year of 2017, the revenue of the Group's information service segment was approximately RMB999.8 million, representing a year-on-year increase of approximately 9% from RMB916.1 million for the previous year. The Group continued its result-oriented approach and increased its efforts in optimizing its information service solutions for brand customers and enhance the overall service experience for small – and medium-sized customers, which is the driving force behind the growth of information service revenue.

Transaction Service Segment

After years of in-depth exploration in the industry, we have acquired profound understanding of the industry. An industry-wide platform has been set up through vertical injection of resources and reformation in relation to information flow, financial flow, and logistics and working together with ibuychem.com (which is internally equity-held), and by investing "UnionCotton" and "China Formwork", "Shanghai Huijing E-commerce Co., Ltd. (上海慧旌電子商務有限公司)"("Shanghai Huijing"), a supply chain finance integrated service platform, and is wholly-owned by the Group has also been built up.

Ibuychem.com is originated from a chemical e-commerce platform which was established by the Group over 20 years ago, and it has developed into a leading B2B platform in the chemical industry. Its service covers nearly 1 million enterprises and 8 million members of the chemical rubber and plastics industry chain in China. The platform focuses on the spot trading of chemical rubber and plastic products, and its annual transaction size has exceeded RMB1 billion. "Shanghai Huijing" is a cross-industry supply chains comprehensive finance service platform that the Group built with great efforts. Capitalizing on experience in more than 50 sub-industries accumulated by HC over the years, we penetrate into all aspects along the supply chain to provide a full range of financial services to those in the supply chains, with an annual transaction size exceeding RMB1 billion. In addition, the "UnionCotton" and "China Formwork" which are invested by the Group, have huge potential for development. Of which, "UnionCotton", being one of the earliest entrants of B2B e-commerce operator in the cotton industry, has attracted leaders with extensive experience in the cotton industry and has significant market resources, with an annual transaction size of exceeding RMB1 billion. As for "China Formwork", it is committed to building up a leading comprehensive service platform in the construction framework industry, and it takes advantage of the Internet, big data, intelligent equipment and the Ethernet technology to reform the traditional framework supply chain industry, building up a materials bank in the construction formwork industry.

Relying on the strong industrial resources of the Group, the industrial platforms have injected capital flow, logistics and information flow service into the industrial chain, developing all-rounded solutions and penetrated deep into various vertical industries. The industrial platforms have also provided interactive marketing, consultancy and research, commodity transactions and supply chains services for upstream and downstream enterprises along the industrial chain. Through the Internet and the technologies present in various business aspects such as system support, finance, warehousing, logistics, and technological upgrade, we assist an enterprise in enhancing its intrinsic value in terms of "source identification, cost reduction, efficiency enhancement, risk avoidance" and in turn together we achieve mutual success, growth and sharing.

Through 2017, the income from transactions segment of the Group was approximately RMB2,490.6 million, representing an increase of 155.2% compared to RMB976.1 million from the same period last year. The continuous upgrade of the transaction platform and the realization of the ecology cycle cultivated by the Group over the years, we have achieved growth in our operating income.

Data Service Segment

Data service is our Group's key development area. Currently, through the listing of two companies, PanPass Information Technology Co., Ltd. (北京兆信信息技術股份有限公司) (430073.NEEQ) ("PanPass Information") and Tianjin Huijiayuantian Advertisement Media Company Limited and its subsidiary ("Trading Wisdom") on the New OTC market, the key aim is to construct a comprehensive data service system and build up an advanced technological segment within HC's system, forming an entire new service model with data as the core and technology as the motivation. With the three central features of advanced technology, big data and digitalization of data service, as well as the production and utilization of data, we aim to undergo rapid transformation for brand customers, building up the core competitiveness of data service of the Group.

