HC GROUP INC.
慧聰集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Total revenue was approximately RMB14,832.8 million, increased by approximately 40.2%, when compared to RMB10,583.1 million recorded in 2018.
- Loss Attributable to Equity Holders of the Company was approximately 376.5 million in this year, while a profit attributable to equity holders of the Company of approximately RMB275.6 million was recorded in 2018.
- The Group's EBITDA* was approximately RMB88.8 million, while it was RMB641.2 million in previous year.
- The Diluted (loss)/earnings per share for 2019 was RMB(0.3360), while it was RMB0.2458 for the previous year.
- The Board does not recommend payment of final dividend for the year ended 31 December 2019.

Note: * Profit before interest, income tax, depreciation, amortisation of intangible assets, land use rights, right-of-use assets and investment properties and share based payment

The board ("Board") of directors (the "Directors") of HC Group Inc. (the "Company") would like to announce the unaudited results of the Company and its subsidiaries (the "Group" or "HC") for the year ended 31 December 2019 (the "Year") together with the comparative figures for the same period in 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*4*	**14,719,287**	10,447,418
Interest income from financing services	*4*	**113,545**	135,693
	4	**14,832,832**	10,583,111
Cost of revenue		**(13,903,827)**	(9,316,068)
Other income		**28,962**	35,464
Other gains, net	*5*	**272,453**	258,181
Selling and marketing expenses		**(684,337)**	(722,858)
Administrative expenses		**(420,957)**	(413,885)
Impairment loss on goodwill and intangible assets		**(296,639)**	–
Net impairment losses of financial assets		**(97,629)**	(37,144)
Operating (loss)/profit		**(269,142)**	386,801
Finance cost, net		**(159,943)**	(82,380)
Share of post-tax profits of associates		**13,593**	28,014
Share of post-tax loss of a joint venture		**(5)**	–
(Loss)/profit before income tax		**(415,497)**	332,435
Income tax expense	*6*	**(44,268)**	(55,560)
(Loss)/profit for the year		**(459,765)**	276,875
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences		**2,090**	14,913
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income		**1,100**	(16,856)
Currency translation differences for financial assets through other comprehensive income		**1,423**	3,932
Total comprehensive (loss)/income for the year, net of tax		**(455,152)**	278,864
(Loss)/profit attributable to:			
Equity holders of the Company		**(376,490)**	275,610
Non-controlling interests		**(83,275)**	1,265
		(459,765)	276,875

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2019

	Note	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(371,877)**	277,599
Non-controlling interests		**(83,275)**	1,265
		(455,152)	278,864
(Loss)/earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic (loss)/earnings per share	*7*	**(0.3360)**	0.2462
Diluted (loss)/earnings per share	*7*	**(0.3360)**	0.2458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2019

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Assets			
Non-current assets			
Land use rights		**–**	161,934
Investment properties		**770,831**	623,829
Property, plant and equipment		**64,139**	533,787
Right-of-use assets		**214,305**	N/A
Intangible assets	*10*	**2,552,626**	2,992,052
Long term deposits and prepayments		**3,568**	5,604
Loans and interest receivables		**42,257**	103,160
Deferred income tax assets		**46,969**	31,292
Investments accounted for using equity method		**962,532**	677,808
Finance lease receivables		**176,266**	25,000
Financial assets at fair value through other comprehensive income		**65,387**	95,247
Financial assets at fair value through profit or loss		**20,592**	16,758
Total non-current assets		**4,919,472**	5,266,471
Current assets			
Completed properties held for sale		**47,324**	82,500
Finance lease receivables		**153,481**	63,855
Loans and interest receivables	*12*	**1,591,722**	1,419,592
Deposits, prepayments and other receivables		**487,412**	281,079
Trade receivables	*11*	**413,698**	512,094
Contract assets		**22,390**	38,965
Inventories		**147,523**	354,984
Financial assets at fair value through profit or loss		**22,671**	740
Restricted bank deposit		**282,171**	276,003
Cash and cash equivalents		**331,893**	471,672
Total current assets		**3,500,285**	3,501,484
Total assets		**8,419,757**	8,767,955
Equity			
Equity attributable to the Company's equity holders			
Share capital		**103,638**	103,625
Other reserves		**3,146,231**	3,092,149
Retained earnings		**766,586**	1,141,955
		4,016,455	4,337,729
Non-controlling interests		**706,541**	883,895
Total equity		**4,722,996**	5,221,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As At 31 December 2019

	Note	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Liabilities			
Non-current liabilities			
Non-current portion of bank borrowings	*13*	**480,000**	368,000
Non-current portion of other borrowings	*13*	**23,539**	351,162
Lease liabilities		**17,397**	N/A
Deferred government grants		**155,958**	165,808
Convertible bonds – liabilities portion		**–**	83,145
Deferred income tax liabilities		**236,517**	274,100
Contract liabilities		**–**	36,622
Total non-current liabilities		**913,411**	1,278,837
Current liabilities			
Trade payables	*14*	**128,209**	94,922
Accrued expenses and other payables		**130,551**	282,652
Contract liabilities		**410,987**	348,866
Current portion of bank borrowings	*13*	**1,111,089**	860,244
Current portion of other borrowings	*13*	**689,773**	547,932
Lease liabilities		**74,598**	N/A
Deferred government grants		**11,450**	10,650
Convertible bonds – liabilities portion		**90,670**	44,417
Other taxes payables		**90,488**	25,882
Income tax payables		**45,535**	51,929
Total current liabilities		**2,783,350**	2,267,494
Total liabilities		**3,696,761**	3,546,331
Total equity and liabilities		**8,419,757**	8,767,955

NOTES

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the following activities in the PRC:

– Providing industrial internet trading platform and advertising services through its B2B website "hc360.com" and offering comprehensive IT-related product information by "zol.com.cn";

– Sales of goods through its B2B trading platforms;

– Providing SaaS (Software as a Service) services in 3C industrial internet and new technology retail solutions in PRC;

– Providing cross-industrial integrated marketing and advertising services;

– Providing anti-counterfeiting products and services and supply chain management to enterprises;

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

– Providing construction equipment rental services;

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

– Hosting exhibitions and seminars.

On 24 December 2019, the Group entered into the subscription agreement (the "Subscription Agreement"), with an independent third party, which the investor agreed to subscribe for 1.96% of the equity interest in Hunan Zhongmoyun Construction Science and Technology Co., Limited ("Zhongmo"), formerly known as Zhongmoyun (Tianjin) Construction Science and Technology Co., Limited. Immediately following the completion date of the Subscription Agreement, the Group will no longer be able to control Zhongmo and its subsidiaries (collectively, the "Zhongmo Group") but continue to exercise significant influence over Zhongmo Group. As such, Zhongmo Group became associate of the Group with effect from the completion date and will be accounted for using equity method. The fair value gains on deemed disposal of Zhongmo Group amounting to RMB246,797,000 is recognised in other gains in the consolidated statement of comprehensive income.

During the year ended 31 December 2019, due to the challenging operating environment for online service of garment services and downtrend of the automotive industry in China which is a major customer sector of integrated marketing and advertising service, impairment indicators were identified in two cash-generating units ("CGUs"), namely online services – garment industry and integrated marketing and advertising services. The management has revised the business forecast and made impairment for goodwill and intangible assets for the two CGUs amounting to RMB38,426,000 and RMB258,213,000 respectively.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of HC Group Inc. and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(ii) Historical cost convention

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

(iii) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time for their annual reporting period commencing 1 January 2019:

Annual Improvements	Annual Improvements 2015-2017 Cycle (amendments)
HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)
HKAS 28	Long-term Interests in Associates and Joint Ventures (amendments)
HKFRS 9	Prepayment Features with Negative Compensation (amendments)
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16, details of which are disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8	Definition of Material (amendments)	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting (amendments)	1 January 2020
HKFRS 3	Definition of a Business (amendments)	1 January 2020
HKFRS 17	Insurance Contracts (new standard)	1 January 2021
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

None of these new standards and interpretations are expected to have a material imapct on the Group's consolidated financial statements.

2.2 Changes in accounting policy

This note explains the impact of the adoption of HKFRS 16 Lease on the Group's consolidated financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.1%.

