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20 years, young HC!

HC INTERNATIONAL, INC.

慧聪网有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2280)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2014**

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB966.6 million, increased by approximately 15.4% when compared to RMB837.7 million recorded in 2013.
- Profit attributable to equity holders of the Company was approximately RMB187.6 million in the Year, while it was approximately RMB153.3 million in 2013, indicating an increase of approximately 22.4%.
- The Group's EBITDA* was approximately RMB277.6 million, increased by approximately 28.3% compared that achieved in previous year of approximately RMB216.4 million.
- The diluted earnings per share was RMB0.2729, while it was RMB0.2489 a year before.
- The Board does not recommend payment of final dividend for the year ended 31st December 2014.

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

The board ("Board") of directors (the "Directors") of HC International, Inc. (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group" or "HC") for the year ended 31st December 2014 (the "Year"). The consolidated financial statements of the Group for the year have been audited by PricewaterhouseCoopers, the auditors of the Company in accordance with Hong Kong Standards on Auditing. In addition, the results have also been reviewed by the audit committee of the Company (the "Audit Committee").

* For identification purpose only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2014

	Note	2014 RMB'000	2013 RMB'000
Revenue	3	966,637	837,721
Cost of revenue	12	<u>(72,433)</u>	<u>(68,203)</u>
Gross profit		894,204	769,518
Other income	11	9,706	3,473
Selling and marketing expenses	12	(530,578)	(482,289)
Administrative expenses	12	<u>(179,396)</u>	<u>(120,791)</u>
Operating profit		193,936	169,911
Finance income		31,779	16,555
Finance cost		(4,951)	(340)
Share of post-tax losses of associates		(477)	–
Share of post-tax profits of joint ventures		<u>801</u>	<u>–</u>
Profit before income tax		221,088	186,126
Income tax expense	13	<u>(37,827)</u>	<u>(34,592)</u>
Profit for the year		183,261	151,534
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value gain on available-for-sale financial assets		16,067	–
Currency translation difference		<u>2,355</u>	<u>(2,692)</u>
Total comprehensive income for the year, net of tax		<u>201,683</u>	<u>148,842</u>
Profit attributable to:			
Equity holders of the Company		187,633	153,326
Non-controlling interests		<u>(4,372)</u>	<u>(1,792)</u>
		<u>183,261</u>	<u>151,534</u>
Total comprehensive income attributable to:			
Equity holders of the Company		206,055	150,634
Non-controlling interests		<u>(4,372)</u>	<u>(1,792)</u>
		<u>201,683</u>	<u>148,842</u>

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Earnings per share attributable to the equity holders of the Company (expressed in Renminbi (“RMB”) per share)			
Basic earnings per share	<i>14</i>	<u>0.2833</u>	<u>0.2634</u>
Diluted earnings per share	<i>14</i>	<u>0.2729</u>	<u>0.2489</u>
Dividends	<i>15</i>	<u>-</u>	<u>-</u>

CONSOLIDATED BALANCE SHEET

As at 31st December 2014

	<i>Note</i>	2014 RMB'000	2013 RMB'000
Assets			
Non-current assets			
Land use rights		180,882	185,619
Intangible assets		105,687	5
Property, plant and equipment		296,052	214,586
Investment properties		194,974	39,518
Properties under development		359,415	208,268
Deferred income tax assets		4,452	3,208
Long term deposits, prepayments and other receivables	4	92,649	77,905
Investment in associates		45,523	20,000
Investment in joint ventures		270,840	–
Available-for-sale financial assets	5	174,267	–
		1,724,741	749,109
Current assets			
Trade receivables	4	31,692	11,421
Deposits, prepayments and other receivables	4	57,467	33,188
Direct selling costs		113,746	136,353
Inventory		520	–
Amount due from a related company		–	1,622
Cash and cash equivalents		1,321,989	1,025,089
		1,525,414	1,207,673
Total assets		3,250,155	1,956,782
Equity			
Equity attributable to the Company's equity holders			
Share capital	6	66,465	65,865
Other reserves		741,008	666,239
Retained earnings		352,807	165,174
		1,160,280	897,278
Non-controlling interests		154,887	113,196
Total equity		1,315,167	1,010,474

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31st December 2014

	<i>Note</i>	2014 RMB'000	2013 <i>RMB'000</i>
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		23,987	14,009
Non-current portion of finance lease obligation	8	979	1,323
Deferred government grants		206,300	206,300
Non-current portion of bank borrowings		32,766	24,838
Non-current portion of other borrowings		8,373	77,649
Issued convertible bonds – liability portion	10	553,956	–
Receipt in advance		519,532	–
		<u>1,345,893</u>	<u>324,119</u>
Current liabilities			
Trade payables	9	2,988	2,622
Accrued expenses and other payables	9	72,782	64,643
Current portion of bank borrowings		90,000	–
Current portion of other borrowings		8,525	11,184
Current portion of finance lease obligation	8	1,175	759
Deferred revenue	9	371,747	502,734
Other taxes payable		15,357	17,811
Income tax payable		26,521	22,436
		<u>589,095</u>	<u>622,189</u>
Total liabilities		<u>1,934,988</u>	<u>946,308</u>
Total equity and liabilities		<u>3,250,155</u>	<u>1,956,782</u>
Net current assets		<u>936,319</u>	<u>585,484</u>
Total assets less current liabilities		<u>2,661,060</u>	<u>1,334,593</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

	Attributable to the Company's equity holders				Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
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 (Note 7)	–	32,125	–	32,125	17,875	50,000
Contribution from non-controlling interests	–	–	–	–	205	205
Total transactions with owners	7,698	393,162	–	400,860	18,080	418,940
Balance at 31st December 2013	<u>65,865</u>	<u>666,239</u>	<u>165,174</u>	<u>897,278</u>	<u>113,196</u>	<u>1,010,474</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31st December 2014

	Attributable to the Company's equity holders				Non- controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1st January 2014	65,865	666,239	165,174	897,278	113,196	1,010,474
Comprehensive income						
Profit for the year	–	–	187,633	187,633	(4,372)	183,261
Other comprehensive income						
Fair value gain on available-for-sale financial assets, net of deferred tax	–	16,067	–	16,067	–	16,067
Currency translation difference	–	2,355	–	2,355	–	2,355
Total comprehensive income	–	18,422	187,633	206,055	(4,372)	201,683
Transactions with owners						
Shares purchased under share award scheme	–	(30,848)	–	(30,848)	–	(30,848)
Convertible bond – equity component	–	50,858	–	50,858	–	50,858
Share based compensation – value of employee services	–	29,912	–	29,912	–	29,912
Exercise of share options	600	6,353	–	6,953	–	6,953
Non-controlling interests arising on business combination	–	–	–	–	45,965	45,965
Change in ownership interests in subsidiaries without change of control (<i>Note 7</i>)	–	72	–	72	98	170
Total transactions with owners	600	56,347	–	56,947	46,063	103,010
Balance at 31st December 2014	<u>66,465</u>	<u>741,008</u>	<u>352,807</u>	<u>1,160,280</u>	<u>154,887</u>	<u>1,315,167</u>

NOTES

1 GENERAL INFORMATION

The Group organises a business-to-business (“B2B”) community across the People’s Republic of China (the “PRC” or “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 is in the process of constructing a B2B household electrical appliances business exhibition center, 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 the 4th Floor, One Capital Place, P. O. Box 847, George Town, Grand Cayman, Cayman Islands, British West Indies.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10th October 2014.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 30th March 2015.