As for data production, the Group has established an entrance for data through "PanPass Information" for the era of "Made in China 2025". Positioned as a leader in the global product digital identity management, PanPass Information engages in data identity management for Fortune China 500 and Fortune Global 500 companies. With vast amount of data collection with respect to brand anti-counterfeiting, smart source tracking, supply chain management and innovation, import and export certification, PanPass Information formed a high-flow of data entry and set up a huge industry database for data services. With 23 years of experience in the industry, PanPass Information owns 30 patented technologies, 30 branches and 6 service centers. Through the smart analysis of data, it helps brands enhance their operating efficiency and avoid potential risks. At present, PanPass Information has established good cooperative relationship with domestic and foreign organizations and enterprises including UNESCO, Petro China, Moutai, Xiaomi, Tong Ren Tang, Lulu and Junlebao.

As for data application, "Trading Wisdom", improves marketing for brand customers, promotes marketing efforts with data, and opens up new layout for data marketing through big data. Through the Group's self-generated data, Trading Wisdom helps to match products with their potential consumers. Meanwhile, it can also produce an in-depth user behaviors through the data-modelling based on the habits, behaviors and scene-based interaction, creating the shortest path for brands to reach their users.

In the process of constructing a full-service chain in data marketing, Trading Wisdom has also cooperated with Tsinghua University, through which, both parties have jointly established a professional data research laboratory, targeting at the big data business of Trading Wisdom. They have also initiated in-depth cooperation in the field of identification of users of brand customers and the area of algorithm research, with the common aim of accurating delivery more value for well-known brand customers. Through the integrated application model of production-learning-research, it focused on the research and application of big data, user behavior mapping, machine learning and user identification. Making use of effective methods, Trading Wisdom created a highly effective driving engine for data module to grasp the pulse of brand data, optimizing the commercial behavior of brands, maintaining the sustainable development of brands, and promoting the continuous upgrade of branding business, so as to enable data to be the core power of brands.

Meanwhile, Trading Wisdom has continued to enrich its own data dimension through operators. A thorough understanding of users is achieved through their data resources from 31 provinces, cities and autonomous regions in China. Capitalizing on these high-valued data from operators, Trading Wisdom further explores users' behaviors by studying the characteristics of the user's consumption behavior, and create a behavior map of brand users. These efforts will achieve a more accurate and efficient reach for users, and provide more refined marketing solutions for brands. These efforts have won attraction from plenty of brand customers such as Faw Toyota, Benz and Subaru.

In addition to constructing the "data engine" under "Made in China 2025" of the Group, Panpass Information and Trading Wisdom also joined hands to build "Hui Chain", a core product of blockchain era. It is connected to supply chain and shared a credit system to settle the problem of "trust". At present, the Group is cooperating with Legend Holdings Joyvio Agriculture, Silk Road International Cooperation Working Committee, and China Electronic Commerce Association, and "Hui Chain", a blockchain, has been first applied to fields such as agriculture and international trade. "Hui Chain" will be useful to certain applications within the B2B industry to solve more problems for brands.

Throughout 2017, the Group has recorded a revenue from data service segment of approximately RMB212.0 million, representing a year-on-year increase of 220.6% from RMB66.1 million for last year.

Throughout 2017, approximately 27.0% of the Group's revenue was from information service sector, approximately 67.3% is from transaction service sector, and approximately 5.7% is from data service sector.

Prospects

The development and breakthrough of technologies such as the Internet, cloud computing, big data, and mobile communications have penetrated into the traditional fields, and industrial interconnection has emerged. Statistics showed that China's Internet economy accounted for only 4.4% of the GDP in 2013, and now it amounts to 10% of the GDP. The market size of the internet economy exceeds RMB7,000 billion, however, the size of the Internet economy of the traditional industries, is currently only RMB300 billion. With the introduction of China's "Made in China 2025" (《中國製造2025》), " Guidance on Actively Rolling out the Internet+ Initiative" (《關於積極推進"互聯網+"行動的指導意見》) and "Guidance on How to Boost the Coordinated Development between Manufacturing and the Internet" (《關於深化製造業與互聯網融合發展的指導意見》), the industrial Internet has been lifted up to the level of national strategy.

The Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2003, and had successfully transferred to the Main Board of the Stock Exchange on 10 October 2014. In August 2017, the Company was selected as a constituent stock of a number of index series by Hang Seng Indexes Company Limited, and was admitted to in Shenzhen-Hong Kong Stock Connect in September of the same year. With the vision to become a "leading Internet group in the industry", our integration of the three major segments through business linkage and synergistic experts optimizes our service systems gradually and continuously, so as to promote enterprises, businesses and industries, transforming the conventional trade to precision trading, thereby providing relevant industrial services to small – and medium-sized enterprises and large enterprises.

In 2018, the Group will continue its strategic upgrade.

As for the information service segment, the Group will fully take advantages of its experience accumulated in the industry over the years, together with its vast number of customers from various industries, and also through its technological capabilities, to reduce the cost while improve the efficiency for customers, ultimately creating a highly effective Internet service platform in the industry.

As for the transaction service segment, the Group will rely primarily on the self-operated trading platform. We will also invest in third-party's trading platform. We rely on the supply chain management, third-party warehousing services, financial instruments and the synergies generated from information services segment to fully manifest the Group's industry advantages in various industries. Meanwhile, we aim at expanding the scale of operating revenue from platform-based transactions, and ultimately bring benefits to shareholders. In the next three years, leading trading platforms such as "ibuychem.com", "Shanghai Huijing", and "Union Cotton" are expected to exceed the transaction volume of RMB10 billion, becoming the top leaders in their respective industries.

As for the data application segment, looking ahead, it will form a customer-centered strategy specificality on major customers. We will take time to identify major customers with a competitive advantage from industries and continue to implement the strategies targeting at major customers, and enhance the professionalism and impact of data service, allowing data to become the core motivation of brands.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and bank balances decreased by approximately RMB561,605,000 from approximately RMB963,523,000 as at 31 December 2016 to approximately RMB401,918,000.

The Group had total borrowings (including convertible bonds — liabilities portion) and finance lease obligation amounted to approximately RMB1,538,517,000 as at 31 December 2017 (2016: RMB1,538,383,000). As at 31 December 2017, the gearing ratio of the Group was 20% (2016: 13%), 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 RMB730,298,000 as compared to last year.

The Group's net current assets amounted to approximately RMB1,578,519,000 as at 31 December 2017 (2016: RMB41,313,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 2.22 times as at 31 December 2017 as compared to approximately 1.02 times as at 31 December 2016. The Group's trade receivables turnover has decreased from approximately 24.52 days in 2016 to approximately 21.98 days in 2017.

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 Company entered into a sale and purchase agreement ("Huijia SPA") with Mu Hao Holdings Limited, Hong Rui Technology Holdings Limited, Chance Technology Co. Ltd and Vanguard Technology Holdings Limited (together the "Huijia Sellers") 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 " Huijia Seller Guarantors") to acquire the entire equity interest of Huijia Yuantian Limited at a total consideration of HK$409,090,909 (equivalent to RMB360,000,000). Part of the consideration in the amount of HK$184,090,909 (equivalent to RMB162,000,000) 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 (equivalent to RMB198,000,000) (subject to adjustments).

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

TERMINATION DEED IN RELATION TO A CONNECTED TRANSACTION OF THE COMPANY

On 20 January 2017, the Company has 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 dated 9 December 2015 ("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 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 considered that the Termination Deed has no material adverse impact on the business operations and financial position of the Group.