The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to perform an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Adjustments recognised on adoption of HKFRS 16

	RMB'000 (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	185,063
Discounted using the lessee's incremental borrowing rate as at the date of initial application	170,825
Less: short-term leases recognised on a straight-line basis as expense	(7,515)
Lease liabilities recognised as at 1 January 2019	163,310
Of which are:	
Current lease liabilities	70,714
Non-current lease liabilities	92,596
	163,310

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policy (Continued)

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any contract liabilities, prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

(iv) Adjustments recognised on adoption of HKFRS 16

	As at 1 January 2019		
Consolidated statement of financial position (extract)	**As previously stated**	**Effect on adoption of HKFRS 16**	**As restated**
	RMB'000	***RMB'000***	***RMB'000***
	(Audited)	**(Unaudited)**	**(Unaudited)**
Assets			
Non-current assets			
Land use rights	**161,934**	**(161,934)**	**–**
Right-of-use assets	**–**	**259,118**	**259,118**
Equity			
Equity attributable to the Company's equity holders			
Retained earnings	**1,141,955**	**(2,146)**	**1,139,809**
Non-controlling interests	**883,895**	**(4,589)**	**879,306**
Liabilities			
Non-current liabilities			
Lease liabilities	**–**	**92,596**	**92,596**
Current liabilities			
Accrued expenses and other payables	**282,652**	**(46,582)**	**236,070**
Contract liabilities	**348,866**	**(12,809)**	**336,057**
Lease liabilities	**–**	**70,714**	**70,714**

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3 SEGMENT INFORMATION

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

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

As at 31 December 2019, the Group is organised into the following business segments:

(i) Technology-driven new retail segment, which mainly integrated offline and online retail of electronic products by leveraging big data and mobile internet technology, and provision of online services through "zol.com.cn".

(ii) Smart industries segment, which mainly include B2B trading platform and the anti-counterfeiting products and services, and supply chain management.

(iii) Platform and corporate services segment, which mainly include the online services provided through "hc360.com", advance marketing services utilising the digital big data and tools, and provision of financing and other services.

(iv) O2O business exhibition centre segment, which mainly include sales of properties and provision of properties rental and management services.

3 SEGMENT INFORMATION (CONTINUED)

The table below shows the segment information of sales or other transactions between the business segments for the year ended 31 December 2019.

	Year ended 31 December 2019				
	Technology-driven new retail segment *RMB'000* **(Unaudited)**	**Smart industries segment** *RMB'000* **(Unaudited)**	**Platform and corporate services segment** *RMB'000* **(Unaudited)**	**O2O business exhibition centre** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Revenue from contract with customers	**844,493**	**12,651,260**	**789,935**	**17,204**	**14,302,892**
Revenue from other sources:					
Interest income from financing services	**–**	**–**	**113,545**	**–**	**113,545**
Rental income from investment properties	**–**	**138**	**13,325**	**3,503**	**16,966**
Rental income from leasing of construction equipment	**–**	**399,429**	**–**	**–**	**399,429**
Total revenue	**844,493**	**13,050,827**	**916,805**	**20,707**	**14,832,832**
Impairment loss on goodwill and intangible assets	**–**	**(38,426)**	**(258,213)**	**–**	**(296,639)**
Segment results	**(96,445)**	**(9,817)**	**(311,540)**	**(152,755)**	**(570,557)**
Other income					**28,962**
Other gains, net					**272,453**
Share of post-tax profit of associates					**13,593**
Share of post-tax loss of a joint venture					**(5)**
Finance income					**17,226**
Finance cost					**(177,169)**
Loss before income tax					**(415,497)**
Other information:					
Depreciation and amortisation					**263,652**
Share based compensation expense					**80,687**

3 SEGMENT INFORMATION (CONTINUED)

The table below shows the segment information of sales or other transactions between the business segments for the year ended 31 December 2018.

	Year ended 31 December 2018				
	Technology-driven new retail segment *RMB'000* (Audited)	Smart industries segment *RMB'000* (Audited)	Platform and corporate services segment *RMB'000* (Audited)	O2O business exhibition centre *RMB'000* (Audited)	Total *RMB'000* (Audited)
Revenue from contract with customers	557,875	9,103,748	577,477	79,738	10,318,838
Revenue from other sources:					
Interest income from financing services	–	–	135,693	–	135,693
Rental income from investment properties	–	1,089	14,393	6,398	21,880
Rental income from leasing of construction equipment	–	106,700	–	–	106,700
Total revenue	557,875	9,211,537	727,563	86,136	10,583,111
Segment results	62,697	3,383	67,584	(40,508)	93,156
Other income					35,464
Other gains, net					258,181
Share of post-tax profit of associates					28,014
Finance income					12,044
Finance cost					(94,424)
Profit before income tax					332,435
Other information:					
Depreciation and amortisation					151,817
Share based compensation expense					74,580

4 REVENUE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contract with customers:		
B2B trading platform	**13,417,176**	9,102,366
Online services and advertisement	**530,249**	887,142
Anti-counterfeiting products and services	**170,841**	157,991
Marketing events, exhibition, seminars and other services	**168,674**	109,235
Sales of properties and properties management services	**13,357**	59,238
Others	**2,595**	2,866
	14,302,892	10,318,838
Revenue under other accounting standards:		
Interest income from financing services	**113,545**	135,693
Rental income from investment properties	**16,966**	21,880
Rental income from leasing of construction equipment	**399,429**	106,700
Total revenue	**14,832,832**	10,583,111

5 OTHER GAINS, NET

Other gains and losses are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Impairment loss recognised in respect of investment in associates	**(2,735)**	(19,547)
Fair value gains on deemed disposal of Zhongmo Group *(note 9)*	**246,797**	–
Change in fair value on financial liabilities at fair value through profit or loss	**–**	3,374
Gains on disposal of an associate	**1,289**	–
Change in fair value on financial assets at fair value through profit or loss	**26,165**	10,192
Change in fair value on financial asset at fair value through profit or loss in relation to Jingu	**–**	94,000
Fair value gains on deemed disposal on step acquisition on Shanghai Mianlian E-business Co., Limited	**–**	2,304
Fair value gains on deemed disposal on step acquisition on Guangdong Jiadian Shijie E-business Company Limited	**–**	2,314
Fair value gains on deemed disposal on step acquisition on Beijing Rongshang Tonglian Technology Co., Ltd.	**–**	164,878

6 INCOME TAX EXPENSE

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Current income tax expense		
– Hong Kong profits tax	**–**	–
– The PRC corporate income tax ("CIT")	**55,565**	69,367
– The PRC land appreciation tax	**35,728**	29,509
Deferred income tax credit		
– The PRC corporate income tax	**(47,025)**	(38,737)
– The PRC withholding tax	**–**	(4,579)
	44,268	55,560

7 (LOSS)/EARNINGS PER SHARE

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
(Loss)/profit attributable to equity holders of the Company	**(376,490)**	275,610

	2019 *'000* (Unaudited)	2018 *'000* (Audited)
Weighted average number of shares in issue	**1,120,494**	1,119,464
Incremental shares from assumed exercise of share option granted	**–**	1,959
Diluted weighted average number of shares	**1,120,494**	1,121,423
Basic (loss)/earnings per share (in RMB)	**(0.3360)**	0.2462
Diluted (loss)/earnings per share (in RMB)	**(0.3360)**	0.2458

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares repurchased by the Company.

8 DIVIDENDS

No dividend was paid or declared by the Company during and for the year ended 31 December 2019 (2018: Nil).

9 DEEMED DISPOSAL OF HUNAN ZHONGMOYUN CONSTRUCTION SCIENCE AND TECHNOLOGY CO., LIMITED ("ZHONGMO") AND ITS SUBSIDIARIES (COLLECTIVELY, "ZHONGMO GROUP")

On 24 December 2019, the Group entered into the Subscription Agreement with an independent third party, pursuant to which the investors agreed to subscribe for 1.96% of the equity interest in Zhongmo for an aggregate consideration of RMB20 million, subject to conditions precedent under the Subscription Agreement.

