



20 years, young HC!

HC INTERNATIONAL, INC.

慧聪网有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8292)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2013**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of HC International, Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purpose only

FINANCIAL HIGHLIGHTS

- The Group generated a revenue of approximately RMB837,721,000 (2012: RMB548,568,000) for the financial year ended 31st December 2013, representing an increase of approximately 52.7% in revenue as compared to that in 2012.
- The Group achieved a profit of approximately RMB151,534,000 (2012: RMB65,422,000) for the year ended 31st December 2013, representing an increase of approximately 131.6% in profit as compared to that in 2012.
- Cash generated from operating activities was approximately RMB364,698,000 in 2013, representing an increase from that of approximately RMB151,689,000 in 2012.
- Diluted earnings per share for the year was approximately RMB0.2489, representing a strong 119.7% growth when compared to that of approximately RMB0.1133 in 2012.
- As at 31st December 2013, deferred revenue was approximately RMB502,734,000, representing an increase of 49.0% from the balance in 2012 of approximately RMB337,417,000.
- The gross profit margin of the Group increased by 4.4 percentage points to approximately 91.9% in 2013 (2012: 87.5%).
- The Board does not recommend payment of dividend for the year ended 31st December 2013.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2013 together with comparative figures for the year ended 31st December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2013

	Note	2013 RMB'000	2012 RMB'000
Revenue	2	837,721	548,568
Cost of revenue	10	(68,203)	(68,684)
Gross profit		769,518	479,884
Other income	9	3,473	3,307
Selling and marketing expenses	10	(482,289)	(318,314)
Administrative expenses	10	(120,791)	(97,742)
Operating profit		169,911	67,135
Finance income		16,555	11,807
Finance cost		(340)	(615)
Profit before income tax		186,126	78,327
Income tax expense	11	(34,592)	(12,905)
Profit for the year		151,534	65,422
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation difference		(2,692)	37
Total comprehensive income for the year, net of tax		148,842	65,459
Profit attributable to:			
Equity holders of the Company		153,326	66,724
Non-controlling interests		(1,792)	(1,302)
		151,534	65,422
Total comprehensive income attributable to:			
Equity holders of the Company		150,634	66,761
Non-controlling interests		(1,792)	(1,302)
		148,842	65,459
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic earnings per share	12	0.2634	0.1204
Diluted earnings per share	12	0.2489	0.1133
Dividends	13	-	-

CONSOLIDATED BALANCE SHEET

As at 31st December 2013

	Note	2013 RMB'000	2012 RMB'000
Assets			
Non-current assets			
Land use rights		185,619	17,298
Intangible assets		5	9
Property, plant and equipment		214,586	207,915
Deferred income tax assets		3,208	4,373
Long term deposits, prepayments and other receivables	3	77,905	54,510
Investment in an associate		20,000	–
Investment properties		39,518	–
Properties under development		208,268	–
		749,109	284,105
Current assets			
Trade receivables	3	11,421	19,168
Deposits, prepayments and other receivables	3	33,188	42,668
Direct selling costs		136,353	85,102
Amount due from a related company		1,622	1,604
Cash and cash equivalents		1,025,089	422,552
		1,207,673	571,094
Total assets		1,956,782	855,199
Equity			
Equity attributable to the Company's equity holders			
Share capital	4	65,865	58,167
Other reserves	5	666,239	275,769
Retained earnings		165,174	11,848
		897,278	345,784
Non-controlling interests		113,196	96,908
Total equity		1,010,474	442,692

	Note	2013 RMB'000	2012 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		14,009	10,260
Non-current portion of finance lease obligation	7	1,323	2,491
Deferred government grants		206,300	–
Bank borrowings		24,838	–
Non-current portion of borrowings		77,649	–
		324,119	12,751
Current liabilities			
Trade payables	8	2,622	2,825
Accrued expenses and other payables	8	64,643	33,663
Current portion of borrowings		11,184	–
Current portion of finance lease obligation	7	759	1,671
Deferred revenue	8	502,734	337,417
Other taxes payable		17,811	8,366
Income tax payable		22,436	15,814
		622,189	399,756
Total liabilities		946,308	412,507
Total equity and liabilities		1,956,782	855,199
Net current assets		585,484	171,338
Total assets less current liabilities		1,334,593	455,443

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2013

	Attributable to the Company's equity holders (Accumulated losses)/ retained earnings			Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 4)	Other reserves RMB'000 (Note 5)	RMB'000			
Balance at 1st January 2012	56,884	270,485	(54,876)	272,493	14	272,507
Comprehensive income						
Profit for the year	–	–	66,724	66,724	(1,302)	65,422
Other comprehensive income						
Currency translation difference	–	37	–	37	–	37
Total comprehensive income	–	37	66,724	66,761	(1,302)	65,459
Transactions with owners						
Shares purchased under share award scheme	–	(10,447)	–	(10,447)	–	(10,447)
Share based compensation – value of employee services	–	8,766	–	8,766	–	8,766
Contribution from non-controlling interests on set up of subsidiaries	–	–	–	–	110,200	110,200
Exercise of share options	1,283	8,072	–	9,355	–	9,355
Change in ownership interests in subsidiaries without change of control	–	(1,144)	–	(1,144)	(12,004)	(13,148)
Total transactions with owners	1,283	5,247	–	6,530	98,196	104,726
Balance at 31st December 2012	58,167	275,769	11,848	345,784	96,908	442,692
Balance at 1st January 2013	58,167	275,769	11,848	345,784	96,908	442,692
Comprehensive income						
Profit for the year	–	–	153,326	153,326	(1,792)	151,534
Other comprehensive loss						
Currency translation difference	–	(2,692)	–	(2,692)	–	(2,692)
Total comprehensive income	–	(2,692)	153,326	150,634	(1,792)	148,842
Transactions with owners						
Shares purchased under share award scheme	–	(84,650)	–	(84,650)	–	(84,650)
Share based compensation – value of employee services	–	22,566	–	22,566	–	22,566
Issuance of new shares	5,659	402,274	–	407,933	–	407,933
Exercise of share options	2,039	20,847	–	22,886	–	22,886
Change in ownership interests in subsidiaries without change of control	–	32,125	–	32,125	17,875	50,000
Contribution from non-controlling interests on set up of subsidiaries	–	–	–	–	205	205
Total transactions with owners	7,698	393,162	–	400,860	18,080	418,940
Balance at 31st December 2013	65,865	666,239	165,174	897,278	113,196	1,010,474

NOTES:

1 GENERAL INFORMATION

HC International, Inc. (the "Company") and its subsidiaries (together, the "Group") organise a business-to-business community across China by providing business information through both on-line and off-line channels. The Group operates an on-line market place, provides industrial search result prioritising services through its business-to-business website "hc360.com" and publishes its own trade catalogues and yellow page directories in China. The Group also constructs a B2B household electrical appliances business exhibition centre, through the operation of which provides vertical in-depth services and one-stop solution for B2B buyers and sellers.