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

FULFILLMENT OF THE PERFORMANCE TARGET OF ZHEJIANG ZHONGFU FOR THE YEAR ENDED 31 DECEMBER 2016

Pursuant to a sale and purchase agreement dated 18 December 2015 ("Zhongfu SPA") entered into between Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited and Mr Moustache Holdings Limited (the "Zhongfu Sellers"), 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) (together, the "Zhongfu Seller Guarantors") and the Company, 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 (subject to downward adjustments) to be settled at completion by way of (i) cash; and (ii) issuance and allotment of the convertible bonds ("Zhongfu CBs") (subject to downward adjustments). HK$100,712,500 of the consideration (being the aggregate principal amount of the allotment and issue of the Zhongfu CBs) 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 浙江中服網絡科技有限公司 (Zhe Jiang Zhong Fu Internet Technology Company Limited*, "Zhejiang Zhongfu") for the year ended 31 December 2016, 2017 and 2018 respectively.

According to the audited consolidated 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 first year has been met, and the Zhongfu Sellers shall convert the Zhongfu CBs in the principal amount of HK$40,427,500 into ordinary shares of the Company ("Shares") at the conversion price of HK$10.00 per Share. Accordingly, a total of 4,042,750 Shares had been allotted and issued to the Zhongfu Sellers.

For details, please refer to the announcements of the Company dated 18 December 2015, 8 January 2016 and 28 March 2017.

FULFILLMENT OF THE PERFORMANCE TARGET OF ORANGE TRIANGLE INC., ORANGE (HK), ORANGE BEIJING AND BEIJING ZHIXING RUIJING FOR THE YEAR ENDED 30 JUNE 2017

Pursuant to a sale and purchase agreement dated 8 May 2015 entered into between NAVI-IT LIMITED (the "Orange Seller"), Mr. Liu Xiaodong (劉小東), Ms. Wang Qian (王倩), Mr. Shi Shilin (施世林) and Ms. Yang Ye (楊葉) (the "Orange Seller Guarantors") and the Company ("Orange SPA"), the Company has conditionally agreed to acquire the entire issued share capital of Orange Triangle Inc. at a consideration of US$ equivalent amount of RMB1,500,000,000. Pursuant to the Orange SPA, 70% of the consideration (i.e. the US$ equivalent amount of RMB1,050,000,000) shall be settled by the allotment and issuance of 155,684,485 Shares at HK$8.5 per Share ("Consideration Shares"), subject to downward adjustments, among other things, on the basis of a yearly target amount of RMB100,000,000, RMB130,000,000 and RMB170,000,000 of after-tax profit of Beijing Zhixing Ruijing Technology Co., Ltd (北京知行銳景科技有限公司) ("Beijing Zhixing Ruijing") for each of three years from the first day of the month in which completion takes place.

According to the audited financial information of Beijing Zhixing Ruijing for the year ended 30 June 2017 issued by the Company's auditor on 28 August 2017, the after-tax profit of Beijing Zhixing Ruijing for the year ended 30 June 2017 exceeds RMB130,000,000. Accordingly, the relevant performance target of Beijing Zhixing Ruijing for the second year has been met and the Orange Seller Guarantors or their designated persons will not be required to compensate the Company. The Company and each Orange Seller Guarantor or their designated person shall jointly instruct the escrow agent, as the case may be, to release 44,479,057 Consideration Shares as agreed and all dividends attached to such Consideration Shares to the relevant Orange Seller Guarantor or its designated person pursuant to the terms of the Orange SPA.

For details, please refer to the announcements of the Company dated 8 May 2015, 2 June 2015 and 28 August 2017, and the circular of the Company dated 4 June 2015.

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF THE REMAINING EQUITY INTERESTS IN CHONGQING DIGITAL CHINA HUICONG MICRO-CREDIT CO., LTD AND DIGITAL CHINA'S SUBSCRIPTION OF THE COMPANY'S NEW SHARES UNDER A SPECIFIC MANDATE

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

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

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

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

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

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

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

On 2 November 2017, 重慶市人民政府金融工作辦公室 (Chongqing Municipal People's Government Financial Affairs Office*) has approved the transfer of 30% equity interest in Micro-Credit (the "Equity Transfer") from Digital China Investments to Beijing Huicong Internet. On 15 November 2017, the Purchaser had settled the consideration for the Equity Transfer of RMB541,818,660 ("First Consideration"). The amount of the First Consideration was ratified in a supplemental agreement entered into between the Purchaser and the Vendor on 10 November 2017 where reference to the First Consideration in the first Equity Transfer Agreement dated 25 October 2017, being HK$613,500,000 in RMB equivalent at an exchange rate of 0.88316, should be RMB541,818,660 instead of RMB541,866,000.