On 26 December 2019, the conditions precedent under the Subscription Agreement were fulfilled. Immediately following the completion of the Subscription Agreement, the Group's interest in Zhongmo was diluted from 36.80% to 36.08%. According to the Subscription Agreement, the Group only has right to appoint two directors out of five positions in the Board of directors of Zhongmo, and will no longer be able to control Zhongmo Group but continue to exercise significant influence over Zhongmo Group. Therefore, Zhongmo Group ceased to be subsidiaries of the Group with effect from the completion date and Zhongmo Group has since been accounted for an associate company in the consolidated financial statements using the equity method of accounting. The fair value gains on deemed disposal of Zhongmo Group amounting to RMB246,797,000 is recognised in other gains in the consolidated statement of comprehensive income.

10 INTANGIBLE ASSETS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Goodwill	**1,542,408**	1,843,785
Other intangible assets	**1,010,218**	1,148,267
	2,552,626	2,992,052

Impairment test for goodwill and other intangible assets

Management reviews the business performance based on type of business. Goodwill are allocated to the following cash-generating units ("CGUs"). Goodwill is monitored by the management at the operating segment level.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Anti-counterfeiting products and services	**50,314**	50,314
Online services – B2B2C business	**980,247**	980,247
Online services – garment industry (note i)	**–**	38,426
Integrated marketing and advertising services (note ii)	**–**	248,018
Financing services	**19,626**	19,626
Trading services – cotton industry	**21,544**	21,544
Construction equipment rental services	**–**	14,933
Electronic appliance e-business	**15,957**	15,957
New technology retails solutions	**454,720**	454,720
	1,542,408	1,843,785

10 INTANGIBLE ASSETS (CONTINUED)

During the year ended 31 December 2019, management identified impairment indicators on the goodwill, intangible assets and other assets of two CGUs might be impaired, therefore, the management had performed impairment assessment related to online services-garment industry (note i) and integrated marketing and advertising services (note ii) CGUs in accordance with HKAS 36.

The recoverable amount of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period or ten year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Note:

(i) Impairment test for goodwill and other intangible assets related to "online services – garment industry"

On 18 December 2015, the Group completed the acquisition of the entire equity interest in ZhongFu Holdings Limited ("Zhongfu"), which is principally engaged in the online service business in relation to the garment industry in the PRC. The total consideration was HKD170,807,500 (equivalent to approximately RMB144,573,000), of which HKD70,095,000 (equivalent to approximately RMB59,329,000) was settled in cash and the remaining portion was settled by the issuance and allotment of convertible bonds that are subject to downward adjustments stipulated in the sale and purchase agreement. The Group recognised identifiable intangible assets amounted to RMB69,900,000 and goodwill amounted to RMB38,426,000 in relation to such acquisition and allocated to the "Online services – garment industry" CGU at the acquisition date.

Management has been reviewing the business development and operations of Zhongfu where the operating environment for online service providers on the garment industry continued to be very challenging. In the light of the different market conditions, the Group has initiated transformation of Zhongfu's business plan from being a traditional online services provider to an advanced technology-driven retails solution provider in April 2019.

As at 31 December 2019, the recoverable amount of the CGU determined based on the value-in-use calculations was lower than the carrying amount of the CGU. Accordingly, the management has provided impairment loss on goodwill amounting to RMB38,426,000 that has charged to profit or loss during the year ended 31 December 2019.

(ii) Impairment test for goodwill and other intangible assets related to "integrated marketing and advertising services"

On 13 January 2017, the Group completed the acquisition of the entire equity interest in Huijia Yuantian Limited ("Huijia"), which is principally engaged in the integrated marketing and advertising services in the PRC. The total consideration was RMB362,000,000 (equivalent to approximately HKD409,091,000), of which RMB162,652,000 (equivalent to approximately HKD184,091,000) was settled in cash and the remaining portion was settled by the issuance and allotment of convertible bonds that are subject to downward adjustments stipulated in the sale and purchase agreement. The Group recognised identifiable intangible assets amounted to RMB105,500,000 in total and goodwill amounted to RMB250,096,000 in relation to such acquisition and allocated to the "Integrated marketing and advertising services" CGU at the acquisition date.

The impairment is mainly due to the downtrend of the automotive industry in China, which is the major customer sector of Huijia. During the year ended 31 December 2019, the performance of Huijia is significantly lower than the budgeted amount, therefore, the management has revised the budget forecast.

As at 31 December 2019, the recoverable amount of the CGU determined based on the value-in-use calculations was lower than the carrying amount of the CGU. Accordingly, the management has provided impairment loss on goodwill and other intangible assets amounting to RMB249,159,000 and RMB9,054,000, was charged to profit or loss in the year ended 31 December 2019.

11 TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables *(note a)*	**477,227**	544,521
Less: provision for impairment of trade receivables	**(63,529)**	(32,427)
Trade receivables – net	**413,698**	512,094

(a) Trade receivables

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current to 90 days	**301,627**	349,430
91 to 180 days	**47,678**	117,500
181 to 270 days	**42,664**	29,819
271 to 365 days	**26,999**	5,214
Over 1 year	**58,259**	42,558
	477,227	544,521

12 LOANS AND INTEREST RECEIVABLES

Loans and interest receivables reflect the outstanding balance of loans granted to associates, employees and customers.

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loans to customers of financing services business *(note)*	**1,684,983**	1,552,826
Loans to employees	**3,885**	3,885
Loans to associates	**60,867**	47,540
Interest receivables	**25,443**	24,209
Loans and interest receivables, gross	**1,775,178**	1,628,460
Less: impairment allowance	**(141,199)**	(105,708)
Loans and interest receivables, net	**1,633,979**	1,522,752
Less: Non-current portion	**(42,257)**	(103,160)
Current portion	**1,591,722**	1,419,592

12 LOANS AND INTEREST RECEIVABLES (CONTINUED)

Note:

(a) Analysed by nature

The balance comprises loans granted in micro-credit financing business:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loans to customers of financing services business	**1,684,983**	1,552,826
Less: impairment allowance	**(140,014)**	(104,563)
	1,544,969	1,448,263

For the year ended 31 December 2019, the weighted average annual interest rate for the loan receivables to customers of financing services business was approximately 10.3% (2018: 11.2%), and the outstanding loan receivables were RMB1,684,983,000 as at 31 December 2019 (2018: RMB1,552,826,000).

13 BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current portion:		
Bank borrowings	**480,000**	368,000
Other borrowings	**23,539**	351,162
	503,539	719,162
Current portion:		
Bank borrowings	**1,111,089**	860,244
Other borrowings	**689,773**	547,932
	1,800,862	1,408,176
Total borrowings	**2,304,401**	2,127,338

Bank borrowings bear average interest rate of 6.69% per annum (2018: 6.17% per annum), mature ranging from 2020 to 2022, part of which amounting to RMB730,000,000 (2018: RMB372,376,000) are secured by properties, investment properties and land use rights, which is classified as right-of-use assets after the adoption of HKFRS 16 with carrying value amounting to RMB979,310,000 (2018: RMB771,035,000). Borrowings amounting to RMB248,500,000 (2018: RMB251,500,000) are secured by restricted bank deposits with carrying amount of RMB282,171,000 (2018: RMB276,003,000).

Other borrowings of RMB27,816,000 were provided by a non-controlling shareholder of a subsidiary, in which 25% of its equity interest is effectively held by Mr. Liu Jun, an executive director of the Company. The borrowings are unsecured, mature ranging from 2020 to 2022 and bear average interest rate of 6.34% per annum (2018: 6.34% per annum). During the year ended 31 December 2019, the corresponding interest expenses was approximately RMB1,763,600 (2018: RMB1,763,000).

13 BORROWINGS (CONTINUED)

The remaining other borrowings are provided by independent third parties and bear Directors interest rate ranging from 4.4% to 14.3% per annum (2018: 4.5% to 13.7% per annum). Borrowings amounting to RMB645,791,000 (2018: RMB519,917,000) are either guaranteed by the Executive Directors or Non-Executive Director of the Group (2018: same) and secured by certain inventories, right-of-use assets, listed and private equity shares held by the Group (2018: certain loan receivables, inventories, and listed equity shares held by the Group amounting to RMB783,401,000).