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

This consolidated financial information are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This consolidated financial information have been approved for issue by the Board of Directors on 18th March 2014.

2 SEGMENT INFORMATION

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

The CODM considers the business from product perspective. From a product perspective, the CODM assesses the performance of trade catalogues and yellow page directories, on-line services, and seminars and other services.

The CODM assesses the performance of the operating segments based on a measure of profit/(loss) before tax. This measurement basis excludes other income and the effects of non-recurring expenditure from the operating segments.

As at 31st December 2013, the Group is organised into the following business segments:

- (i) On-line services, which generates subscription fee income by provision of a reliable platform to customers to do business and meet business partners on-line.
- (ii) Trade catalogues and yellow page directories, which generates advertising income by provision of trade information through trade catalogues and yellow page directories published by the Group.
- (iii) Seminars and other services, which provides hosting services of seminars.
- (iv) B2B household electrical appliances business exhibition centre; since this segment is still under development, no revenue was generated during the year ended 31st December 2013, no separate segment disclosed.

There were no sales or other transactions between the business segments for the year ended 31st December 2013.

	Year ended 31st December 2013			
	On-line services RMB'000	Trade catalogues and yellow page directories RMB'000	Seminars and other services RMB'000	Total RMB'000
Revenue	693,903	42,924	100,894	837,721
Segment results	202,380	(49,013)	13,071	166,438
Other income				3,473
Finance income				16,555
Finance cost				(340)
Profit before income tax				186,126
Other information:				
Depreciation and amortisation	18,791	2,190	2,956	23,937
Share based compensation expense	18,690	1,156	2,720	22,566

	Year ended 31st December 2012			
	On-line services RMB'000	Trade catalogues and yellow page directories RMB'000	Seminars and other services RMB'000	Total RMB'000
Revenue	411,462	54,866	82,240	548,568
Segment results	94,341	(44,333)	13,820	63,828
Other income				3,307
Finance income				11,807
Finance cost				(615)
Profit before income tax				78,327
Other information:				
Depreciation and amortisation	17,394	2,313	1,503	21,210
Share based compensation expense	7,246	669	851	8,766

The Group is domiciled in the PRC. All the revenue generated from external customers in the PRC for the year ended 31st December 2013 (2012: same).

As at 31st December 2013, the total non-current assets other than financial instruments and deferred tax assets (there were no employment benefit assets and rights arising under insurance contracts) located in the PRC is approximately RMB667,996,000 (2012: RMB225,222,000), and the total of these non-current assets located in other countries is Nil (2012: Nil).

3 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Trade and note receivables (note a)	14,243	22,237
Less: provision for impairment of trade receivables	(2,822)	(3,069)
Trade and note receivables – net	11,421	19,168
Deposits, prepayments and other receivables (note b)	111,093	97,178
	122,514	116,346
Less: Non-current deposit, prepayments and other receivables	(77,905)	(54,510)
Current portion	44,609	61,836

- (a) The Group generally grants a credit period of 90 days to customers. The aging analysis of the gross trade and note receivables is as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Current to 90 days	7,181	14,498
91 to 180 days	3,332	3,166
181 to 365 days	1,816	3,009
Over 1 year	1,914	1,564
	14,243	22,237

The carrying amounts of trade and note receivables approximate their fair values.

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

The Group has recognised a loss of approximately RMB2,533,000 for the impairment of its trade and note receivables during the year ended 31st December 2013 (2012: RMB1,015,000).

As at 31st December 2013, trade and note receivables of approximately RMB2,822,000 (2012: RMB3,069,000) 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 2013, trade and note receivables of approximately RMB4,240,000 (2012: RMB4,670,000) 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 and note receivables is as follows:

	2013	2012
	RMB'000	RMB'000
91 to 180 days	3,332	3,166
181 to 365 days	908	1,504
	4,240	4,670

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

	2013	2012
	RMB'000	RMB'000
At beginning of the year	3,069	3,346
Impairment of receivables	2,533	1,015
Write off for impaired receivables	(2,780)	(1,292)
At end of the year	2,822	3,069

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 and note receivables disclosed above. The Group did not hold any collateral as security.

(b) Deposits, prepayments and other receivables

	Group	
	2013	2012
	RMB'000	RMB'000
Short-term deposits	8,140	6,436
Long-term deposits	2,905	1,443
Short-term prepayments	3,486	7,921
Long-term prepayments (Note (i))	44,400	21,600
Other receivables:		
– Short-term from former associated company (Note (ii))	894	2,768
– Short-term others (Note (iii))	20,668	25,543
– Loan to employees (Note (iv))	30,600	31,467
	111,093	97,178
The fair values are as follows:		
Deposits	11,045	7,879
Prepayments	47,886	29,521
Other receivables	52,162	59,778
	111,093	97,178
Denominated in:		
HK dollars	30,600	31,651
RMB	80,493	65,527
	111,093	97,178

Note (i): This amount represents prepayment for purchase of property, plant and equipment and acquisition of land use rights. Balance included an amount of RMB21,600,000 (31st December 2012: RMB21,600,000) which represented payment made for the acquisition of certain land use rights of which the transfer of land use rights is subject to final approval from the related government authorities.

Note (ii): This amount represents receivable balances for provision of data library services from the former associated company, 北京鄧白氏慧聰市場信息諮詢有限公司, which was disposed of in 2011.

Note (iii): This amount includes loan and interest receivable from a private company incorporated in the PRC amounting to RMB20,668,000 (2012: RMB25,543,000). The borrower is one of the new shareholders of the disposed market research and analysis business who is an independent third party of the Group. The loan bears an interest at 8% per annum and had been settled in January of 2014.

Note (iv): Employee Share Scheme

On 21st December 2012, the Group granted loans to several employees of the Group for the sole purpose of purchase of shares of the Group at market price. The loans will mature on 21st December 2015, and bear interest at a rate of 5% per annum. The loans are denominated in HK dollars. The fair values of the loans to employees are approximate to their carrying values.