On 17 November 2017, the Company had received the subscription money from Digital China and had allotted and issued a total of 87,642,857 New Shares for the First Subscription to Talent Gain Developments Limited, a designated nominee and wholly-owned subsidiary of Digital China. Immediately after completion of the First Subscription, Digital China and its associates held an aggregate of approximately 23.37% of the issued shares of the Company.

Further details of the Acquisition and the Subscription are set out in the announcements of the Company dated 17 August 2016, 24 April 2017, 19 May 2017 and 15 November 2017 and the circular of the Company dated 27 June 2017.

CHANGE IN BOARD LOT SIZE

With effect from 28 September 2017, the board lot size of the Shares for trading on the Stock Exchange has been changed from 2,000 Shares to 500 Shares. For details, please refer to the Company's announcement dated 7 September 2017.

GRANT OF SHARE OPTIONS

On 13 October 2017, the Board has resolved to conditionally grant 29,930,000 share options under the Company's share option scheme adopted on 22 May 2015 at an exercise price of HK$6.476 per Share to Mr. Liu Jun, an executive Director, entitling him to subscribe for 29,930,000 Shares, subject to the independent shareholders' approval. The said grant has been approved by the Company's independent shareholders' at an extraordinary general meeting held on 8 December 2017.

For details of the share options granted to Mr. Liu Jun, please refer to the announcements of the Company dated 13 October 2017, 20 November 2017 and 8 December 2017 and the circular of the Company dated 20 November 2017.

RE-DESIGNATION OF DIRECTORS AND CHANGES IN THE IMPORTANT FUNCTIONS OF DIRECTORS

With effect from 18 October 2017, (a) Mr. Guo Fansheng has been redesignated as a non-executive Director and resign as the chairman of the Board, the chairman of the nomination committee ("Nomination Committee"), authorised representative ("Authorised representative") and the compliance officer ("Compliance Officer") of the Company; (b) Mr. Guo Jiang has resigned as the chief executive officer of the Company ("Chief Executive Officer"), and has been appointed as the chairman of the Board, the chairman of the Nomination Committee and the Compliance Officer; and (c) Mr. Liu has been appointed as the Chief Executive Officer and the Authorised Representative.

PARTIAL REDEMPTION OF THE HK$780,000,000 5.00 PER CENT. CONVERTIBLE BONDS DUE 2019

The Company had issued convertible bonds with an initial aggregate principal amount of HK$780,000,000 ("Bonds") due 2019 pursuant to a subscription agreement dated 20 November 2014. A principal amount of HK$728,400,000 of the Bonds had been fully redeemed and cancelled on 27 November 2017, and the outstanding amount due by the Company under the Bonds is HK$51,600,000. For details, please refer to the announcements of the Company dated 20 November 2014, 27 November 2014 and 21 November 2017.

CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND MEMBERS OF COMMITTEES OF THE BOARD

With effect from 30 November 2017, (a) Mr. Tang Jie has resigned as an independent non-executive Director and members of the audit committee ("Audit Committee") and the remuneration committee ("Remuneration Committee) of the Company; and (b) Ms. Qi Yan has been appointed as an independent non-executive Director and members of the Audit Committee and the Remuneration Committee.

CAPITAL STRUCTURE

During the year ended 31 December 2017, 474,000 Shares were issued upon the exercise of share options under the share option scheme of the Company.