2 BASIS OF PREPARATION

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

New and amended standards have been issued and effective for the financial year beginning 1st January 2014

HKAS 32 (Amendment)	Financial instruments: Presentation – offsetting financial assets and financial liabilities
HKFRS 10,12 and HKAS 27	Consolidation for investment entities
HKAS 36 (Amendment)	Impairment of assets on recoverable amount disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of derivatives
HK(IFRIC)-INT 21	Levies
Annual Improvements 2012	

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial period beginning on 1st January 2014 that would have a material impact on the Group.

2 BASIS OF PREPARATION (CONTINUED)

New and amended standards have been issued but are not effective for the financial year beginning 1st January 2014 and have not been early adopted

		Effective for accounting period beginning on or after
HKAS19 (Amendment)	Defined benefit plan	1st July 2014
Annual improvements 2012		1st July 2014
Annual improvements 2013		1st July 2014
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1st January 2016
HKAS 16, 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization	1st January 2016
HKAS 16, 41 (Amendment)	Bearer Plants	1st January 2016
HKFRS 10, HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1st January 2016
HKAS 27 (Amendment)	Equity Method	1st January 2016
Annual improvements 2014		1st July 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
HKFRS 9	Financial instruments	1st January 2018

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

3 SEGMENT INFORMATION

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

The Executive Directors consider the business from product perspective. From a product perspective, the Executive Directors assess the performance of on-line services; trade catalogues and yellow page directories; and seminars and other services as the principle incomes of the Company. In addition, the B2B household electrical appliances business exhibition centre is under construction and certain units have been presold by the Group during the year ended 31st December 2014. The operations of B2B household electrical business exhibition centre are under review by CODM for the year ended 31st December 2014 and has been recognised as a new operating segment.

In addition, the Group has acquired 56.002% of the issued share capital of Beijing Panpass Information Technology Co., Ltd (“Panpass”) during the year ended 31st December 2014. Panpass involved in providing anti-counterfeiting products and services to enterprise in the PRC which is a new operating segment for the Group.

3 SEGMENT INFORMATION (CONTINUED)

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

As at 31st December 2014, the Group is organised into the following business segments:

- (i) On-line services – provision of a reliable platform to customers to do business and meet business partners on-line.
- (ii) Trade catalogues and yellow page directories – provision of trade information through trade catalogues and yellow page directories operated/published by the Group.
- (iii) Seminars and other services – services for hosting of seminars.
- (iv) B2B household electrical appliances business exhibition centre – sales of properties and provision of property rental and management services.
- (v) Anti-counterfeiting products and services – provision of products meticulous digital identity management services, consumer goods tracing and anti-counterfeiting services to enterprise.

There were no sales or other transactions between the business segments for the year ended 31st December 2014.

	Year ended 31st December 2014					Total RMB'000
	On-line services RMB'000	Trade catalogues and yellow page directories RMB'000	Seminars and other services RMB'000	B2B household electrical appliances business exhibition centre RMB'000	Anti- counterfeiting products and services RMB'000	
Revenue	812,935	35,630	101,879	–	16,193	966,637
Segment results	215,072	(33,466)	13,141	(11,442)	925	184,230
Other income						9,706
Share of post-tax losses of associates						(477)
Share of post-tax profits of joint ventures						801
Finance income						31,779
Finance cost						(4,951)
Profit before income tax						<u>221,088</u>
Other information:						
Depreciation and amortisation	25,188	1,657	2,989	388	1,590	31,812
Share based compensation expense	25,115	1,103	3,654	14	26	29,912
Provision for impairment of prepayments	21,600	–	–	–	–	21,600

3 SEGMENT INFORMATION (CONTINUED)

	Year ended 31st December 2013			Total RMB'000
	On-line services RMB'000	Trade catalogues and yellow page directories RMB'000	Seminars and other services 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				<u>186,126</u>
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

The Group is domiciled in the PRC. All the revenue were generated from external customers in the PRC for the year ended 31st December 2014 (2013: same).

As at 31st December 2014, 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 RMB1,453,373,000 (2013: RMB667,996,000), and the total of these non-current assets located in other countries is Nil (2013: Nil).

4 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables (<i>Note a</i>)	35,916	14,243
Less: provision for impairment of trade receivables	(4,224)	(2,822)
Trade receivables – net	31,692	11,421
Deposits, prepayments and other receivables (<i>Note b</i>)	150,116	111,093
	181,808	122,514
Less: Non-current deposit, prepayments and other receivables	(92,649)	(77,905)
Current portion	<u>89,159</u>	<u>44,609</u>

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current to 90 days	27,815	7,181
91 to 180 days	2,464	3,332
181 to 365 days	2,827	1,816
Over 1 year	2,810	1,914
	<u>35,916</u>	<u>14,243</u>

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 RMB5,390,000 for the impairment of its trade receivables during the year ended 31st December 2014 (2013: RMB2,533,000).

As at 31st December 2014, trade receivables of approximately RMB4,224,000 (2013: RMB2,822,000) 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 2014, trade receivables of approximately RMB3,877,000 (2013: RMB4,240,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
91 to 180 days	2,464	3,332
181 to 365 days	1,413	908
	<u>3,877</u>	<u>4,240</u>

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
At beginning of the year	2,822	3,069
Impairment of receivables	5,390	2,533
Write off for impaired receivables	(3,988)	(2,780)
At the end of the year	<u>4,224</u>	<u>2,822</u>

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.

4 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECOVERABLES (CONTINUED)

(a) (Continued)

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.

(b) Deposits, prepayments and other receivables

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Short-term deposits	12,097	8,140
Long-term deposits	2,905	2,905
Short-term prepayments	21,385	3,486
Long-term prepayments (<i>Note (i)</i>)	42,544	44,400
Other receivables:		
– Short-term from former associated company (<i>Note (ii)</i>)	405	894
– Short-term others (<i>Note (iii)</i>)	–	20,668
– Short-term loan to employees (<i>Note (iv)</i>)	23,580	–
– Long-term loan to employees (<i>Note (iv)</i>)	26,244	30,600
– Long-term loan to an associate (<i>Note (v)</i>)	20,956	–
	<u>150,116</u>	<u>111,093</u>
The fair values are as follows:		
Deposits	15,002	11,045
Prepayments	63,929	47,886
Other receivables	71,185	52,162
	<u>150,116</u>	<u>111,093</u>
Denominated in:		
Hong Kong dollars	22,400	30,600
Renminbi	127,716	80,493
	<u>150,116</u>	<u>111,093</u>

Note (i): The balance at 31st December 2014 represents prepayment of tax associated with the presale of properties on B2B household electrical appliance business exhibition centre under development.