4 SHARE CAPITAL

	Number of ordinary shares	Par value RMB'000
At 1st January 2012	546,248,645	56,884
Exercise of share options	15,803,104	1,283
At 31st December 2012	562,051,749	58,167
Issuance of new shares	72,000,000	5,659
Exercise of share options	25,527,869	2,039
At 31st December 2013	659,579,618	65,865

The total authorised number of ordinary shares is 1,000,000,000 shares (2012: 1,000,000,000 shares) with a par value of HK\$0.1 per share (2012: HK\$0.1 per share). All issued shares are fully paid.

Share options

(i) Pursuant to a written resolution of the shareholders of the Company dated 30th November 2003, a share option scheme (the "Share Option Scheme") was adopted by the Company. Pursuant to the Share Option Scheme, the board of directors is authorised to grant options to any directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the board of directors in accordance with the terms of the Share Option Scheme.

During the year ended 31st December 2004, a total of 26,000,000 share options were granted to two executive directors and certain employees pursuant to the Share Option Scheme, of which 7,850,000, 9,350,000, 1,080,000, 581,000, 265,000, 245,000, 286,000 and 32,000 share options were lapsed during the year ended 31st December 2005, 2007, 2008, 2009, 2010, 2011, 2012 and 2013, respectively. During the year ended 31st December 2013, 4,915,000 share options were exercised.

The grantees can exercise these options at an exercise price of HK\$2.40 per share in a ten-year period starting from the expiry of twelve months from the date of the granting of options, being 18 February 2004. Commencing from the first, second and third anniversaries of the Offer Date, the relevant grantee may exercise options up to 33.3%, 66.6% and 100% respectively.

During the year ended 31st December 2006, a total of 10,000,000 share options were granted to one executive Director and certain employees pursuant to the Share Option Scheme, of which 2,460,000, 2,908,000, 346,000, 644,000, 274,000 and 134,000 share options were lapsed during the year ended 31st December 2007, 2008, 2009, 2010, 2011 and 2012 respectively. During the year ended 31st December 2012 and 2013, 366,000 and 1,024,000 share options were exercised. The grantees can exercise 100% of these options at an exercise price of HK\$1.49 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 23rd June 2006.

During the year ended 31st December 2007, a total of 23,000,000 share options were granted to two executive Directors and certain employees pursuant to Share Option Scheme, of which 10,267,000, 1,035,000, 2,403,000, and 668,000 share options were lapsed during the year ended 31st December 2008, 2009, 2010, and 2011 respectively. During the year ended 31st December 2012 and 2013, 1,376,000 and 1,621,000 share options were exercised. The grantees can exercise these options at an exercise price of HK\$1.24 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 11th July 2007. Commencing from the first and second anniversaries of the Offer Date, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2008, a total of 14,600,000 share options were granted to one executive director and certain employees pursuant to Share Option Scheme, of which 500,000, 1,180,000 and 120,000 share options were lapsed during the year ended 31st December 2009, 2010 and 2011 respectively. During the year ended 31st December 2010, 2011, 2012 and 2013, 700,000, 2,300,000, 2,600,000 and 3,000,000 share options were exercised. The grantees can exercise these options at an exercise price of HK\$0.604 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 29th September 2008. Commencing from the first anniversary of the Offer Date, the relevant grantee may exercise options 100%.

During the year ended 31st December 2010, a total of 33,800,000 share options were granted to one executive Director and certain employees pursuant to Share Option Scheme, of which 700,000, 400,000 and 800,000 share options were lapsed during the year ended 31st December 2010, 2011 and 2012 respectively. During the year ended 31st December 2011, 2012 and 2013, 1,000,000, 5,550,000 and 9,482,000 of such share options were exercised. The granters can exercise these options at an exercise price of HK\$0.82 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 7th April 2010. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

During the year ended 31st December 2011, a total of 3,000,000 share options were granted to certain employees pursuant to share option scheme, of which 100,000, 100,000 and 50,000 share options were lapsed during the year ended 31st December 2011, 2012 and 2013. During the year ended 31st December 2012 and 2013, 800,000 and 1,670,000 of such share options were exercised. The granters can exercise these options at an exercise price of HK\$1.108 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 28th March 2011. Commencing from the first and second anniversaries of the date of grant, the relevant grantee may exercise options up to 50% and 100% respectively.

On 3rd April 2013, a total of 1,500,000 share options were granted to an employee pursuant to share option scheme. The grantee can exercise these options at an exercise price of HK\$4.402 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 3rd April 2013. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise options up to 20% and gradually up to 100% at the fifth anniversary of the date of grant. During the year ended 31st December 2013, no such share options were exercised.

On 18th November 2013, a total of 10,000,000 share options were granted to certain employees pursuant to share option scheme. The granters can exercise these options at an exercise price of HK\$9.84 per share in ten years period starting from the expiry of twelve months from the date of the granting of options, being 18th November 2013. Commencing from the first anniversaries of the date of grant, the relevant grantees may exercise options up to 10% and gradually up to 100% at the fifth anniversary of the date of grant. During the year ended 31st December 2013, no such share options were exercised.

The assumptions for revaluation of fair value of share options are as follows:

	23rd June 2006	11th July 2007	29th September 2008	7th April 2010	28th March 2011	3rd April 2013	18th November 2013
Exercise price (in HK dollar)	1.49	1.24	0.604	0.82	1.108	4.402	9.84
Fair value of the options (in RMB)	3,919,000	9,390,000	2,756,000	12,527,000	1,377,000	3,754,000	50,125,000
Risk free interest rate (in %)	4.911	4.757	3.133	2.865	2.820	1.111	1.915
Expected life (in years)	3.2-5.5	2.4-6.2	3.8-4.8	3.4-5.9	3.8-4.9	9.1-9.6	4.7-7.9
Volatility (in %)	34.8	49	72.2	79.8	77.4	75	71.5
Expected dividend per share (cents)	0	0	0	0	0	0	0

At the working date before options were granted, 22nd June 2006, 10th July 2007, 26th September 2008, 6th April 2010, 25th March 2011, 2nd April 2013 and 15th November 2013, the market value per share was HK\$1.45, HK\$1.24, HK\$0.55, HK\$0.82, HK\$1.1, HK\$4.3 and HK\$9.23 respectively.