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

	Bank borrowings		**Other borrowings**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Within 1 year	**1,111,089**	860,244	**689,773**	547,932
Between 1 and 2 years	**400,000**	233,000	**–**	351,162
Between 2 and 5 years	**80,000**	135,000	**23,539**	–
	1,591,089	1,228,244	**713,312**	899,094

14 TRADE PAYABLES

The aging analysis of trade payables based on invoice date are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current to 90 days	**115,752**	83,415
91 to 180 days	**9,984**	8,756
181 to 365 days	**2,473**	2,345
Over 1 year	**–**	406
	128,209	94,922

15 EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

There is an outbreak of Coronavirus Disease ("COVID-19") in early 2020 throughout the world. The Group expects the economy in the PRC to be negatively impacted and this may potentially affect the Group's business and financial performance in 2020. The Group will pay close attention to the development of the pandemic and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue	Technology-Driven New Retail Segment	Smart Industries Segment	Platform and Corporate Services Segment	O2O Business Exhibition Centre	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019 (Unaudited)	844,493	13,050,827	916,805	20,707	14,832,832
2018 (Audited)	557,875	9,211,537	727,563	86,136	10,583,111
Variance	51.4%	41.7%	26.0%	(76.0)%	40.2%

During the Year, the Group recorded a revenue of approximately RMB14,832.8 million (2018: RMB10,583.1 million), representing an increase of approximately 40.2% as compared to the year ended 31 December 2018. The increase of revenue was mainly derived from the segment of smart industries through the B2B trading platforms of the Company.

For the Group's financial performance, a total revenue of approximately RMB844,493,000 was achieved from the segment of technology-driven new retail in 2019, and represented an increase of approximately 51.4% from approximately RMB557,875,000 in 2018. Revenue from the segment of smart industries increased from approximately RMB9,211,537,000 in 2018 to approximately RMB13,050,827,000 in 2019 which represented an increase of approximately 41.7%. Revenue derived from the segment of platform and corporate services was approximately RMB916,805,000 in 2019, which represented an increase of approximately 26.0% from approximately RMB727,563,000 in 2018. Revenue from O2O business exhibition centre was approximately RMB20,707,000 in 2019, which represented a decrease of approximately 76.0% from RMBM86,136,000 in 2018 due to a decline in revenue from sale of properties.

The loss attributable to equity holders of the Company was approximately RMB376.5 million for the Year, while a profit attributable to equity holders of the Company of approximately RMB275.6 million was recorded for the year ended 31 December 2018. The loss was mainly attributable to, among other things: (i) amid the overall macroeconomic situation, some customers of the Group were prudent in market commitment, resulting in a decrease in the Group's revenue with high gross profit compared to the corresponding period last year. The gross profit decreased from RMB1,267.0 million to RMB929.0 million, indicating a decrease of approximately 26.7%; (ii) provision for goodwill and intangible assets impairment amounting to RMB296.6 million made by the Group as the performance of some of its business units could not attain the expected results (including but not limited to the failure of 北京慧嘉元天文化傳媒有限公司 (Beijing Huijiayuantian Cultural Media Company Limited*) to achieve the performance target for the year 2019; and (iii) the Group further contributing its resources to continue promoting the strategic iteration of industrial internet and the construction of transaction scenarios.

* *For identification purpose only*

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalent decreased by approximately RMB139,779,000 from approximately RMB471,672,000 as at 31 December 2018 to approximately RMB331,893,000 as at 31 December 2019, approximately 93.6% of which is denominated in RMB.

As at 31 December 2019, the Group had a total borrowings of RMB2,304,401,000 (as at 31 December 2018: RMB2,127,338,000), of which RMB1,591,089,000 (as at 31 December 2018: RMB1,228,244,000) were bank borrowings which bear an average interest rate of 6.69% per annum (as at 31 December 2018: 6.17% per annum) and mature ranging from 2020 to 2022, and RMB713,312,000 (as at 31 December 2018: RMB899,094,000) were other borrowings. As at 31 December 2019, the Group has no undrawn banking facilities (31 December 2018: Nil). Other borrowings of RMB27,816,000 were provided by a non-controlling shareholder of a subsidiary in which 25% of its equity interest is effectively held by Mr. Liu Jun, an executive Director. The borrowings are unsecured, mature ranging from 2020 to 2022 and bear average interest rate of 6.34% per annum (as at 31 December 2018: 6.34% per annum). The remaining other borrowings are provided by independent third parties and bear interest rate ranging from 4.4% to 14.3% per annum (as at 31 December 2018: 4.5% to 13.7% per annum). The Group's borrowings were mainly made in RMB. As at 31 December 2019, the Group was in net debt position, whereas the Group's gearing ratio is 28%, which is calculated as net debt, including lease liabilities, divided by total capital.

The capital and reserves attributable to equity holders of the Company decreased by approximately RMB321.2 million from approximately RMB4,337.7 million as at 31 December 2018 to approximately RMB4,016.5 million as at 31 December 2019.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

In 2019, the Group continued to work for its vision of becoming a leading group for "Industrial Internet" in China by leveraging internet thinking, instruments and methods to ramp up industrial efficiency, empower supply chains and industrial chains, and establish a win-win ecosystem to serve customers.

By focusing on and integrating advantageous resources, starting from 2018, the Group's business has been divided into three segments, namely the business groups of platform and corporate services, technology-driven new retail and smart industries.

In 2019, approximately 5.7% of the Group's revenue came from the business group of technology-driven new retail, approximately 88.0% of the Group's revenue came from the business group of smart industries, approximately 6.2% of the Group's revenue came from the business group of platform and corporate services and approximately 0.1% of the Group's revenue came from the O2O business exhibition centre.

Business group of platform and corporate services

The business group of platform and corporate services is committed to developing industrial internet business platform instruments that can help small and medium-sized enterprises ("SMEs") to improve industrial efficiency and create value for customers. This business group also works to build industrial data chains and business scenarios to empower SMEs by providing them with more value-added services such as financial services, data marketing and SaaS, which facilitates the transformation and upgrade of SMEs, and serve the economic development of the PRC.

Being the core operation entity of the business group of platform and corporate services, "hc360.com" has sets its strategy to become the "operating service platform of SMEs". Its core value is to "manage and operate the infrastructures of stores" for enterprise customers.

In 2019, products of "hc360.com" centered on continuous in-depth upgrade of internet information services, including upgrading and improving traditional products (such as Mai Mai Tong (買賣通) and Hu Tong Bao (互通寶)) and improving customer experience. "hc360.com" also focused on developing technological innovative products (such as Huiqitong (慧企通) and Huijingcai (慧精彩)). With technology enhancement, efficient operation and artificial intelligence, it is able to accelerate product launch, procure more customers and facilitate transactions, thereby achieving the purpose of maximising marketing effectiveness and effectively reducing the online store operating costs of customers.

In March 2019, hc360.com established further strategic cooperation with b2b.baidu.com and jointly launched the product of "Huijingcai" (慧精彩). In May 2019, hc360.com attended the Global Ecosystem Summit organised by Tencent, and greatly promoted the launch of "Huiqitong" (慧企通) together with Tencent. In February 2020, taking into consideration of the actual difficulties of SMEs affected by the outbreak of Coronavirus Disease (COVID-19), hc360.com responded promptly. Nine major measures were introduced to alleviate operational difficulties in the industry, and be well-prepared for the industrial recovery. hc360.com also launched a new, one-stop multi-contact platform, namely Huishengyi (慧生意) which assisted consumers to seize the business opportunities. Buyer clue and manual matching services are provided to continuously meet the users' needs, so as to improve connection between enterprises and customers as well as reduce the manual communication cost of the enterprise.

Business group for technology-driven new retail

In late 2018, with zol.com.cn ("ZOL") as the principal entity, the Group restructured its business group of technology-driven new retail by combining ZOL with 北京融商通聯科技有限公司 (Beijing Rongshang Tonglian Technology Co., Ltd.*) ("Rongshang Tonglian") and 慧聰雲商(佛山)網絡科技有限公司 (Huicong Yunshang (Foshan) Internet Technology Co., Ltd.*) ("jdhui.com").

The strategic objectives of the business group of technology-driven new retail are to connect retailers (small b) through guiding C-end consumers, SaaS tools, customisation and supply chain services as well as to enhance the ability to attract customers, profitability and operational efficiency. Meanwhile, with the data collected through small b along with data analysis, we are able to provide comprehensive "online + offline" marketing solutions to enterprise customers (big B) and provide solutions to core requirements of various parties along the 3C and home appliances industrial chain, which would form a B2b2C business model.