The balance at 31st December 2013 included an amount of RMB21,600,000 which represented prepayment 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. In 2014, based on ongoing discussions with these government authorities, there are uncertainties as to when the Group would be able to obtain the final approval for the acquisition of these land use rights. In this connection, an impairment of RMB21,600,000 was charged to the statement of comprehensive income for the year ended 31st December 2014.

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

(b) Deposits, prepayments and other receivables (Continued)

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): Amount at 31st December 2013 included loan and interest receivable from a private company incorporated in the PRC amounting to RMB20,668,000. 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 was repaid in January 2014.

Note (iv): The balance included an amount of RMB26,244,000 (2013: Nil) which represents loans granted to several management members of Beijing Panpass Information Technology Co., Ltd (“Panpass”), a subsidiary acquired by the Group on 8th October 2014, for their sole purpose of purchase of shares of Panpass at market price (2013: Nil) and the shares purchased are pledged to secure the loans. The loans will mature on 28th September 2017, and bear interest at a rate of 5% per annum. These management members hold 20% issued share capital of Panpass after the acquisition of Panpass by the Group on 8th October 2014.

The balance also included an amount of RMB23,580,000 (2013: RMB30,600,000) granted with 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 Company 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.

Note (v): This balance represents loan and interest receivable from an associate, Hui De Holding Co., Ltd (“Hui De”) amounting to RMB20,956,000. On 14th December 2014, the Group granted a loan amounting to RMB40,000,000 to Hui De by installment. Up to 31st December 2014, RMB20,800,000 had been transferred to Hui De, while the remaining portion has been transferred on March 2015. The loan will mature on 14th November 2017, and bears an interest at a rate of 7% per annum.

5 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Cogobuy Group <i>(Note 1)</i> <i>RMB'000</i>	Zamplus (Cayman) Holdings Limited <i>(Note 2)</i> <i>RMB'000</i>	Total <i>RMB'000</i>
At 1st January 2014	–	–	–
Additions	124,282	30,743	155,025
Disposal	–	–	–
Fair value gain recognised in other comprehensive income	6,130	13,112	19,242
At 31st December 2014	<u>130,412</u>	<u>43,855</u>	<u>174,267</u>

Note 1:

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

Note 2:

In August 2014, the Group subscribed for 89,286 shares of Zamplus (Cayman) Holdings Limited (“Zamplus”) for an aggregate amount of US\$5,000,000 (equivalent to approximately RMB30,743,000). Zamplus is a private company incorporated in the Cayman Islands. Its subsidiaries provide consulting services on online advertisement to the customers. The investment from the Group represents 4.76% of all shares of Zamplus.

There were no impairment provisions on available-for-sale financial assets made during the year ended 31st December 2014 (2013: Nil).

6 SHARE CAPITAL

	Number of ordinary shares	Par value <i>RMB'000</i>
At 1st January 2013	562,051,749	58,167
Issuance of new shares	72,000,000	5,659
Exercise of share options	<u>25,527,869</u>	<u>2,039</u>
At 31st December 2013	659,579,618	65,865
Exercise of share options	<u>7,587,000</u>	<u>600</u>
At 31st December 2014	<u>667,166,618</u>	<u>66,465</u>

The total authorised number of ordinary shares is 1,000,000,000 shares (2013: 1,000,000,000 shares) with a par value of HK\$0.1 per share (2013: HK\$0.1 per share). All issued shares are fully paid.

6 SHARE CAPITAL (CONTINUED)

Share options

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 and 2014, 4,915,000 and 1,396,000 share options were exercised respectively. 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 18th February 2004. Commencing from the first, second and third anniversaries of the date of grant of options (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, 2013 and 2014, 366,000, 1,024,000 and 316,000 share options were exercised. The grantees can exercise 100% of these options at an exercise price of HK\$1.49 per share in a ten-year period starting from the expiry of twelve months from the Offer Date, 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, 2013 and 2014, 1,376,000, 1,621,000 and 995,000 share options were exercised. The grantees can exercise these options at an exercise price of HK\$1.24 per share in a ten-year period starting from the expiry of twelve months from the Offer Date, 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, 2013 and 2014, 700,000, 2,300,000, 2,600,000, 3,000,000 and 1,200,000 share options were exercised. The grantees can exercise these options at an exercise price of HK\$0.604 per share in a ten-year period starting from the expiry of twelve months from the Offer Date, 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, 2013 and 2014, 1,000,000, 5,550,000, 9,482,000 and 3,650,000 of such were exercised. The granters can exercise these options at an exercise price of HK\$0.82 per share in a ten-year 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 Offer Date, the relevant grantee may exercise options up to 50% and 100% respectively.

6 SHARE CAPITAL (CONTINUED)

Share options (Continued)

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, 2013 and 2014, 800,000, 1,670,000 and 30,000 of such were exercised. The granters can exercise these options at an exercise price of HK\$1.108 per share in a ten-year period starting from the expiry of twelve months from the Offer Date, 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 a ten-year 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 10% and gradually up to 100% at the fifth anniversary of the Offer Date. During the years ended 31st December 2013 and 2014, no 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 grantee can exercise these options at an exercise price of HK\$9.84 per share in a ten-year 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 Offer Date. During the years ended 31st December 2013 and 2014, no 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	2014		2013	
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options
At 1st January	0.44	–	0.44	4,036,016
Lapsed and exercised	0.44	–	0.44	(4,036,016)
At 31st December	0.44	–	0.44	–

6 SHARE CAPITAL (CONTINUED)

Share options (Continued)

(ii) Share Option Scheme

Expiry date	2014		2013		
	Exercise price in HK\$ per share	Share options	Exercise price in HK\$ per share	Share options	
At 1st January	2.40	1,396,000	2.40	6,343,000	
	1.49	1,844,000	1.49	2,868,000	
	1.24	5,370,000	1.24	6,991,000	
	0.604	4,200,000	0.604	7,200,000	
	0.82	15,868,000	0.82	25,350,000	
	1.108	280,000	1.108	2,000,000	
	4.402	1,500,000	4.402	–	
	9.84	10,000,000	9.84	–	
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	–	4.402	1,500,000	
	9.84	–	9.84	10,000,000	
Lapsed and exercised	2.40	(1,396,000)	2.40	(4,947,000)	
	1.49	(316,000)	1.49	(1,024,000)	
	1.24	(995,000)	1.24	(1,621,000)	
	0.604	(1,200,000)	0.604	(3,000,000)	
	0.82	(3,650,000)	0.82	(9,482,000)	
	1.108	(30,000)	1.108	(1,720,000)	
	4.402	–	4.402	–	
	9.84	–	9.84	–	
At 31st December	18th February 2014	2.40	–	2.40	1,396,000
	23rd June 2016	1.49	1,528,000	1.49	1,844,000
	11th July 2017	1.24	4,375,000	1.24	5,370,000
	29th September 2018	0.604	3,000,000	0.604	4,200,000
	7th April 2020	0.82	12,218,000	0.82	15,868,000
	27th March 2021	1.108	250,000	1.108	280,000
	3rd April 2023	4.402	1,500,000	4.402	1,500,000
	18th November 2023	9.84	10,000,000	9.84	10,000,000

6 SHARE CAPITAL (CONTINUED)

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).