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

(i) *Pre-IPO Share Option Scheme*

Expiry date	2013		2012	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options
At 1st January	0.44	4,036,016	0.44	9,147,120
Lapsed and Exercised	0.44	(4,036,016)	0.44	(5,111,104)
At 31st December				
17th December 2013	0.44	–	0.44	4,036,016

(ii) Share Option Scheme

Expiry date	2013		2012		
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options	
At 1st January	2.40	6,343,000	2.40	6,629,000	
	1.49	2,868,000	1.49	3,368,000	
	1.24	6,991,000	1.24	8,367,000	
	0.604	7,200,000	0.604	9,800,000	
	0.82	25,350,000	0.82	31,700,000	
	1.108	2,000,000	1.108	2,900,000	
Granted	2.40	–	2.40	–	
	1.49	–	1.49	–	
	1.24	–	1.24	–	
	0.604	–	0.604	–	
	0.82	–	0.82	–	
	1.108	–	1.108	–	
	4.402	1,500,000	4.402	–	
	9.84	10,000,000	9.84	–	
Lapsed and exercised	2.40	(4,947,000)	2.40	(286,000)	
	1.49	(1,024,000)	1.49	(500,000)	
	1.24	(1,621,000)	1.24	(1,376,000)	
	0.604	(3,000,000)	0.604	(2,600,000)	
	0.82	(9,482,000)	0.82	(6,350,000)	
	1.108	(1,720,000)	1.108	(900,000)	
	4.402	–	4.402	–	
	9.84	–	9.84	–	
At 31st December	18th February 2014	2.40	1,396,000	2.40	6,343,000
	23rd June 2016	1.49	1,844,000	1.49	2,868,000
	11th July 2017	1.24	5,370,000	1.24	6,991,000
	29th September 2018	0.604	4,200,000	0.604	7,200,000
	7th April 2020	0.82	15,868,000	0.82	25,350,000
	27th march 2021	1.108	280,000	1.108	2,000,000
	3rd April 2023	4.402	1,500,000	–	–
	18th November 2023	9.84	10,000,000	–	–

Share Award Scheme

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

On 14th June 2012, the Board resolved to grant Lee Wee Ong, an executive director of the Company, 3,000,000 shares on 1st July 2012, subjected to a vesting period of 36 months.

On 20th August 2012, the shareholders resolved to grant Guo Jiang, an executive director of the Company, 16,700,000 shares on 20th August 2012, subjected to a vesting period of 72 months.

As at 31st December 2013, 42,574,000 shares (31st December 2012: 24,118,000 Shares) had been purchased by the trustee as awarded shares pursuant to the terms of the Share Award Scheme. The awarded shares will be held by the trustee in accordance with the rules of the Share Award Scheme and the relevant trust period.

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

The following table represents the movements for number of shares under the Share Award Scheme for the year ended 31st December 2013.

	Number of shares
As at 1st January 2012	17,654,000
Shares purchased from the market	6,464,000
Shares vested during the year	(844,663)
As at 31st December 2012	23,273,337
As at 1st January 2013	23,273,337
Shares purchased from the market	18,456,000
Shares vested during the year	(6,980,002)
As at 31st December 2013	34,749,335

The following is a summary of the shares granted, vested and lapsed during the year since the set up of the Share Award Scheme:

	Number of shares (in thousand unit)	
	2013	2012
As at 1st January	43,036	24,181
Granted during the year	–	19,700
Shares lapsed	–	–
Shares vested	(6,980)	(845)
Allocated but not vested	36,056	43,036

The Group has adopted the requirements under HKFRS 2 to account for the equity compensation expenses of the shares granted at the date of grant at fair value.

5 OTHER RESERVES

	Share premium RMB'000	Capital reserve RMB'000	Other reserves RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share redemption reserve RMB'000	Exchange Reserve RMB'000	Shares held for share reward scheme RMB'000	Total RMB'000
At 1st January 2012	197,325	987	(48,474)	108,830	43,733	496	(10,178)	(22,234)	270,485
Share based compensation – value of employee services	-	-	-	-	8,766	-	-	-	8,766
Exercise of share options	8,072	-	-	-	-	-	-	-	8,072
Currency translation difference	-	-	-	-	-	-	37	-	37
Shares purchased under share award scheme	-	-	-	-	-	-	-	(10,447)	(10,447)
Vesting of awarded shares	-	-	-	-	(1,033)	-	-	1,033	-
Changes in ownership interest in subsidiaries without change of control	-	-	(1,144)	-	-	-	-	-	(1,144)
At 31st December 2012	205,397	987	(49,618)	108,830	51,466	496	(10,141)	(31,648)	275,769
At 1st January 2013	205,397	987	(49,618)	108,830	51,466	496	(10,141)	(31,648)	275,769
Share based compensation – value of employee services	-	-	-	-	22,566	-	-	-	22,566
Issuance of new shares	402,274	-	-	-	-	-	-	-	402,274
Exercise of share options	20,847	-	-	-	-	-	-	-	20,847
Currency translation difference	-	-	-	-	-	-	(2,692)	-	(2,692)
Shares purchased under share award scheme	-	-	-	-	-	-	-	(84,650)	(84,650)
Vesting of awarded shares	4,751	-	-	-	(13,235)	-	-	8,484	-
Changes in ownership interest in subsidiaries without change of control	-	-	32,125	-	-	-	-	-	32,125
At 31st December 2013	633,269	987	(17,493)	108,830	60,797	496	(12,833)	(107,814)	666,239

PRC companies are required to allocate 10% of the companies' net profit to a subsidiary reserve fund until such fund reaches 50% of the companies' registered capital. The statutory reserve fund can be utilised, upon approval of relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. As at 31st December 2013, retained earnings comprise statutory reserve fund amounted to RMB23,727,000 (2012: RMB7,707,000).

6 TRANSACTION WITH NON-CONTROLLING INTERESTS

On 20th December 2013, a new shareholder injected capital amounting to RMB50,000,000 into 廣東慧聰家電城投資有限公司, a non-wholly-owned controlling subsidiary of the Group. The new shareholder subscribes 10% of the equity interest. After this transaction, the equity interest in 廣東慧聰家電城投資有限公司 has diluted from 59% to 53.1%.