On 17 November 2017, 87,642,857 Shares were issued pursuant to the formal sale and purchase agreement dated 19 May 2017 (details of which are set out in the Company's circular dated 27 June 2017).

During the year ended 31 December 2016, 12,290,000 Shares were repurchased pursuant to the general mandate to repurchase shares and 5,990,000 Shares had been cancelled. The remaining 6,300,000 Shares had been cancelled on 17 February 2017.

During the year ended 31 December 2017, 4,844,000 Shares were repurchased pursuant to the general mandate to repurchase shares and 4,844,000 shares had been cancelled.

The total number of issued shares of the Company was 1,085,323,710 as at 31 December 2017 (2016:1,004,308,103).

STAFF AND REMUNERATION

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31 December 2017, the total number of Group's employees was 2,578, among which 1,147 were employed in the Sales and Marketing Division, 313 were employed in the Editorial Division, 391 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 2017, part of the bank borrowings, amounting to RMB507,376,000 are secured by certain properties and land use right. Part of the other borrowings, amounting to RMB255,000,000 are secured by certain loans receivable.

EXCHANGE RISK

As the Group's operations are principally in the PRC and majority of the 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 2017, the Group had no contingent liability (2016: Nil).

SUBSEQUENT EVENTS

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

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

Subscription of New Shares of the Company under General Mandate in Consideration of the Convertible Bonds

On 5 January 2018, the Company entered into the subscription agreements ("Exchange Subscription Agreements") with (i) the Zhongfu Sellers and (ii) the Huijia Sellers (collectively, the "Bondholders"), pursuant to which the Company agreed to allot 36,028,500 new shares ("Exchange Shares") in aggregate to each of the Bondholders in exchange for the surrender of the convertible bonds of the Company ("Convertible Bonds") issued to the Zhongfu Sellers and Huijia Sellers respectively pursuant to the Zhongfu SPA and the Huijia SPA which remain outstanding and unconverted as at 5 January 2018 (the "Exchange Shares Subscriptions"). The number of Exchange Shares allotted to each of the Zhongfu Sellers and the Huijia Sellers was calculated in accordance with the outstanding principal amount of the Convertible Bonds they are holding and the conversion price of HK$10 per Share for Zhongfu Sellers or the conversion price of HK$7.5 per Share for Huijia Sellers. Pursuant to the Exchange Subscription Agreement, the Exchange Shares allotted to the Bondholders will be put into custodian accounts and will only be released to the Bondholders upon ascertaining the level of fulfilment of the performance targets set out in the Exchange Subscription Agreement.

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

The Exchange Shares were issued and allotted to the Bondholders on 16 January 2018 and the Convertible Bonds were cancelled accordingly.

Change of Company Name and Chinese Stock Short Name

To better reflect the existing corporate image for the Group, after the expansion and development of the Group over this decade, the Company has changed its name in Chinese from "慧聰網有限公司" to "慧聰集團有限公司", which is used for identification purposes only, with effect from 1 March 2018. Accordingly, the Chinese stock short name of the Company for trading of the Shares on the Stock Exchange has been changed from "慧聰網" to "慧聰集團" with effect from 9:00 a.m. on 6 March 2018.

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 Ms. Qi Yan and a non-executive Director, Mr. Li Jianguang. Mr. Zhang Ke is the Chairman of the Audit Committee.

The Audit Committee has reviewed with 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 2017 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 2017. The Audit Committee held 2 meetings during the year.

REVIEW OF FINANCIAL STATEMENTS

The figures in respect of this results announcement have been agreed by the Company's external auditors, PricewaterhouseCoopers, to the amounts set out in the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company had complied with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("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 2017.

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

During the year ended 31 December 2017, 4,844,000 shares were repurchased under the general mandates to repurchase shares and 4,844,000 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 2017.

By order of the Board
HC International, Inc.
LIU Jun
Chief Executive Officer and Executive Director

Beijing, PRC, 27 March 2018

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

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

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 2017 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.