On 14th June 2012, the Board resolved to grant Mr. Lee Wee Ong, an executive Director, 3,000,000 shares, subjected to a vesting period of 36 months.

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

On 17th January 2014, the Board resolved to grant Mr. Yang Ning, an executive Director, 3,000,000 shares, subjected to a vesting period of 48 months.

As at 31st December 2014, 45,566,000 shares (31st December 2013: 42,574,000 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 2014.

	Number of shares
As at 1st January 2013	23,273,337
Shares purchased from the market	18,456,000
Shares vested during the year	<u>(6,980,002)</u>
As at 31st December 2013	<u>34,749,335</u>
As at 1st January 2014	34,749,335
Shares purchased from the market	2,992,000
Shares vested during the year	<u>(6,305,936)</u>
As at 31st December 2014	<u>31,435,399</u>

The following is a summary of the shares granted, vested and lapsed during the years ended 31st December 2014 and 31st December 2013:

	Number of shares (in thousand unit)	
	2014	2013
As at 1st January	36,056	43,036
Granted during the year	3,000	–
Shares vested during the year	<u>(6,306)</u>	<u>(6,980)</u>
Allocated but not vested	<u>32,750</u>	<u>36,056</u>

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.

7 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

On 24th February 2014, a new shareholder injected capital amounting to RMB170,000 into 佛山市慧從匯電子商務有限公司, 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 佛山市慧從匯電子商務有限公司 was diluted from 59% to 53.1%.

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

	2014 RMB'000
Carrying amount of non-controlling interests disposed	98
Consideration received from the non-controlling interests	(170)
	<hr/>
Consideration received in excess of carrying value recognised within equity	(72)
	<hr/> <hr/>

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 for the non-controlling interests	(50,000)
	<hr/>
Consideration received in excess of carrying value recognised within equity	(32,125)
	<hr/> <hr/>

8 FINANCE LEASE OBLIGATION

	2014 RMB'000	2013 RMB'000
Finance lease obligation		
Non-current	979	1,323
Current	1,175	759
	<hr/>	<hr/>
Total finance lease obligation	2,154	2,082
	<hr/> <hr/>	<hr/> <hr/>

8 FINANCE LEASE OBLIGATION (CONTINUED)

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	1,432	995
Later than 1 year and no later than 5 years	1,096	1,465
Future finance charges on finance leases	<u>(374)</u>	<u>(378)</u>
Present value of finance lease liabilities	<u>2,154</u>	<u>2,082</u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	1,175	759
Later than 1 year and no later than 5 years	<u>979</u>	<u>1,323</u>
	<u>2,154</u>	<u>2,082</u>

The fair values of the finance lease obligation equal their carrying amounts. The carrying amounts of the finance lease obligation are denominated in RMB. The effective interest rates for the finance lease obligation ranges from 1.28% to 1.49% per month.

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

	Group	
	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade payables (a)	2,988	2,622
Deferred revenue	371,747	502,734
Accrued expenses and other payables	<u>72,782</u>	<u>64,643</u>
	<u>447,517</u>	<u>569,999</u>

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current to 90 days	2,479	1,138
91 to 180 days	247	458
181 to 365 days	152	484
Over 1 year	<u>110</u>	<u>542</u>
	<u>2,988</u>	<u>2,622</u>

10 CONVERTIBLE BONDS

The Group issued convertible bonds with a coupon rate of 5% per annum at a total principal value of HK\$780,000,000, approximate RMB615,342,000 on 27th November 2014. The convertible bonds will mature on 27th November 2019 at its principal amount or can be converted into the Group's shares at the bondholder's option at rate of HK\$11.63 per share.

The fair values of the convertible bonds were valued by an independent valuer as at 27th November 2014. The convertible bonds comprise a liability component and an equity conversion component.

The fair values of the listed bond component were calculated by using a market interest rate of similar non-extendable and non-convertible bonds. The fair values of the convertible bonds were valued by using the Binomial Option Pricing Model. The residual amount, representing the value of the equity conversion component, is included in the convertible bond-equity conversion reserve under equity attributable to equity holders of the Company.

The convertible bonds recognised in the consolidated balance sheet are as follows:

	<i>RMB'000</i>
Cash received	615,342
Fair values of convertible bonds issued on 27th November 2014	615,342
Less: Legal and professional fee paid	(14,594)
Less: Equity conversion component	(50,858)
Liability component on initial recognition at 27th November 2014	549,890
Add: Effective interest expense	3,960
Add: Exchange reserve	106
Less: Interest paid	–
Liability component as at 31st December 2014	<u>553,956</u>

Note:

The fair value of the listed bond component of the convertible bonds as at 31st December 2014 is calculated using cash flows discounted at a rate based on the discount rate of 7.5%.

The convertible bonds – liability component are classified under non-current liabilities. The carrying amounts of convertible bonds – liability component are denominated in Hong Kong dollars.

11 OTHER INCOME

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	<u>9,706</u>	<u>3,473</u>

The Group received grants mainly from various local 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.

12 EXPENSES BY NATURE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Direct expenses of trade catalogues and yellow page directories	18,970	21,977
Direct expenses of on-line services	3,094	3,988
Direct expenses of seminars and other services	42,465	42,238
Direct expense of anti-counterfeiting products and services	7,904	–
Agency cost	166,262	151,369
Marketing expenses	71,472	50,467
Network and telephone expenses	15,731	11,214
Auditor's remuneration	2,359	1,981
Staff costs, including directors' emoluments	310,346	296,894
Amortisation of land use rights	428	430
Amortisation of intangible assets	1,498	4
Depreciation of property, plant and equipment	29,886	23,503
Provision for impairment and write off of trade receivables	5,390	2,533
Bargain purchase from business combination	(38)	–
(Gain)/loss on disposal of property, plant and equipment	(86)	281
Operating lease payments in respect of land and buildings	19,887	14,132
Impairment of prepayment of land use rights	21,600	–
Professional fee	9,270	4,858
Travelling expenses	11,030	9,810
Other expenses	44,939	35,604
	<u>782,407</u>	<u>671,283</u>
Total cost of revenue, selling and marketing expenses and administrative expenses	<u>782,407</u>	<u>671,283</u>

13 INCOME TAX EXPENSE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current income tax expense		
– Hong Kong profits tax (<i>Note a</i>)	–	–
– The PRC Corporate income tax (<i>Note b</i>)	40,394	29,678
Deferred income tax (credit)/expense	(2,567)	4,914
	<u>37,827</u>	<u>34,592</u>

- (a) No Hong Kong profits tax has been provided as there is no assessable profit arising in Hong Kong for the year (2013: Nil).
- (b) The PRC corporate income tax represents taxation charged on assessable profits for the year at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to the subsidiaries in the PRC is 25%, except for certain subsidiaries granted with preferential tax treatment as High/New Technology Enterprise of which the applicable tax rates is 15%.