At the beginning of 2019, to ensure the Company would achieve its strategic objectives, the business group of technology-driven new retail conducted a remarkable adjustment and enhancement on the corporate organisation structure and established three segments, namely “wise marketing”, “smart retail” and “intelligent platform”.

The wise marketing segment strives to provide professional technology information for the entire network, with its impact extending to an average of over 70 million purchasers of technology products each month through cooperative partners such as search engines, social networks and integrated reading platforms. In the meantime, the business model will provide professional, innovative and comprehensive marketing solutions for thousands of technology companies through continuous service iteration.

The smart retail segment is dedicated to serve thousands of SMEs and distributors, and it capitalises SaaS to empower the stores in the industries of smart phone and home appliances. The air purification business segment of which is responsible for the brand building, product sales and channel development for the air purification product of HC & RHT in China.

The intelligent platform segment is responsible for the technical needs and technological innovation of all businesses to ensure the vigorous development of each business and carry out the functions of innovation and incubation of new products.

Over the last year, new products from dozens of brands have leveraged on ZOL new media matrix to showcase and create innovative content in different platforms. They took advantages of profession media influence to get attention from large number of online users. In addition, with the strategic cooperation with Baidu, its intelligent mini programs could improve users’ accessibility and their closed-loop service experiences. ZOL’s operating capabilities and resources reserve in the technology industry have been further upgraded to provide enterprise customers with marketing services which integrated branding and effectiveness, and empower channels by generating informative and considerable amounts of transactions.

In April 2019, ZOL cloud store cooperated with Transpeed, Annto and Log-research and successfully organised an exchange session for “new logistic” of home appliances industry in Foshan, and held a home appliance storage service and product launch event.

In May 2019, ZOL cloud store held the first nationwide promotion campaign and has achieved satisfactory results. The number of visitors to the membership stores recorded dramatic growth with an unexpected drastic increase in the in-store traffic.

In June 2019, the cooperation between ZOL and Baidu Smart Mini Program was officially kicked off. As at the date of this announcement, over 1,000 brick-and-mortar retailers have been introduced into the ecosystem of Baidu Smart Mini Program. For zol.com.cn, the cooperation with Baidu Smart Mini Program system is an alliance with a strong power like Baidu Internet Ecosystem in respect of content service, marketing service and technical service capacities.

In October 2019, ZOL participated in the Guangdong Expo for Household Electrical Appliances 2019. The on-site demonstration of the SaaS solutions and membership transaction information service platform by the smart retail segment has received recognition from a variety of distributors.

Throughout 2019, the daily independent visitors of ZOL amounted to 24.2 million with the peak daily online e-commerce traffic of 610,000 visitors. The external e-commerce platform reached an average of 4.5 million users per day, covering 800 product lines and over 650 highlighted original articles. As at the end of 2019, the business group of technology-driven new retail has connected with over 8,000 paid small b retailers through the SaaS tools.

Business group of smart industries

The business group of smart industries, which mainly comprises of five key components: four vertical service platforms for industrial internet ("Union Cotton", "ibuychem.com", "Zhongmo International" and "nahuomall.com") and PanPass, an IoT solutions provider for digital transformation. "Focus" and "Significant Verticality" are the Group's important strategies.

Positioned as an excellent spot transaction platform for cotton, "Union Cotton" provides integrated B2B e-business service for spot cotton through online platforms, including self-operated online shopping stores, supply-chain financial service and warehouse receipt pledge. "Union Cotton", one of the earliest B2B e-business pioneers in the cotton industry, has accumulated extensive industrial experience and significant market resources in the cotton industry, with an annual transaction size exceeding RMB5 billion.

In May 2019, Union Cotton was awarded the title of "China's Top 100 Commodities E-Commerce Enterprises 2019" (2019年中國大宗商品電商百強企業). In June 2019, Union Cotton was awarded the title of Shanghai E-Commerce "Double Push" Engineering Service Platform (上海市電子商務「雙推」工程服務平台). In December 2019, Union Cotton was listed among "2019 Top 100 Companies in China's Industrial Internet" (2019中國產業互聯網百強榜), and was included in the "List of Shanghai Private Enterprise Headquarters 2019" (《2019年度上海市民營企業總部名單》) issued by Shanghai Municipal Commission of Commerce.

Positioned to provide centralised purchasing and integrated e-business service for chemicals and plastics, ibuychem.com was incubated by the Group as a non-wholly-owned subsidiary in March 2015, and originated from the chemical e-business platform established by the Group over 20 years ago. It has developed into a leading B2B platform in the domestic chemical industry. Its services cover nearly one million enterprises and eight million online members in the chemical rubber and plastics industry chain in China. The platform focuses on the spot trading of chemical rubber and plastic products. In 2019, the ibuychem.com platform had about 6,500 transaction customers, including well-known enterprises from home and abroad such as PetroChina, Sinopec, DuPont, Akzo Nobel and 3trees, with an annual transaction size of approximately RMB5 billion. Based on the transaction data of buyers and vendors, ibuychem.com also actively carried out supply chain financing and commercial factoring services.

Positioned to develop a national material bank for the construction formwork industry, Wunan Zhongmo Construction Science and Technology Co., Ltd.* (湖南中模建築科技有限公司) ("Zhongmo International") provides smart attached lifting scaffolding, aluminum alloy formwork system, glass fiber formwork system, building smart device, etc. Relying on the internet SaaS system, IoT technology and industrial parks, Zhongmo International provides design, installation, maintenance, refurbishment, supply chain finance, sub-leasing and leasing business that caters to materials. As at the end of 2019, Zhongmo International managed assets worth more than RMB600 million, with its business covering to 17 provinces and cities nationwide, serving over 1,000 buildings under construction.

On 24 December 2019, Liling Shi Lujiang Zhongweichuang Xin Chuangye Investment Fund Partnership Company (Limited Partnership)* (醴陵市淥江眾微創新創業投資基金合夥企業（有限合夥）) ("Liling Partnership") made a total capital contribution in the amount of RMB40 million to Zhongmo International, among which, RMB20 million will be directly invested as capital increase, and RMB20 million will be used as convertible bonds. Upon completion of the capital increase, the Group's equity interest in Zhongmo International will be approximately 35.38% (assuming that Liling Partnership converts all convertible bonds into shares). Besides, Zhongmo International will cease to be a subsidiary of the Company and will be accounted for and consolidated in the Group's financial results as an associate using equity method.

"nahuomall.com" is positioned as the preferred purchase platform for home appliances stores in towns and villages across the country. Through platform operation and layered service system, it adopts construction or alliance, or direct operation or franchise to join retailers (small b) to empower the supply chain, finance, logistics, community marketing, fan operation, etc., and help them select, stocking and selling, thereby assisting small b to transfer gradually into a social-community based retail store which serves C-end consumers.

As an integrated service platform for home appliance stores in towns and villages nationwide, nahuomall.com maintains strategic cooperative relationship with many renowned brands. It serves 580,000 home appliance distributors and retailers across the country and helps them to get rid of the supply chain constraints of provinces, cities, counties and regions. Since its establishment in 2016, nahuomall.com has conducted transactions with tens of thousands of distributors with a high purchase rate from repeat customers. In 2019, products of renowned brands such as Gree, Media, Haier, TCL, Skyworth and Changhong were included in the nahuomall.com APP. Over the past year, nahuomall.com has 100,000 registered members, more than 20,000 active members and over 500 service outlets.

Beijing PanPass Information Technology Co., Ltd* ("PanPass") (NEEQ Stock Code: 430073) relies on its core platform Z-SCM, a proprietary supply chain management system, and is based on carriers such as IoT, big data, artificial intelligence (AI) and cloud computing, digital code, QR code, RFID and other markers, providing lifetime traceability and management service for brand clients.

PanPass's anti-counterfeiting traceability solutions has served more than 40,000 enterprises, which covers the construction projects of the top 500 enterprises in the world, national industrial leading enterprises and the national key platforms such as MOFCOM, MOA, MIIT. PanPass owns over 20 national invention patents, including anti-counterfeiting patent for codes and invention patent for product logistics management system.