The carrying amount of the non-controlling interests disposed of and consideration received in excess of carrying value recognised within equity as a result of the transaction with non-controlling interests were as follows:

	2013 RMB'000
Carrying amount of non-controlling interests disposed	17,875
Consideration received from the non-controlling interests	(50,000)
Consideration received in excess of carrying value recognised within equity	(32,125)

On 16th February 2012, the Group acquired an additional 30% of the issued and paid-up share capital in 北京慧智普吉科技 有限公司, a subsidiary of the Group, from a non-controlling shareholder, increasing the percent of effective interest held from 70% to 100%. The acquisition cost amounted to approximately RMB148,000.

On 6th December 2012, the Group acquired an additional 8% of the issued and paid-up share capital in 廣東慧聰家電城投資 有限公司, a subsidiary of the Group, from a non-controlling shareholder, increasing the percent of effective interest held from 51% to 59%. The acquisition cost amounted to approximately RMB13,000,000.

The carrying amounts of the non-controlling interests acquired and consideration paid in excess of carrying value recognised within equity as a result of the transaction with non-controlling interests were as follows:

	2012 RMB'000
Carrying amount of non-controlling interests acquired	12,004
Consideration paid for the non-controlling interests	(13,148)
Consideration paid in excess of carrying value recognised within equity	(1,144)

7 FINANCE LEASE OBLIGATIONS

	2013 RMB'000	2012 RMB'000
Finance lease obligations		
Non-current	1,323	2,491
Current	759	1,671
Total finance lease obligations	2,082	4,162

	2013 RMB'000	2012 RMB'000
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	995	1,814
Later than 1 year and no later than 5 years	1,465	3,246
Future finance charges on finance leases	(378)	(898)
Present value of finance lease liabilities	2,082	4,162

The present value of finance lease liabilities is as follows:

No later than 1 year	759	1,671
Later than 1 year and no later than 5 years	1,323	2,491
	2,082	4,162

The fair values of the finance lease obligations equal their carrying amounts. The carrying amounts of the finance lease obligations are denominated in RMB. The effective interest rates for the finance lease obligations ranges from 1.20% to 1.43% per month.

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

	Group	
	2013 RMB'000	2012 RMB'000
Trade payables (a)	2,622	2,825
Deferred revenue	502,734	337,417
Accrued expenses and other payables	64,643	33,663
	569,999	373,905

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

	2013	2012
	RMB'000	RMB'000
Current to 90 days	1,138	952
91 to 180 days	458	1,126
181 to 365 days	484	313
Over 1 year	542	434
	2,622	2,825

9 OTHER INCOME

	2013	2012
	RMB'000	RMB'000
Government grants	3,473	3,307

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.

10 EXPENSES BY NATURE

	2013	2012
	RMB'000	RMB'000
Direct expenses of trade catalogues and yellow page directories	19,985	25,784
Direct expenses of on-line services	157,349	72,368
Direct expenses of seminars and other services	42,238	38,368
Marketing expenses	50,467	25,625
Network and telephone expenses	11,214	12,060
Auditor's remuneration	1,981	2,018
Staff costs, including directors' emoluments	296,894	230,109
Amortisation of land use rights	430	427
Amortisation of intangible assets	4	455
Depreciation of property, plant and equipment	23,503	20,328
Provision for impairment and write off of trade receivables	2,533	1,015
Loss/(gain) on disposal of property, plant and equipment	281	(29)
Operating lease payments in respect of land and buildings	14,132	14,381
Direct write off of other receivables	–	1,980
Travelling expenses	9,810	9,464
Other expenses	40,462	30,387
Total cost of revenue, selling and marketing expenses and administrative expenses	671,283	484,740

11 INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current income tax expense		
– Hong Kong profits tax	–	–
– The PRC Corporate income tax (“CIT”)	29,678	13,359
Deferred income tax expense/(credit)	4,914	(454)
	34,592	12,905

12 EARNINGS PER SHARE

	2013 RMB'000	2012 RMB'000
Profit attributable to equity holders of the Company	153,326	66,724

	2013 No. of shares (‘000)	2012 No. of shares (‘000)
Weighted average number of shares in issue	582,199	554,035
Incremental shares from assumed exercise of share options granted	33,792	34,748
Diluted weighted average number of shares	615,991	588,783

Basic earnings per share (in RMB)	0.2634	0.1204
Diluted earnings per share (in RMB)	0.2489	0.1133

13 DIVIDENDS

No dividend was paid or declared by the Company during the year (2012: 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 2013 and 31st December 2012, respectively.

14 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2013 RMB'000	2012 RMB'000
Property, plant and equipment	53,304	–
Investment properties and Properties under development	284,050	–
	337,354	–

(b) Commitments under operating leases

At 31st December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2013 RMB'000	2012 RMB'000
Within one year	13,529	9,806
In the second to fifth year inclusive	28,276	2,051
	41,805	11,857

15 CONTINGENT LIABILITIES

As at 31st December 2013, there were no material contingent liabilities to the Group (2012: Nil).

16 EVENT AFTER THE BALANCE SHEET DATE

An extraordinary general meeting of the Company was held on 9th January 2014 and approved to establish Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) which will be owned as to 60% by Digital China Holdings Limited and as to 40% by the Company (or their respective nominee subsidiaries) for the purpose of the development and operation of the micro-credit internet financing business. The registered capital of this company shall be RMB1,000,000,000.

BUSINESS REVIEW

In 2013, with moderate recovery of the global economy, the B2B e-commerce transactions of small and medium enterprises (“SMEs”) in China maintained fast and steady development. The revenue from B2B market place alone increased 25.1% year-on-year. However, the industry still faced the challenges of integration, transformation, upgrade and innovation, including the construction of on-line transaction platform, the promotion of Internet financing, the utilisation of mobile terminals, the adoption of online to offline “O2O” business model and various micro-innovation projects. All of these urging the B2B e-commerce market place to undergo a thorough reformation. Under such backdrop, the Group underwent a series of reformation by actively embracing the changes, and even setting trends for certain areas.

In this year, we are marching towards the 21st anniversary of the Group. Also, we have been witnessing a decade of being listed on GEM. In the past 21 years, we did succeed. We also encountered a tough transformation under the Internet boom, successfully spanning into the seventh year of operations under the Internet environment indicating a new milestone for us. Now, we are facing another round of Internet reformation. We need to take the initiative to undergo changes, to implement product upgrades and innovations, and at the same time, to enhance the quality of services. In order to achieve a sound balance of the eco-system of the B2B platform, we voiced out the motto of “servicing the buyers” in 2013. We also provided high quality procurement service for buyers to facilitate the balance between demand and supply and this closing the deals.