13 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax from continuing operations differs from the theoretical amount that would arise using the taxation rate of the home country of the Group companies as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before income tax	<u>221,088</u>	<u>186,126</u>
Tax calculated at 25% (2013: 25%)	55,272	46,532
Effect of different taxation rates in other cities/under preferential tax treatment	(22,369)	(13,550)
Expenses not deductible for tax purposes	4,924	1,712
Utilisation of previously unrecognised tax losses	<u>-</u>	<u>(102)</u>
Income tax expense	<u><u>37,827</u></u>	<u><u>34,592</u></u>

14 EARNINGS PER SHARE

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit attributable to equity holders of the Company	<u><u>187,633</u></u>	<u><u>153,326</u></u>

	2014 No. of shares <i>('000)</i>	2013 No. of shares <i>('000)</i>
Weighted average number of shares in issue	662,209	582,199
Incremental shares from assumed exercise of share options granted	<u>25,376</u>	<u>33,792</u>
Diluted weighted average number of shares	<u><u>687,585</u></u>	<u><u>615,991</u></u>

Basic earnings per share (in RMB)	0.2833	0.2634
Diluted earnings per share (in RMB)	<u><u>0.2729</u></u>	<u><u>0.2489</u></u>

15 DIVIDENDS

No dividend was paid or declared by the Company during the year (2013: 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 2014 and 31st December 2013, respectively.

16 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the year ended 31st December 2014 but not yet incurred is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Property, plant and equipment	594	53,304
Investment properties and properties under development	88,291	284,050
Investment in joint venture and associate	154,000	–
	<u>242,885</u>	<u>337,354</u>

(b) Commitments under operating leases

At 31st December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings which expire as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Within one year	13,132	13,529
In the second to fifth year inclusive	14,991	28,276
	<u>28,123</u>	<u>41,805</u>

17 CONTINGENT LIABILITIES

As at 31st December 2014, there were no material contingent liabilities to the Group (2013: Nil).

BUSINESS REVIEW

In 2014, facing with sophisticated and fickle global economy and international business environment; and arduous and onerous domestic affairs, including credit tightening, Chinese government's anti-corruption efforts as well as overall industries reshaping, China economy has experienced a slow-down and the growth of the gross domestic products (GDP) was reported to be at 7.4%, a whole new low level for the past 24 years. Subsequently, the survival and development of small and medium enterprises ("SMEs") cannot escape from being impacted by the macro environment, and such phenomena became more material towards recent time.

In addition, the B2B e-commerce industry is currently encountering the challenges of integration and innovation towards forming an ecosystem of itself, which includes the building of B2B transaction platform, the managing of safe proliferation of internet financing and its transaction blending effects, 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 marketplace to undergo a thorough reformation. Under such backdrop, the Group underwent, and is currently undergoing, a series of reformation by actively embracing the changes, and even setting trends for certain areas. Unfortunately at the same time, we are experiencing certain degrees of slowdown in our business growth, which we believe it to be temporary and transitional.

In this year, we are marching towards the 22nd anniversary of the Group. Also, we witnessed the eleventh year of being listed on Growth Enterprise Market ("GEM") of the Stock Exchange and successfully transferred to the Main Board of the Stock Exchange in October 2014. In the past 22 years, we did succeed. We encountered a tough transformation from offline to online under the internet boom, successfully spanning into the eighth year of operations under the internet environment indicating a new milestone for us. Now, we are facing another round of B2B e-Commerce reformation. We need to take the initiative to undergo changes while upgrading our B2B1.0 onto a more vertical in-depth platform via merchandise-orientation. We are also strategically planning for B2B2.0 which is transaction based, along with internet finance and other B2B related services, to implement product upgrades and innovations, and at the same time, to enhance the quality of services so that we will eventually achieve our ultimate goal. In order to achieve a sound balance of the eco-system of the B2B platform, we voiced out the motto of "servicing the buyers" since 2013. We also have been providing high quality procurement service for buyers to facilitate the strike between demand and supply and thus closing the deals.

We assisted the match between buyers and sellers through Biao-Wang Search, Mai-Mai-Tong and Cai-Gou-Tong, and we promulgated the rights to use safe and free transaction platform by SME through our online transaction services HuiFuBao, in order to facilitate more deals between buyers and sellers. Through the Joint Venture Company "Digital China Hui Cong Micro-Credit Co., Ltd" and the "Finance Service Platform" cooperated with financial institutions such as CreditEase, Suyin Financial and Minsheng Bank etc, we helped to facilitate Internet finance microloan 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, Feasts for Industry Brands, Trade Catalogues and Yellow Pages Directories, enhancing the complementary effect of off-line marketing in

such a way that the marketing efforts of e-commerce will be maximised, so as to increase the successful rate of transactions.

In 2014, approximately 84.1% of the revenue of the Group is generated from internet services, and of approximately 10.5% is from seminars and other services, only 3.7% is from the early business of traditional printed media while 1.7% is from the newly acquired digital identity management anti-counterfeiting products and services.

(1) Products

On-line Products

The Group provides its on-line services mainly through the platform of “hc360.com”, on which business information is collected and disseminated with an aim to facilitate the location and matching of buyers and sellers. The on-line platform is further divided by industries (such as household appliances, machineries and home decoration, etc.) to assist users by providing information and updates of the relevant industries.

The Group currently derives revenues from its on-line services through receiving subscription fee from users subscribing for fee-charging services provided on the platform.

Principal on-line services provided by the Group includes, among others, Mai-Mai-Tong and Biao-Wang search, etc..

Mai-Mai-Tong

Mai-Mai-Tong, is the principal B2B product of the Group. Users subscribing for Mai-Mai-Tong have access to a range of services (free or fee-charging), which varies based on the category of memberships subscribed. Currently, Mai-Mai-Tong offers free subscription and fee-paying membership (with subscription fee varies based on services attached). After registering for Mai-Mai-Tong, users may establish its on-line storefront on the Group’s online platform, on which they may disseminate information subject to vetting of the Group for promotion of its products and services. Users may join industry portals on the platform, and may view messages disseminated by counterparties on the platform. Other functions (free or fee-charging) provided to Mai-Mai-Tong users include precise search, Biao-Wang search, Cai-Gou-Tong, demand quick match, integrated e-commerce services (such as industry news access, on-line trade meeting and smart shop backend). The Group also engages third parties institutions to provide identity certification to fee-paying enterprises members of Mai-Mai-Tong. Services of Mai-Mai-Tong may be offered to users alone or together with other value-added services (for example, Biao-Wang search) as a package.