In 2019, PanPass has continued further the cooperation with various customers with long business history such as PetroChina, Junlebao, Lulu (露露), Tong Ren Tang and Hongyuan Waterproof. Taking advantages of "One Product, One Code", a new type of retailing, PanPass rendered service to the market by building a big data bank among enterprises, products, distributors and consumers which became a sales channel for Chinese liquors, where serviced customers included Maotai, Langjiu, Luzhoulaojiao, Banchengjiu (板城酒), Sitejiu (四特酒), Shangzhuanglaojiu (山莊老酒) and Hankejiuye (酣客酒業).

In June 2019, PanPass established the southwest regional operation, continuing its efforts to strengthen the local service and sales capacity. In August 2019, PanPass entered into an integrated marketing project of Jiangxiang Wine (醬香酒) with Maotao Jiangxiang Wine Company (茅台醬香酒公司). In September 2019, PanPass Yimatong (一碼通) SaaS version V1.0 platform was officially launched. In November 2019, PanPass assisted Shandong Taibao (山東泰寶) to establish an institute for working on the areas of anti-counterfeiting traceability IoT, which aims to construct product anti-counterfeiting traceability for enterprises, food safety, smart agriculture and government key product traceability system platform, and to have an in-depth cooperation and practice in anti-counterfeiting and anti-channeling, big data applications and other fields.

In addition, PanPass was awarded the certificate of "Quality Credit 3A Grade Enterprise (企業質量信用3A)" and named the "Outstanding Chinese Enterprise in Anti-counterfeiting (中國防偽行業優秀企業稱號)", respectively, by China Trade Association for Anti-counterfeiting. PanPass has obtained seven utility model patent certificates and nine certificates of computer software copyright. PanPass has put more efforts in R&D and product investment, and is committed to the R&D and innovation of products in areas of data identity management, supply chain management and marketing management. It has been improving the performance of the software and hardware based on different tested products and parameter requirements to enhance customers' satisfaction and create greater value for them.

Prospects

With the extension of trade friction between China and the United States and the intensified market competition, China, prompted by such reverse, has to accelerate its pace of industrial upgrading. Domestic enterprises are keen to apply new technologies, such as the internet and big data, to accelerate their transformation and upgrade, reduce costs and enhance efficiency. This has ushered in a new period of development opportunities for the sector of industrial internet in China. It has been widely accepted in the industry that "China ushers in the golden age of the industrial internet".

Leveraging on the 28 years of experience in serving numerous industries, the Group has developed an in-depth knowledge into the industry as well as the ability to reach customers. On this basis, the Group put forward its vision of "committed to becoming China's leading industrial Internet group" in January 2018. In March 2020, the Group focused on the two-wheel drive model with "hc360.com + zol.com.cn" as its principal business.

In 2020, hc360.com (慧聰網) will, by means of a model of "manpower + intelligence", utilise its huge inquiries and clues to form in-depth matching and pairing-up of sellers and buyers which serves SMEs to seek for business opportunities. At the same time, hc360.com will promote a greater cooperation with leading companies to help customers in the most simplified way that "open multiple stores just with one click" to form multiple business contacts. In the future, hc360.com will adopt "being the service platform for SMEs business" as its core strategy, and place "being the infrastructure to manage and operate multi-stores" for corporate customers as its core value.

Zol.com.cn (中關村在線) will focus on connecting consumers, technology manufacturers and technology retailers. By providing consumers with more authoritative product recommendations across the entire network, providing retailers with better quality supply chains and deeper internet technology and big data analysis services, the website can assist technology manufacturers and retailers to quickly improve their ability to secure the accurate users and empower the entire science and technology industry to realise a comprehensive strategic transformation from a technology media company to an internet company in technology industry, and to promote the technology industry to continue moving forward.

Over the past two years, the Group has clearly and explicitly proposed the "investment + incubation" model to support the independent development of the vertical runways in the path decomposition of the vision. In 2020, the Group will continue to support the development of vertical runways, understand the pain points of the industry, and cooperate with teams with strong industry backgrounds, output the Group's Internet capabilities and adopt a "helpful but not hindering" approach to incubate vertical industries, and ultimately share our benefit with our Shareholders.

In addition, in response to the call of the central "Promoting the Nation with Science and Technology", some cities' economic development zones have accelerated the implementation of science and technology innovation strategies, adjusted and optimised industrial structures, and accelerated the development of new industries and new formats. Against this background, on 27 June 2019, the Group entered into cooperation agreements with Huizhou Daya Bay Economic and Technological Development Zone Management Committee, Logan Group (龍光集團) and Huizhou Dejie Transport Equipment Co., Ltd. (惠州德捷運輸設備有限公司), in relation to the intention to jointly construct and operate Smart Bay – a new generation of information technology industry port with a total gross floor area of approximately 1.8 million square metres, to jointly work on the Daya Bay Development Zone Industrial Development Fund project and to establish the Company's headquarters in the zone. Bay economy stands as a key driving force for the economic development of China and a leader in pioneering technological transformations. Committed to becoming a leading domestic industrial internet group, the Group is able to firmly grasp opportunities and actively respond to challenges. By concentrating on the vertical tracks of industrial internet and stressing on ecosystem construction, the Group will focus on combining the positioning of the industrial internet strategy with the advantages of the interconnection and exchanges within the Guangdong-Hong Kong-Macau Greater Bay Area, to help the Group to achieve high-quality and high-efficiency development and enables the Group to make solid steps to become a leading industrial internet group.

SIGNIFICANT EVENTS

Change of Directors

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes and updated information regarding the Directors since the Company's last published annual report and up to the date of this announcement are set out below:

1) *(i) Appointment of executive Director; (ii) resignation of co-president; (iii) re-designation as president; (iv) change of chief executive officer; (v) resignation of executive Director; and (vi) change of authorised representative of the Company*

   With effect from 4 January 2019,

   (i) Mr. Zhang Yonghong has been appointed as the executive Director and as the chief executive officer of the Company and has resigned as the co-president of the Company;

   (ii) Mr. Liu Xiaodong has been re-designated from the co-president of the Company to the president of the Company;

   (iii) Mr. Liu Jun has resigned as chief executive officer of the Company, but continues to serve as the chairman of the Board;

   (iv) Mr. Lee Wee Ong has resigned as an executive Director, but continues to serve as the chief financial officer of the Company; and

   (v) Mr. Lee Wee Ong has ceased to be the authorised representative of the Company for the purpose of the Listing Rules (the "Authorised Representative") and Mr. Zhang Yonghong has been appointed as the Authorised Representative.

   Following the appointment of Mr. Zhang Yonghong as the chief executive officer of the Company in place of Mr. Liu Jun on 4 January 2019, the Company has complied with the Code Provision A.2.1 of the Corporate Governance Code (the "Code") in respect of the separation of the roles of chairman and chief executive officer. For more details, please refer to the announcement of the Company dated 4 January 2019.

2) *Change of non-executive Director and member of the remuneration committee of the Company*

   With effect from 27 May 2019,

   (i) Mr. Sun Yang has been appointed as the non-executive Director and a member of the remuneration committee; and

   (ii) Mr. Wong Chi Keung resigned as the non-executive Director and ceased to be a member of the remuneration committee.

   For more details, please refer to the announcement of the Company dated 14 May 2019.

Fulfilment of Zhongfu Performance Target and Huijia Performance Target for the year ended 31 December 2018

Zhongfu Performance Target

Pursuant to the subscription agreement dated 5 January 2018 entered into between Daxiong Holdings Limited, Hanson He Holdings Limited, Richard Chen Holdings Limited, Grand Novel Developments Limited (浩新發展有限公司) and Mr Moustache Holdings Limited (together, the "Zhongfu Sellers") and the Company, the yearly target amount of the audited consolidated distributable profit (after-tax) of ZheJiang ZhongFu International Technology Company Limited* (浙江中股網絡科技有限公司, "ZheJiang ZhongFu")) for the year ended 31 December 2018 was RMB16,900,000 ("Zhongfu Performance Target"). According to the audited consolidated financial statement of Zhejiang Zhongfu for the year ended 31 December 2018 dated 26 March 2019, the audited consolidated distributable profit (after-tax) of Zhejiang Zhongfu for the year ended 31 December 2018 exceeded RMB16,900,000. Accordingly, the Zhongfu Performance Target for the year ended 31 December 2018 has been met, and 3,014,250 new shares have been released to the Zhongfu Sellers, representing approximately 0.27% of the issued share capital of the Company as at the date of this announcement.