We assisted the match between buyers and sellers through Biao-Wang Search, Mai-Mai-Tong, Cai-Gou-Tong and Micro-Portal on-line, and we promulgated the rights to use safe and free transaction platform by SME through our on-line transaction services HuiFuBao, in order to facilitate more deals between buyers and sellers. Through the “HC – Minsheng e-Loan Credit Card” jointly developed with Minsheng Bank, we helped to facilitate Internet finance micro loan service from the financial institutions for SMEs. Through the utilisation of specialised sector information and e-commerce services, users are enabled to promptly get hold of industry information and intelligence and capture business opportunities. We also promoted the communication and activities within the community of industry via various off-line forums, trade fairs, expositions, Top 10 Enterprise Awards, 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 maximise, so as to increase the successful rate of transactions.

To date, the revenue of approximately 83% of hc360.com is generated from internet services, and of approximately 12% is from seminars and other services, while only 5% is from the early business of traditional printed media.

(1) Products

The Group has established an on-line product portfolio with Biao-Wang Search, Mai-Mai-Tong, Cai-Gou-Tong, HuiFuBao and Micro-Portal as the core products, and internet advertisement, Trade Catalogues and Yellow Page Directories as the supplementary products, and has also actively promoted products and services such as Top 10 activities and off-line exhibitions. Incorporating both on-line and off-line channels, buyers and sellers are provided with quality and profession and corresponding demand services, while buyers and sellers are matched and transactions are facilitated.

On-line Products

Mai-Mai-Tong

Mai-Mai-Tong, as the B2B flagship fundamental membership product of the Company, has targeted to establish a reliable and diversified vertical-industrial oriented trade platform for SMEs since its debut in 2004. In addition to functions like product display, precise search/demand quick match, tailor-made services and direct business opportunities, Mai-Mai-Tong also allows its customers to grasp superior advantages promptly by providing integrated e-commerce services such as industry news access, online trade meeting and smart shop backend. Besides, the Group has appointed a reputable third party certification company to provide identity certification for the enterprises.

In 2013, we carried out significant upgrade on Mai-Mai-Tong by adding micro shops in the new version. This function integrates with Weixin, the most widely used mobile internet product today, to build up shops at the mobile terminals and enable customers’ access to the shops anytime, anywhere. Such innovation has made up the shortfall of the B2B mobile internet terminal and kept abreast of the development trend of the mobile internet.

Search Products

Search products are one of the key value-added service products of the Group's B2B business. Along with rapid development of the search engine industry, search service has become a critical tool for SMEs to promote brand names, acquire opportunities and achieve transactions. The Group further upgraded its search products in 2013 and co-operated with search engine service providers like Baidu, 360 Search, Sogou and Google. It also provided wireless Biao-Wang Search services and incorporated a new product Lai-Dian-Bao which adds contact telephone numbers in the search results, enabling higher exposure of the customers.

On-line Transaction Products

HuiFuBao, an on-line transaction service, is a newly developed B2B core transaction facilitated product of the Group. In light of the increasing demand of SMEs in respect of transaction safety and timeliness, on-line transaction has become the future development roadmap of the B2B market. Based on its own strategies and business characteristics, and at the aim of fully satisfy customers' requests, the Group has developed the first ever on-line transaction service tailored to the B2B market, which facilitates high value payment and eliminates customers' concern about the safety issue. Focusing on the B2B transactions, the Group has continued to extend its on-line transaction services and develop respective transaction modules based on the needs of different industries so as to continue with the transactions of each sector.

Financial Products

HC – Minsheng e-Loan Credit Card is a critical product which facilitates the growth of B2B trading platforms. Today, SMEs are facing difficulties in securing bank loan with increasing loan capital resulted from the contracted capital liquidity in China. With HC – Minsheng e-Loan Credit Card, the applying customers can apply credit card to Minsheng Bank on hc360.com based on their creditworthiness. This can reduce costs of approval from the bank, enables flexible usage of credit cards, and, to a certain extent, helps SMEs improve their liquidity.

On-line Advertising

The on-line advertising service of the Group provides an effective promotion platform for SMEs to enhance marketing. Each of the industry specific website under hc360.com has entered into strategic co-operation with the renowned enterprises of various dedicated industries to facilitate corporate branding as well as products and services in a comprehensive manner.

Off-line Products

Trade Catalogues

"HC Trade Catalogues" is an authoritative purchasing guide in China. It covers 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.

Yellow Page Directories

As a business yearbook for specific industries, the "Yellow Page Directories" features as 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.

Feasts for Industry Brands

hc360.com 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 and thereby promoting industrial progress. In 2013, hc360.com once again organised such campaign with success, which enables spotlight exposure of enterprises with outstanding performance in terms of "brand, responsibility and influence" and with considerable contribution to the development of the industry.

(2) Marketing Channels

Through three sales teams, namely the Industry Direct Sales, the Agency Sales and the Telemarketing Sales Teams, hc360.com provide on-line and off-line products and services to different targeted market segments. Established since 2006, such sales model helps enterprises realise steady revenue growth with mature and active attitude to response changes in marketing.

As one of the major sales forces of the Company, the Direct Sales Team focuses on selling large value and high-end on-line and off-line 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 consumer market. It has been expanded rapidly in recent years. The growth in its performance has been derived from strengthening of its managing system, resulting to improvement in its working efficiency and market promotion ability. The Telemarketing Sales Team has become a critical sales channel of the internet products of the Group. Agencies has been extending the regional market reach for the Company to the maximum degree and promoting brands. It has become an important supplementary sales force of the Company.

(3) Customer Service

With its business covering over 60 sectors, the Group has dedicated service team serves both purchasers and clients. It facilitates transactions by way of supply-and demand match, on-line negotiations, off-line trade meetings and group purchasing. The Group issues "Report on Purchasers Practice Analysis" and "Report on Industrial Products Index Analysis", in order to thoroughly study the industry characteristics, member types and their spreads, process of making buying decision, buying practice, buying cycle and change of concerns, and also made predictions and justifications on buying trend to assist purchasers to complete their transactions in a more effective way.

Member Care

The Group sets up and improves customer 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 on-line items to introduce products 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 customers as well as building up a closely bound internet community.

PROSPECTS

Since the Company's listings on GEM in 2003, hc360.com has transformed itself from a traditional business media firm to a B2B internet enterprise, and has been actively exploring its most appropriate development path through transitions. A vertical in-depth services model is steadily formed and our goal is much clearer.