In 2014, we conducted a significant product optimisation and upgrade on Mai Mai Tong and upgraded the product database on the new version of Mai Mai Tong. As a result, the Product can be able to meet the requirements of the parameters of the range of products in the deepening vertical industries and facilitate the transactions between the buyers and the sellers in a precious manner in order to raise the chances of securing successful transactions. The Product Upgrade was well received by the users. The Stock Keeping Unit (“SKU”) number of hc360.com reached 0.24 billion at the end of 2014.

The Group currently derives revenue from Mai-Mai-Tong by charging subscription fee from users on a pre-paid basis periodically.

Search Products

Search product, operated under the brand “Biao-Wang”, is one of the key value-added services provided to fee-paying Mai-Mai-Tong users. It provides keyword search result services to users through improving and prioritizing users’ page links/products’ ranking and providing scrolling display on the Group’s platform upon search of specify keywords.

The Group currently derives revenue from its search products by charging services fee on a periodical basis per keyword. Such fixed fees are determined based on the ranking and display position on the Group’s platform, and are being charged on a pre-paid basis upon entering into of service contract with users, without regard to number of hits.

On-line Transaction Products

HuiFuBao (慧付寶), 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 for transaction safety, speed and convenience, online transaction becoming the future 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 addresses customers’ concern about the safety issue.

HuiFuBao is a product provided to Mai-Mai-Tong users with an aim to assist transaction between buyers and sellers of the on-line platform. HuiFuBao operates through the operation and cooperation pursuant to a payment services agreement and a transaction funding escrow services cooperation agreement, for the principal terms of such agreements, please refer to the announcement of the Company dated 25 September 2014. Currently, the Group does not derive any revenue or charge buyers or sellers for the use of HuiFuBao service.

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. In order to build a B2B transaction-enabled platform, the Group will continue to explore various approaches to enhance the stability of the close loop operations, and to include various elements (such as O2O and internet finance) in order to smoothen the operation in further.

On-line Advertising

On-line advertising services are also provided by the Group on the on-line platform and subdivided industry pages. The Group derives advertisement income, which are determined based on, among others, display position and size, frequency of display, without regard to number of hits.

Financial Service Products

Financial Products

Mai Mai Loan, a finance product developed by our Joint Venture Company Digital China HC Micro-Credit Co., Ltd. is one of the services which can facilitate the growth of B2B trading platforms. Meantime, we also cooperate with financial institutions to provide micro-finance product to SMEs. Today, SMEs are facing difficulties in securing bank loan with increasing loan capital resulted from the contracted capital liquidity in China. Mai Mai Loan and micro-finance product offer our customers opportunities to apply for micro-credit loan from both our Joint Venture Company and financial institutions that we cooperate with. Thus the eligible customers can apply for these financial products based on their creditworthiness on hc360.com. The financial products can help SMEs improve their liquidity to a certain extent.

For further details of the Group's principal on-line services, please refer to the announcement of the Company dated 25 September 2014.

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 year book 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.

Nevertheless, with the embracing of internet technologies and products, more and more users have migrated to our new online substitutes. As a results, these Trade Catalogue and Yellow Page Directory products are diminishing and on their path of sunset, and shall be replaced eventually.

Feasts for Industry Brands

The Group launched the promotion campaign for industry brands in 2008, which aims at rewarding people and enterprises which made significant contribution to the industrial development, reform and transformation, building up brand influence for leading enterprises and thereby promoting industrial progress. In 2014, the Group once again successfully organised such campaign, and with the theme of “influence changes industry future”, drive industry development.

Anti-counterfeiting products and services

This segment provides digital identity management services and unique identification labels and tools (such as anti-counterfeiting tags) to customers that require source-tracing, logistics-tracking and consumer brand building for “Original Brand”. The services and its database are rendered via both PC and mobile apps. Such business is operated by our newly acquired subsidiary 北京兆信信息技術股份有限公司.

(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 Group, 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 Group to the maximum degree and promoting brands. It has become an important supplementary sales force of the Group.

(3) Major Customers and Suppliers

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

The Company’s major suppliers are as follows: (i) the verification supplier provides verification services for Mai-Mai-Tong members. Our verification supplier is a joint venture company with the relevant verification qualifications, and is paid on a monthly basis according to the number of verifications carried out in that particular month. We have cooperated with this verification supplier for over 8 years and our supply contract with this verification supplier is renewed yearly; (ii) the search product suppliers

provide search engine and promotion services for Biao-Wang products, allowing our paid members to have a higher exposure of their products by getting more search engine hits and promoting their products and achieving transactions. We currently have 6 search product suppliers which are leading search engine providers like Baidu and 360 Search and the respectively service contracts with them are renewed on a yearly basis; (iii) for our Group's offline products like trade catalogues and yellow page directories, our Group also engage a printing supplier that provides industry and commerce catalogue and yellow pages printing services. The Group has been cooperating with the printing supplier for over 10 years and a long-term service agreement has been entered.

(4) Customer Service

With its business covering over 50 sectors, the Group has dedicated service team 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, the Group 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 + internet finance and other B2B related services".

In 2015, we will continue to focus on domestic trade and enhance the capabilities of its B2B eCommerce platform by providing vertical indepth interactive portals and internet finance to satisfy the needs of SMEs, also via constant products innovation and value-added services offerings to both SMEs and established companies. Provision of transaction services will be our important task for the coming years. Through a highly value-added, customised, specialised solution, our customers shall enjoy superior business experience.

As the B2B eCommerce market grows, the Group intends to leverage its domestic trade expertise and broad industry experience to satisfy customer needs for full eCommerce and trading services. The Group currently covers over 50 industries and aims to continue increasing its industry coverage to further drive its subscriber base. The Group has launched a “Total B2B eCommerce solutions” initiative to enhance its B2B trading services. As part of the initiative, HuiFuBao, an online transaction platform, was made available at no cost to all subscribers. The Group also plans to develop B2B related business apps, anti-counterfeit technologies, and cooperate with more third parties for better facilities including warehousing and logistics services.

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 22, the Group had grown with SMEs across the country and had experienced joy and tears together for the past 22 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 2014, the Group’s cash and bank balances increased by approximately RMB296,900,000 from approximately RMB1,025,089,000 as at 31st December 2013 to approximately RMB1,321,989,000.

The Group had total borrowings (including issued convertible bonds) and finance lease obligation amounted to approximately RMB695,774,000 as at 31st December 2014 (2013: RMB115,753,000). As at 31st December 2014 and 2013, the Group was in a net cash position, 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 RMB263,002,000 as compared to last year.