Huijia Performance Target

Pursuant to the subscription agreement dated 5 January 2018 entered into between Mu Hao Holdings Limited, Hong Rui Technology Holdings Limited, Chance Technology Co. Ltd and Vanguard Technology Holdings Limited (together, the "Huijia Sellers") and the Company, the yearly target amount of the audited consolidated profit attributable to equity holders of Beijing Huijiayuantian Cultural Media Company Limited* (北京慧嘉元天文化傳媒有限公司 , "Beijing Huijia") for the year ended 31 December 2018 was RMB26,000,000 ("Huijia Performance Target"). According to the audited consolidated financial statement of Beijing Huijia for the year ended 31 December 2018 dated 27 March 2019, the audited consolidated distributable profit attributable to equity holders of Beijing Huijia for the year ended 31 December 2018 exceeded RMB26,000,000. Accordingly, the Huijia Performance Target for the year ended 31 December 2018 has been met, and 10,909,090 new shares had been released to the Huijia Sellers, representing approximately 0.97% of the issued share capital of the Company as at the date of this announcement.

For more details, please refer to the announcement of the Company dated 18 December 2015, 8 January 2016, 28 March 2017, 13 January 2017, 3 February 2017, 5 January 2018 and 26 March 2019.

Refreshment of the Existing Scheme Limit on the grant of options under the share option scheme

Pursuant to the passing of resolution by the then shareholders of the Company in the extraordinary general meeting of the Company on 22 May 2015, the share option scheme of the Company (the "Share Option Scheme") was adopted. The maximum number of shares which may be issued upon exercise of all options granted/to be granted under the Share Option Scheme, being 10% of the issued share capital of the Company as at the date of approval of the adoption of the Share Option Scheme was 66,774,661 Shares (the "Existing Scheme Limit"). Prior to the extraordinary general meeting of the Company (the "EGM") held on 24 May 2019, only 844,661 Shares (representing approximately 1.26% of the Existing Scheme Limit) might be issued pursuant to the grant of further options under the Share Option Scheme. An ordinary resolution approving the refreshment of the Existing Scheme Limit was passed by the Shareholders at the EGM. Accordingly, the Company is allowed under the "refreshed limit" to grant options carrying the rights to subscribe for up to a total of 112,085,221 Shares, representing 10% of the issued share capital of the Company as at the date of the EGM.

For more details, please refer to the circular of the Company dated 25 April 2019.

Connected transaction in relation to provision of loan to Chongqing Micro-credit

On 20 June 2019, 北京慧聰互聯信息技術有限公司 (Beijing Huicong Internet Information Technology Co., Ltd*) ("Beijing Huicong"), a wholly-owned subsidiary of the Company, entered into a loan agreement (the "Loan Agreement") with 重慶神州數碼慧聰小額貸款有限公司 (Chongqing Digital China Huicong Micro-Credit Co., Ltd.*) ("Chongqing Micro-Credit"), a non-wholly owned subsidiary of the Company, pursuant to which Beijing Huicong agreed to grant to Chongqing Micro-Credit an unsecured loan in the principal amount up to RMB100,000,000, bearing interest at a rate of 8% per annum for a period of one (1) year.

On 25 November 2019, Beijing Huicong and Chongqing Micro-Credit entered into a supplemental agreement to the Loan Agreement (the "Supplemental Agreement") to adjust the maximum principal amount of the Loan from RMB100,000,000 to RMB140,000,000 (the "Revised Loan Principal").

Save for the aforesaid amendment, all other terms in the Loan Agreement remain unchanged and continue in full force and effect.

Chongqing Micro-Credit is indirectly owned by the Company and Digital China Holdings Limited ("Digital China"), a company listed on the Main Board of the Stock Exchange (stock code: 00861), as to 70% and 30%, respectively and is principally engaged in development and operation of the microcredit internet financing business in the PRC and development of micro-finance products such as trade finance, personal credit and guaranteed loan. As at the date of this announcement, Digital China and its associates held approximately 22.64% of the total issued shares of the Company. Digital China is thus a substantial shareholder and a connected person of the Company at the issuer level. Therefore, Chongqing Micro-Credit is a connected subsidiary of the Company under the Listing Rules. As one or more of the applicable percentage ratios in respect of each of the Loan and the Revised Loan Principal is more than 0.1% but less than 5%, the entering into of the Loan Agreement and the Supplemental Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For more details, please refer to the announcement of the Company dated 20 June 2019 and 25 November 2019.

Grant of Options

The Board had resolved on 20 June 2019 to grant 10,000,000 share options (the "Options") to subscribe for the ordinary shares of HKD0.10 each in the share capital of the Company (the "Share(s)") at an exercise price of HKD4.6 per Share to Mr. Zhang Yonghong ("Mr. Zhang"), the executive Director and chief executive officer of the Company under the Share Option Scheme, subject to the acceptance of Mr. Zhang Yonghong.

For more details, please refer to the announcement of the Company dated 20 June 2019.

Renewal of Scheme Limit and Grant of Awarded Shares pursuant to the Employees Share Award Scheme

As the existing maximum number of shares ("Awarded Shares") to be granted under the share award scheme of the Company adopted by the Board on 17 November 2011 (the "Scheme") has almost been utilised, on 8 July 2019, the Board resolved to amend and renew the existing limit to grant Awarded Shares up to 56,000,000 Shares ("Renewed Scheme Limit"), representing not more than 5% of the total issued share capital of the Company as at 8 July 2019.

On 8 July 2019, after the approval of the Renewed Scheme Limit and pursuant to the Scheme, the Board resolved to grant an aggregate of 28,100,000 Awarded Shares, representing approximately 2.51% of the total issued share capital of the Company, to 26 selected employees, of which 4,000,000 Awarded Shares is granted to Mr. Zhang, and 2,000,000 Awarded Shares is granted to Mr. Liu Xiaodong, an executive Director and president of the Company, subject to the vesting periods and conditions of the grant of the Awarded Shares.

For more details, please refer to the announcements of the Company dated 17 November 2011, 14 June 2012 and 8 July 2019.

Withdrawal from Listing of Convertible Bonds

On 20 November 2014, the Company entered into a subscription agreement (the "Subscription Agreement") with Credit Suisse (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited (the "Joint Bookrunners"), under which the Joint Bookrunners 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 HKD780,000,000 (the "2019 Bonds"), on the terms and subject to the conditions set out therein. In addition, the Company has agreed to grant the Joint Bookrunners an option to subscribe for all or any of the additional 2019 Bonds to be issued by the Company upon exercise of an option granted by the Company to the Joint Bookrunners under the Subscription Agreement to subscribe up to an additional HKD200,000,000 aggregate principal amount of 5.00% Bonds due 2019. The 2019 Bonds are convertible into Shares in the circumstances set out in the terms and conditions in relation to the 2019 Bonds at an initial conversion price of HKD11.63 per share (subject to adjustments).

The issue of the 2019 Bonds in the principal amount of HKD780,000,000 was completed on 27 November 2014.

Pursuant to the terms and conditions of the 2019 Bonds, the 2019 Bonds matured on 27 November 2019 and the Company redeemed the entire outstanding principal amount of the 2019 Bonds in the sum of HKD51,600,000 plus interest accrued thereon on 27 November 2019 and there were no outstanding Bonds in issue. Accordingly, the listing of the 2019 Bonds has been withdrawn from the Stock Exchange.

For more details, please refer to the announcement of the Company dated 20 November 2014, 27 November 2014 and 27 November 2019.

Discloseable Transaction in relation to Capital Increase Agreement of Zhongmo International

On 24 December 2019, Beijing Huicong Zaichuang Technology Co., Ltd* (北京慧聰再創科技有限公司, "Beijing HC Technology"), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, together with Kashen Tongyuan Information Technology Limited Partnership* (喀什同源信息技術有限合夥企業, "Kashen Tongyuan"), Zhuhai Zhongmo Tongyuan Consulting Service Co. (limited partnership)* (珠海中模同源諮詢服務企業(有限合夥)), Tianjin Yanglinyuan Management Consulting Partnership (limited partnership)* (天津陽林源管理諮詢合夥企業(有限合夥)), and Beijing Qiyuan Sifa Investment Management Partnership (limited partnership)* (北京起源肆發投資管理合夥企業(有限合夥)) entered into a conditional capital increase agreement (the "Capital Increase Agreement") with "Liling Partnership" to increase the registered capital and capital reserves of Zhongmoyun (Hunan) Construction Science and Technology Co., Ltd.* (湖南中模雲建建築科技有限公司, "Zhongmo International").