We committed ourselves to understand about our customers' needs, the market, the products and services, and business operations. Through the interactions of on-line and off-line marketing, we help enterprises to establish internet sales network and on-line transaction channel. After years of developing efforts, our proprietary and sustainable development strategy is gradually formed, focusing on three major strategies of B2B domestic trading, vertical industry segmentation and "transaction + media services".

In 2014, we will continue to carry out the three major strategies to satisfy the need of SMEs and provide valuable services by constant products innovation and value-added services offerings. Provision of transaction services will be our important task for the coming year. Through a highly value-added, customised, specialised product and service solution, our customers shall enjoy superior business experience.

Professional and dedication are always the core DNA of hc360.com, these characteristics determine our focus on vertical integration and horizontal alignments strategies. With our distinguish 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.

Aged 21, hc360.com had grown with SMEs across the country and had experienced joy and tears together for the past 21 years. In the future, we will continue to do so and to build China's domestic B2B e-commerce platform, a prospect, challenging and glorious future!

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2013, the Group's cash and bank balances increased by approximately RMB602,537,000 from approximately RMB422,552,000 as at 31st December 2012 to approximately RMB1,025,089,000.

The Group had loans and a finance lease obligation amounted to approximately RMB115,753,000 as at 31st December 2013 (2012: RMB4,162,000). Gearing ratio of the Group was approximately 12.9% (2012: 1.2%) as at 31st December 2013, calculated with reference to loans (including finance lease obligations) and capital and reserves attributable to the Company's equity holders of approximately RMB897,278,000 (2012: RMB345,784,000). The capital and reserves attributable to the Company's equity holders increased by approximately RMB551,494,000 as compared to last year.

The Group's net current assets amounted to approximately RMB585,484,000 as at 31st December 2013 (2012: RMB171,338,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 1.94 times as at 31st December 2013 as compared to approximately 1.43 times as at 31st December 2012.

The Group's trade receivables turnover has decreased from approximately 13.6 days in 2012 to approximately 6.66 days in 2013.

SIGNIFICANT INVESTMENTS ACQUISITION OF LAND IN SHUNDE

On 5th February 2013, Guangdong Huicong Household Appliances City Investment Co., Ltd.* 廣東慧聰家電城投資有限公司 (the "Shunde Subsidiary"), an indirectly non-wholly owned subsidiary of the Company whose equity interest was owned at the relevant time as to 59% by Huicong (Tianjin) E-Commerce Industry Investment Co., Ltd.* (慧聰(天津)電子商務產業投資有限公司) ("Tianjin HC"), as to 16.5% by Foshan Shunde Bo Shi Investment Co., Ltd.* (佛山市順德區博時投資有限公司), as to 24.5% by Foshan Shunde Cheng Shun Assets Management Co., Ltd.* (佛山市順德區誠順資產管理有限公司), won the public tender for the sale of the land use rights of a land with a planned land area of 43,964.82 square meters and located at No.8, East of State Road 105, Beijiao Town, Shunde, Foshan, Guangdong Province (廣東省佛山市順德北滘鎮105國道東側8號) of the PRC (the "Land") at the consideration of RMB334,480,000.

The Shunde Subsidiary and Foshan Shunde Land and Property Transactions Centre (佛山市順德區土地房產交易中心) have signed a Confirmation on Completion of the Sale of Land Used Rights (國有建設用地使用權掛牌出讓成交確認書) on 5th February 2013. The Shunde Subsidiary has entered into the transfer contract for land use rights of state-owned land (國有土地使用權出讓合同書) in respect of the Land with The Land Construction and Water Conservancy Bureau of Shunde, Foshan, and the consideration was fully paid by the Shunde Subsidiary on 4th March 2013.

The said land acquisition constituted a major transaction for the Company and subject to, among other things, the approval by the Shareholders under Chapter 19 of the GEM Listing Rules. Shareholders' advanced approval and authorities were granted to the Directors for the said land acquisition in advance by the Shareholders at the extraordinary general meeting of the Company held on 4th February 2013. Please also refer to the circular of the Company dated 18th January 2013, and the announcements of the Company dated 4th February 2013 and 5th February 2013, respectfully, for further details of the said land acquisition.

On 20th December 2013, Foshan Shunde Beijiao Investment Management Co., Ltd.* (佛山市順德區北滘投資管理有限公司), an independent third party, injected RMB50,000,000 into the Shunde Subsidiary and subscribed 10% of its equity interest. As at the date of this announcement, Tianjin HC owns 53.1% of the equity interest of the Shunde Subsidiary.

GENERAL CONTRACTING CONSTRUCTION AND MANAGEMENT CONTRACT FOR HUICONG HOUSEHOLD APPLIANCES CITY PROJECT

On 1st November 2013, the Shunde Subsidiary entered into a general contracting construction and construction management (the "Construction Contract") with China Huaxi Corporation Limited (中國華西企業有限公司) (the "Contractor") in respect of the construction and construction management works of the Huicong Household Appliance City Project on the Land at a contract sum of RMB308,880,000.

The transactions contemplated under the Construction Contract constitute a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules. Please also refer to the announcement of the Company dated 1st November 2013.

ESTABLISHMENT OF A JOINT VENTURE COMPANY IN CHONGQING

On 4 December 2013, the Company and Digital China Holdings Limited ("Digital China") entered into the joint venture agreement (the "Chongqing JV Agreement"), pursuant to which the parties (or its nominee subsidiary) agreed to, among other things, establish Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) (the "Chongqing JV Company"), which will be owned as to 60% by Digital China and as to 40% by the Company (or their respective nominee subsidiaries) for the purpose of the development and operation of the micro-credit internet financing business.

Pursuant to the Chongqing JV Agreement, the total registered capital of the Chongqing JV Company shall be RMB1,000,000,000, of which RMB600,000,000 will be contributed by Digital China in cash and RMB400,000,000 will be contributed by the Company in cash.

As the applicable percentage ratios in respect of the transactions contemplated under the Chongqing JV Agreement exceed 25% but are less than 100%, the entering into of the Chongqing JV Agreement and the transactions contemplated thereunder constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

In addition, as Digital China is a substantial shareholder of the Company interested in approximately 20.96% of the issued share capital of the Company as at the date of the Chongqing JV Agreement, Digital China is a connected person of the Company. The entering into the Chongqing JV Agreement and the transactions contemplated thereunder therefore also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to, among other things, the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. The entering into the Chongqing JV Agreement and the transactions contemplated thereunder was approved by independent shareholders of the Company at the extraordinary general meeting held on 9th January 2014.