The Group’s net current assets amounted to approximately RMB936,319,000 as at 31st December 2014 (2013: RMB585,484,000). Its current ratio, which is calculated by dividing current assets by current liabilities, was approximately 2.59 times as at 31st December 2014 as compared to approximately 1.94 times as at 31st December 2013. The Group’s trade receivables turnover has increased from approximately 6.66 days in 2013 to approximately 8.14 days in 2014.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 15th April 2014, an application was made by the Company to the Stock Exchange for the transfer of listing of all the Shares in issue from GEM to the Main Board of the Stock Exchange. The approval-in-principle and the listing approval have been granted by the Stock Exchange on 25th September 2014 and on 9th October 2014 respectively for the Shares to be listed on the Main Board and de-listed from GEM, according to Rule 9A.09(6) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Main Board Listing Rules”). All pre-conditions for the transfer of listing of the Shares from GEM to the Main Board (the “Transfer of Listing”) have been fulfilled in relation to the Company.

The last day of dealings in the Shares on GEM (Stock code: 08292) was 9th October 2014. Dealing in the Shares on the Main Board (Stock code: 02280) commenced at 9:00 a.m. on 10th October 2014.

REVIEW OF CONTRACTUAL ARRANGEMENTS

In light of the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (FITE Regulations), the Group has since January 2002 engaged Beijing Huicong Construction Information Consulting Co., Ltd. (北京慧聰建設信息諮詢有限公司) (“Huicong Construction”) to operate its on-line platform, and disseminate its business information on the internet pursuant to certain contractual arrangements.

To further strengthen the Group’s protection under such contractual arrangements and its management and control over Huicong Construction, the Group amended certain terms of the then existing agreements and entered into new Exclusive Option Agreement, Equity Pledge Agreement and Powers of Attorney with Huicong Construction and/or its registered shareholders (namely, Mr. Guo Fansheng and Mr. Guo Jiang) on 15th September 2014.

As a result of the Contractual Arrangements, Huicong Construction is considered to be a subsidiary of the Group and financial statements of Huicong Construction are included in the Group’ consolidated financial statements from 15th September 2014.

Please also refer to the prospectus of the Company dated 8th December 2003, and to the announcement of the Company dated 25th September 2014 in relation to the transfer of listing from GEM to the Main Board of the Stock Exchange for further details of the Contractual Arrangements.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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.

CHONGQING DIGITAL CHINA HUICONG MICRO-CREDIT CO., LTD

Chongqing Digital China Huicong Micro-Credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司) (“Chongqing JV Company”) was established pursuant to a joint venture agreement for the purpose of the development and operation of the micro-credit internet financing business. The Chongqing JV Company obtained its nationwide micro-credit financing business license in May 2014 and has already commenced scale lending in the PRC since 1 September 2014. The Chongqing JV Company is owned as to 40% by the Group and its financial results are not consolidated into those of the Group.

Pursuant to the Chongqing JV Agreement, the total registered capital of the Chongqing JV Company shall be RMB1,000,000,000, of which RMB400,000,000 should be contributed by the Group in cash. As at 31st December 2014, the Group had contributed RMB270,000,000. As at the date of this announcement, the application for increasing the registered capital of the Chongqing JV Company to RMB1,000,000,000 has been approved and the Group has contributed an additional RMB130 million in March 2015.

CORNERSTONE INVESTMENT IN COGOBUY GROUP

On 2nd July 2014, the Company and Hong Kong Huicong International Group Limited (“Hong Kong Huicong”) (a wholly-owned subsidiary of the Company) entered into the cornerstone investment agreement with Cogobuy Group, UBS AG, Hong Kong Branch and UBS Securities Hong Kong Limited, pursuant to which Hong Kong Huicong has agreed to subscribe for shares of Cogobuy Group up to an aggregate value of US\$20,000,000. On 18th July 2014, Hong Kong Huicong was allocated 38,758,000 shares of Cogobuy Group for a total consideration of HK\$155,034,000.

As the relevant applicable percentage ratios (as defined under the GEM Listing Rules, as then applicable) for the Cornerstone Investment exceed 5% but are less than 25%, the Cornerstone Investment Agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders’ approval requirement under the GEM Listing Rules.

For further details, please refer to the announcement of the Company dated 3rd July 2014.

B2B HOUSEHOLD ELECTRICAL APPLIANCES BUSINESS EXHIBITION CENTRE

廣東慧聰家電城投資有限公司 (the “Shunde Subsidiary”), a subsidiary of the Group which is owned as to 53.1% by 慧聰(天津)電子商務產業投資有限公司 (“Tianjin HC”). The construction of the B2B household electrical appliance business exhibition centre (the “Exhibition Centre”) on the land located in Shunde (the “Land”) has commenced, and is scheduled to complete by the end of 2015 and shall be put into operation afterwards. The Exhibition Centre provides business information through both on-line and off-line channels and one-stop solution for B2B buyers and sellers of that particular sector.

With a view to maintain the financial position of the project, a property situated on the Land with a total gross floor area of 36,499 square meters, representing approximately 21.45% of the total gross floor area of the Land, was sold as at 31st December 2014. All proceeds from the sale are or will be applied as capital for further construction of the Exhibition Centre, or for repayment of facilities or loan of Shunde Subsidiary. It is contemplated that further sale of a total gross floor area of not more than 43,772 square meters will be carried out. The proceeds from the further sale of the Land may be out of expectation and may result in movement deviation from the Group's financial results. The aforesaid sale is within the ambit and contemplation of the grant of the Land and pursuant to the terms of transfer contract for land use rights of state-owned land for the Land and in line with the conditions as set out in the tender notice of the Land, which provides for not more than 50% of the total floor area of the Land be sold or transferred within 7 years after delivery of the Land.

BAIDU ALADDIN TECHNICAL SERVICE CONTRACT

On 13th August 2014, Beijing Huicong International Information Co., Ltd. ("Beijing HC") (an indirect wholly-owned subsidiary of the Company,) and Baidu (China) Co., Ltd. ("Baidu") entered into the Baidu Aladdin Technical Service Contract (the "Service Contract") pursuant to which Beijing HC becomes a partner of Baidu in the Aladdin B2B project and will provide information of its fee-paying customers relating to business-to-business enterprises to Baidu's Aladdin PC platform, such as product images, models, prices and customers' information and Baidu will exhibit such information in personalised form in the result pages through its search engine so as to provide more efficient search contents for the users. According to the terms and conditions of the Services Contract, the contract term is for one year commencing from 29th August 2014 and the Group will pay Baidu a fixed fee in the aggregate amount of RMB50,080,000.

For further details, please refer to the announcement of the Company dated 13th August 2014.

ACQUISITION OF SHARES IN PANPASS INFORMATION TECHNOLOGY CO., LTD

On 30th September 2014 (after trading hours), 北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd) ("Beijing HC Technology") (an indirect wholly-owned subsidiary of the Company) and the remaining purchasers entered into the acquisition agreement with the vendors, pursuant to which, among other things, Beijing HC Technology agreed to acquire 16,487,000 shares in Panpass Information Technology Co., Ltd (representing approximately 56.002% of the issued share capital of the Target) at an aggregate consideration of RMB108,814,200 (equivalent to approximately HK\$137,105,000). The acquisition was completed on 8th October 2014.