Pursuant to the Capital Increase Agreement, Liling Partnership agreed to make a total capital contribution in the amount of RMB40,000,000 (the "Total Capital Contribution") to Zhongmo International (the "Capital Increase"). Out of the Total Capital Contribution, RMB20,000,000 will be directly invested into Zhongmo International as capital increase and the remaining RMB20,000,000 will be invested into Zhongmo International as convertible bonds.

Immediately prior to the date of the Capital Increase Agreement, the equity interest held by the Group in Zhongmo International is 36.80%, however, pursuant to the acting in concert agreement (the "Acting in Concert Agreement") dated 10 April 2019 entered into between Beijing HC Technology and Kashen Tongyuan, Kashen Tongyuan is acting in concert with Beijing HC Technology and thus the consolidated financial results of Zhongmo International has been consolidated with the Group's financial results and is a subsidiary of the Company.

Upon completion of the Capital Increase, the Group's equity interest in Zhongmo International will be approximately 35.38% (assuming that Liling Partnership converts all convertible bonds into shares). The Acting in Concert Agreement will be terminated and Zhongmo International will no longer be a subsidiary of the Company and will be accounted for and consolidated in the Group's financial results as an associate using equity method. The transaction contemplated under the Capital Increase Agreement therefore constitutes a deemed disposal of Zhongmo International under the Listing Rules.

For more details, please refer to the announcement of the Company dated 24 December 2019.

Amendment to Terms and Conditions of Convertible Bonds

On 16 November 2018, the Company and Chance Talent Management Limited (the "Investor") entered into an investment agreement, pursuant to which the Investor agreed to subscribe for the 2.85% guaranteed and secured notes due 2020 (the "Notes") and the 2.85% guaranteed and secured convertible bonds due 2020 (the "2020 Convertible Bonds"). Completion of the issue of the Notes and the 2020 Convertible Bonds has taken place and the Notes and the 2020 Convertible Bonds were issued to the Investor on 3 December 2018.

On 31 December 2019, the Company entered into a supplemental deed (the "Amendment Agreement") with the Investor pursuant to which the Company and the Investor have conditionally agreed to amend the conversion price under the 2020 Convertible Bonds from the initial price for conversion of HKD6.00 per new Share to be issued upon conversion of the 2020 Convertible Bonds (the "Conversion Share") to the adjusted price for conversion of HKD4.50 per Conversion Share (the "Adjusted Conversion Price"), subject to adjustment pursuant to the terms and conditions of the instrument constituting the 2020 Convertible Bonds.

As at the date of this announcement, no Conversion Shares have been issued pursuant to the Convertible Bonds. Based on the Adjusted Conversion Price and assuming full conversion of the Convertible Bonds at the Adjusted Conversion Price, the Convertible Bonds will be convertible into 22,222,222 Conversion Shares, representing approximately 1.98% of the issued share capital of the Company as at the date of this announcement and approximately 1.94% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

For more details, please refer to the announcement of the Company dated 16 November 2018, 4 December 2018 and 31 December 2019.

IMPORTANT EVENT(S) AFTER THE REPORTING PERIOD

After the outbreak of COVID-19 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the Group's operation and financial performance as a result of the COVID-19 outbreak.

Save as the above, there were no significant events after 31 December 2019 and up to the date of this announcement.

CAPITAL STRUCTURE

The total number of issued shares of the Company was 1,120,552,210 as at 31 December 2019 (2018: 1,120,402,210).

During the year ended 31 December 2019, the Company had repurchased 1,100,000 Shares on the Stock Exchange, all of which had been cancelled.

During the year ended 31 December 2019, an aggregate of 1,250,000 Shares were issued upon exercise of the share options granted under the share option schemes of the Company adopted in 2003 and 2015, respectively.

STAFF AND REMUNERATION

The success of the Group depends on the skills, motivation and commitment of its staff. As at 31 December 2019, the total number of Group's employees was 2,043, among which 735 were sales staff, 1,009 were responsible for editorial, marketing, research and development, operations, products and customer service, and the remaining were employed in other divisions of the Group.

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

CHARGES ON GROUP ASSETS

As at 31 December 2019, the Group's bank borrowings amounting to RMB730,000,000 are secured by properties, investment properties and land use right with carrying value amounting to RMB979,310,000 (as at 31 December 2018: RMB771,035,000). Borrowings amounting to RMB248,500,000 (as at 31 December 2018: RMB251,500,000) are secured by restricted bank deposits with carrying amount of RMB282,171,000 (as at 31 December 2018: RMB276,003,000).

Other borrowings of RMB27,816,000 were provided by a non-controlling shareholder of a subsidiary, in which 25% of its equity interest is effectively held by Mr. Liu Jun, an executive director of the Company. The borrowings are unsecured, mature ranging from 2020 to 2022 and bear average interest rate of 6.34% per annum (2018: 6.34% per annum). During the year ended 31 December 2019, the corresponding interest expenses was approximately RMB1,763,600 (2018: RMB1,763,000).

The remaining other borrowings are provided by independent third parties and bear interest rate ranging from 4.4% to 14.3% per annum (2018: 4.5% to 13.7% per annum). Borrowings amounting to RMB645,791,000 (2018: RMB519,917,000) are either guaranteed by the executive directors and non-executive director of the Group (2018: same) and secured by certain inventories, right-of-use asset, listed and private equity shares held by the Group (2018: certain loan receivables, inventories, and listed equity shares held by the Group amounting to RMB783,401,000).

EXCHANGE RISK

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liability (2018: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed in this announcement, during the year ended 31 December 2019, the Company had complied with the code provisions of the Code as contained in Appendix 14 to the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors and their respective close associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that materially competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the year ended 31 December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY

Pursuant to Article 167 of the articles of association of the Company (the "M&A"), the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices. This indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Such provisions were in force during the financial year ended 31 December 2019 and remained in force as at the date of this announcement. The Company has also arranged appropriate directors and officers liability insurance in respect of potential legal action against Directors and other officers.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2019, the Company had repurchased 1,100,000 Shares on the Stock Exchange at a total consideration of HKD3,439,665, all of which had been cancelled.

Details of the repurchase of Shares by month is shown below:

Month	Number of shares repurchased	Highest price paid per share *HKD*	Lowest price paid per share *HKD*	Aggregate price paid *(Note)* *HKD*
May 2019	1,100,000	3.27	3.02	3,439,665

Note: The aggregate price paid excludes expenses paid for the share repurchased.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the shares of the Company during the year ended 31 December 2019.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Company for the year ended 31 December 2019, and the Audit Committee has agreed with the unaudited annual results for the year ended 31 December 2019 set out in this announcement.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the precautionary and control measures implemented in the PRC and Hong Kong after the COVID-19 outbreak, the Company's external auditors could not complete the auditing process. As such, this unaudited annual results in this announcement have not been agreed with the Company's external auditors as required under Rule 13.49(2) of the Listing Rules. The Company expects the auditing process will be completed in late April. Further announcement will be made by the Company in accordance with the requirements of the Stock Exchange.

PUBLICATION OF ANNUAL REPORT

The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
HC Group Inc.
LIU Jun
Chairman

Hong Kong, 27 March 2020

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

Mr. Liu Jun (Executive Director and Chairman)
Mr. Zhang Yonghong (Executive Director and Chief Executive Officer)
Mr. Liu Xiaodong (Executive Director and President)
Mr. Guo Fansheng (Non-executive Director)
Mr. Li Jianguang (Non-executive Director)
Mr. Sun Yang (Non-executive Director)
Mr. Zhang Ke (Independent non-executive Director)
Mr. Zhang Tim Tianwei (Independent non-executive Director)
Ms. Qi Yan (Independent non-executive Director)

This unaudited 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 2019 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.