Please also refer to the announcements of the Company dated 4th December 2013 and 9th January 2014, and the circular of the Company dated 20th December 2013, respectively.

ESTABLISHMENT OF HUI DE HOLDINGS CO., LTD.

On 9th December 2013, Tianjin HC (a non-wholly-owned subsidiary of the Group), Tianjin Lekun Enterprise Management and Consultancy Partnership (Limited Partnership) (天津樂坤企業管理諮詢合夥企業(有限合夥)) ("Tianjin Lekun"), and Beijing Zhong Ding Bo Rui Investment Management Co., Ltd. (北京中鼎博瑞投資管理有限公司) ("Zhongding Borui") entered into the a joint venture agreement ("Huide JV Agreement"), pursuant to which the parties agreed to, among other things, establish Hui De Holding Co., Ltd. (慧德控股有限公司) ("Hui De Company"). Hui De Company will be owned as to 20% by Tianjin HC, as to 40% by Tianjin Lekun and as to 40% by Zhongding Borui.

Beijing Le Peng De Tai Investment Co., Ltd. (北京樂鵬德泰投資有限公司) ("Beijing Lepeng") is a substantial shareholder of Tianjin HC holding 40% of its equity interest as at the date of the Huide JV Agreement, and thus a connected person of the Company, and it is the general partner of Tianjin Lekun responsible for implementation of the partnership affairs. Tianjin Lekun, being an associate of Beijing Lepeng, is a connected person of the Group. As Zhongding Borui is controlled by Mr. Guo Wei, a non-executive Director, Zhongding Borui is a connected person of the Company. As such, the entering into of the Huide JV Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. As the applicable percentage ratios for the Huide JV Agreement and the transactions contemplated thereunder are below 5%, the Huide JV Agreement and the transactions contemplated thereunder is subject to, among other things, reporting and announcement requirements, but is exempted from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. Please also refer to the announcement of the Company dated 9th December 2013.

CHANGE OF PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

With effect from 26th January 2013, the Company's principal share registrar and transfer agent in the Cayman Islands has been changed to Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

PROPOSED TRANSFER OF LISTING

On 20th May 2013, the Company submitted a formal application to the Stock Exchange for the transfer of listing of the shares of the Company (the "Shares") from GEM to the Main Board under the transfer of listing arrangement pursuant to Chapter 9A of the Rules Governing the Listing of the Securities on the Stock Exchange. The Company has withdrawn the application as the Company was not able to meet the ownership continuity and control requirement then. Please refer to the announcements of the Company dated 20th May 2013 and 8th August 2013, respectively, for details.

The Company is actively considering re-activating the proposed transfer of listing, and will make further announcement as and when appropriate.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 27th September 2013, the Company, Mr. Guo Jiang, Mr. Guo Fansheng (collectively the "Vendors"), Jefferies Hong Kong Limited, Oriental Patron Securities Limited and First Shanghai Securities (collectively, the "Placing Agents") entered into the Placing and Subscription Agreement pursuant to which (i) the Placing Agents, as placing agents of the Vendors, are appointed by the Vendors to procure purchasers of up to an aggregate of 72,000,000 Shares at a placing price of HK\$7.50 per Share on a best efforts basis; and (ii) the Vendors conditionally agreed to subscribe for up to an aggregate of 72,000,000 Shares at a subscription price of HK\$7.50 per Share. The final number of Shares to be subscribed by and issued to the Vendors shall equal the number of Shares held by each of them and successfully placed in the placing.

The placing and subscription were completed on 2nd October 2013 and 7th October 2013, respectively, in accordance with the terms and conditions of the Placing and Subscription Agreement. In respect of the placing, a total of 72,000,000 Shares have been successfully placed to not less than six places at the placing price of HK\$7.50 per Share, and in respect of the subscription, a total of 72,000,000 new Shares have been issued to the Vendors at the subscription price of HK\$7.50 per Share. The net proceeds from the subscription amount to approximately HK\$520,000,000.

Please refer to the announcements of the Company dated 27th September 2013 and 7th October 2013, respectively.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 659,579,618 as at 31st December 2013.

STAFF AND REMUNERATION

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2013, the total number of Group's employees were 3,054, among which 2,208 were employed in the Sales and Marketing Division, 193 were employed in the Editorial Division, 233 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 31st December 2013, the Group has bank borrowings amounting to RMB24,838,000 and undrawn banking facilities of RMB255,162,000, which are secured by land use rights, investment properties and properties under development.

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 2013, the Group had no contingent liability (2012: Nil).

SUBSEQUENT EVENTS

Mr. Yang Ning has been appointed as an executive Director with effect from 17th January 2014. The Board resolved to grant to Mr. Yang Ning 3,000,000 shares of the Company under the Employees' Share Award Scheme adopted on 17th November 2011.

Following the appointment of Mr. Yang as an executive Director on 17th January 2014, the loan in the principal amount of HK\$2,464,384 (being Hong Kong dollars equivalent of RMB2,000,000) granted by the Company to Mr. Yang, as a selected employee, pursuant to the Employees' Share Scheme adopted on 21st December 2012 constitute a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As certain of the percentage ratios in respect of the Loan was higher than 0.1% but below 5%, the Loan is subject to reporting and announcement requirements, but exempted from independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. The Loan, together with Mr. Yang's self-funded amount of HK\$1,232,192, was applied to purchase 1,289,939 Shares under the Employees' Share Scheme. Please also refer to the announcement of the Company dated 17th January 2014 for further details of the Loan.

With effect from 3rd March 2014, the principal place of business of the Company in Hong Kong has been changed to 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

AUDIT COMMITTEE

Pursuant to Rule 5.28 of the GEM Listing Rules, the Company established an 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 of the Company 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 31st December 2013 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 2013. The audit committee held 4 meetings during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors consider that the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules throughout the reporting period.

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 GEM 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 2013.

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 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors are or have been remained independent.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Pursuant to the Employees' Share Award Scheme of the Company adopted in November 2011, trustee purchased an aggregate of 18,456,000 shares as awarded shares during the year ended 31st December 2013. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31st December 2013.

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

Beijing, the PRC, 18th March 2014

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. Yang Ning (*Executive Director and President*)
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 announcement will remain on the pages of "Latest Company Announcements" on the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and the Company's website at <http://www.hcgroup.com>.