As certain relevant applicable percentage ratios (as defined under the GEM Listing Rules, as then applicable) for the acquisition exceed 5% but are less than 25%, the acquisition agreement and the transactions contemplated thereunder constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the GEM Listing Rules.

For further details, please refer to the announcement of the Company dated 30th September 2014.

ESTABLISHMENT OF ZHEJIANG HUICONG

On 31st October 2014, Beijing Huicong International Information Co., Ltd. (“Beijing HC International”) (a wholly-owned subsidiary of the Group) and Hui De Holdings Co., Ltd (“Hui De”) entered into an investment cooperation agreement (the “Cooperation Agreement”), pursuant to which the parties agreed to, among other things, establish Zhejiang Huicong Investment Co., Ltd (“Zhejiang Huicong”) for the purpose of the development and operation of the e-commercial industrial center project(s). Zhejiang Huicong is owned as to 80% by Hu De and as to 20% by Beijing HC International.

Pursuant to the Cooperation Agreement, the total registered capital of Zhejiang Huicong is RMB250,000,000 of which RMB50,000,000 should be contributed by Beijing HC International. The registered capital of Zhejiang Huicong shall be contributed in four trenches. As at the date of this announcement, the Group has already contributed to the registered capital of Zhejiang Huicong.

Hui De is owned as to 20% by Tianjin HC, as to 40% by 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 as to 40% by 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”), respectively, as at the date of the Cooperation Agreement.

Tianjin Lekun is a limited partnership formed in the PRC. Beijing Le Peng De Tai Investment Co., Ltd. (北京樂鵬德泰投資有限公司) (“Beijing Lepeng”) (a substantial shareholder of Tianjin HC, holding 40% of Tianjin HC’s equity interest) is the general partner of Tianjin Lekun responsible for implementation of the partnership affairs. Zhongding Borui is a company established in the PRC with limited liability. Zhongding Borui is controlled by Mr. Guo Wei, a non-executive Director.

As Hui De is a connected person of the Company, the entering into of the Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As the applicable percentage ratios for the Agreement and the transactions contemplated thereunder are below 5%, the 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 14A of the Listing Rules.

Following the establishment of Zhejiang Huicong on 3rd November 2014, on 2nd December 2014, Zhejiang Huicong obtained the bid confirmation of two plots of land located at Yuyao city in Zhejiang province, the PRC with a total area of approximately 48,103 square meters (the “Lands”) at an aggregate consideration of approximately RMB168,120,000. It is expected that the Lands will be used for the development of the e-commerce industrial center project(s).

For further details, please refer to the announcement of the Company dated 31st October 2014 and 4th December 2014.

Further information in relation to Hui De is also set out in the announcements of the Company dated 9th December 2013 and 25th September 2014.

THE ISSUE OF HK\$780,000,000 5.00% CONVERTIBLE BONDS DUE 2019

On 20th November 2014, the Company entered into a subscription agreement (the “Subscription Agreement”) with Credit Suisse and China International Capital Corporation Hong Kong (the “Joint Book runners”), under which the Joint Book runners have agreed severally and not jointly to subscribe and pay for, or to procure subscribers to subscribe for, the bonds to be issued by the Company in an aggregate principal amount of HK\$780,000,000 (the “Bond”), on the terms and subject to the conditions set out therein. In addition, the Company has agreed to grant the Joint Book runners an option to subscribe for all or any of the additional Bonds to be issued by the Company upon exercise of an option granted by the Company to the Joint Book runners under the Subscription Agreement to subscribe up to an additional HK\$200,000,000 aggregate principal amount of 5.00% Bond due 2019. The Bonds are convertible into Shares in the circumstances set out in the terms and conditions in relation to the Bonds at an initial conversion price of HK\$11.63 per share (subject to adjustments). Assuming full conversion of the Bonds at the initial conversion price of HK\$11.63 per share and no further issue of Shares, the Bonds will be convertible into approximately 67,067,928 new Shares, representing approximately 10.05% of the issued share capital of the Company as at 20th November 2014 and approximately 9.13% of the issued share capital of the Company as at the date of this announcement as enlarged by the issue of the Conversion Shares upon full conversion of the Bonds.

The issue of the Bonds in the principal amount of HK\$780,000,000 was completed on 27 November 2014. The net proceeds from the subscription and issue of the Bonds, after deducting the underwriting discounts and commissions and estimated expenses payable in connection with the subscription and issue of the Bond pursuant to the Subscription Agreement, amount to approximately HK\$759,838,000. The Company intends to use the net proceeds from the issue of the Bonds for potential acquisitions or investments, micro-finance business expansion and general corporate purposes. The Bonds were listed on the Stock Exchange on 28 November 2014.

For further details, please refer to the announcements of the Company dated 20th November 2014 and 27th November 2014.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 667,166,618 as at 31st December 2014.

STAFF AND REMUNERATION

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31st December 2014, the total number of Group’s employees were 2,807, among which 2,016 were employed in the Sales and Marketing Division, 173 were employed in the Editorial Division, 359 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 2014, the Group had bank borrowings amounting to RMB122,766,000 and undrawn banking facilities of RMB137,235,000, which were 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 2014, the Group had no contingent liability (2013: Nil).

SUBSEQUENT EVENTS

On 17 March 2015, the Group has entered into a letter of intent, in which the Group has intended to enter into a share purchase agreement with Orange Triangle Inc., a limited liability company incorporated in the United States of America to acquire 100% of its entire share capital and to appoint a PRC nominee to enter into another equity transfer agreement to acquire 100% share capital of Beijing Zhixing Ruijing Technology Co., Ltd, a company incorporated in the PRC for a total consideration of RMB1,500,000,000. 30% of the total consideration shall be paid in cash and the remaining 70% of which shall be paid by way of issuing new shares by the Group as calculated on HK\$8.5 per shares. Please also refer to the announcement of the Company dated 17 March 2015 for further details.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Company for the year ended 31st December 2014 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 2014. The Audit Committee held 4 meetings during the year ended 31st December 2014.

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 15 to the GEM Listing Rules (applicable to the Company from January 2014 to 9th October 2014) and the code provisions of the Corporate Governance Code contained in Appendix 14 to the Main Board Listing Rules (applicable to the Company from 10th October 2014 to 31st December 2014).

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 during the year ended 31st December 2014 and up to the date of this announcement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors and their respective associates (as defined in the Main Board 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 2014.

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 (before 10th October 2014) and Rule 3.13 of the Main Board Listing Rules (from 10th October 2014 to 31st December 2014) and the Company considers the independent non-executive Directors are or have remained independent.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Pursuant to the employees' share award scheme adopted in November 2011, trustee purchased an aggregate of 2,992,000 shares as awarded shares during the year ended 31st December 2014.

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 2014.

By order of the Board
HC International, Inc.
Guo Jiang

Chief Executive Officer and Executive Director

Beijing, PRC, 30th March 2015

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 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 2014 Annual Report containing all the information required by the Main Board Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.