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HC GROUP INC.
慧聰集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- **Revenue** was approximately **RMB7,066.4 million**, increased by approximately RMB2,020.5 million, or **increased by approximately 40.0%**, when compared to approximately RMB5,045.9 million recorded for the corresponding period in 2020 from continuing operations.

- The Group's **adjusted net loss**(note) was approximately **RMB84.6 million**, decreased by approximately RMB51.8 million from RMB136.4 million in the first half of 2020.

- The Group's **EBITDA**(note)* was approximately **RMB13.9 million**, increased by approximately RMB58.4 million from RMB(44.5) million in the first half of 2020.

- **Loss attributable to equity holders** of the Company was approximately **RMB110.2 million** during the first half of 2021, while a loss attributable to equity holders of the Company of approximately RMB179.0 million was recorded for the corresponding period in 2020 from continuing operations.

- The **loss per share** from continuing operations was **RMB0.0841** when compared to RMB0.1535 of last year, on a period-on-period basis.

Note: The adjusted net loss and EBITDA are non-HKFRS financial measures, for details, please refer to page 41 in this announcement.

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

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of HC Group Inc. (the "Company") hereby announces the unaudited financial results of the Company and all its subsidiaries (collectively, the "Group") for the six months ended 30 June 2021 (the "Period"), together with the comparative figures for the corresponding periods ended 30 June 2020 to the shareholders of the Company (the "Shareholders").

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	**Unaudited six months ended 30 June 2021** *RMB'000*	2020 *RMB'000* (Restated) *(note 1(a))*
Continuing operations			
Revenue	*4*	**7,001,702**	4,977,603
Interest income from financing services	*4*	**64,710**	68,288
		7,066,412	5,045,891
Cost of revenue		**(6,771,279)**	(4,711,330)
Other income		**4,386**	1,813
Other gains, net	*5*	**15,738**	4,770
Selling and marketing expenses		**(166,638)**	(220,249)
Administrative expenses		**(153,244)**	(116,437)
Impairment loss on intangible assets	*12*	**–**	(37,645)
Reversal of/(provision for) impairment losses of financial assets, net		**13,074**	(53,372)
Operating profit/(loss)		**8,449**	(86,559)
Finance cost, net	*7*	**(35,012)**	(68,777)
Share of post-tax losses of associates		**(52,376)**	(30,758)
Share of post-tax loss of a joint venture		**(45)**	(967)
Loss before income tax		**(78,984)**	(187,061)
Income tax (expense)/credit	*8*	**(21,499)**	6,544
Loss from continuing operations		**(100,483)**	(180,517)
Discontinued operations			
Profit/(loss) from discontinued operations	*9*	**6,745**	(86,472)

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
		(note 1(a))
Loss for the period	**(93,738)**	(266,989)
Other comprehensive (loss)/income:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(5,945)**	(3,854)
Items that will not be reclassified to profit or loss		
Fair value (loss)/gain on financial assets at fair value through other comprehensive income		
– Group	**(3,311)**	6,096
– Associate	**(4,288)**	12,319
Currency translation differences for financial assets at fair value through other comprehensive income	**(840)**	1,129
Total comprehensive loss for the period, net of tax	**(108,122)**	(251,299)
(Loss)/profit for the period attributable to:		
Equity holders of the Company	**(103,468)**	(248,564)
Non-controlling interests	**9,730**	(18,425)
	(93,738)	(266,989)
(Loss)/profit for the period attributable to the equity holders of the Company arises from:		
Continuing operations	**(110,213)**	(178,983)
Discontinued operations	**6,745**	(69,581)
	(103,468)	(248,564)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(117,852)**	(232,874)
Non-controlling interests	**9,730**	(18,425)
	(108,122)	(251,299)

	Note	Unaudited six months ended 30 June 2021 RMB'000	2020 RMB'000 (Restated) (note 1(a))
Total comprehensive (loss)/income attributable to equity holders of the Company arises from:			
Continuing operations		**(124,597)**	(163,293)
Discontinued operations		**6,745**	(69,581)
		(117,852)	(232,874)
Loss per share for loss from continuing operations attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	*10*	**(0.0841)**	(0.1535)
Diluted loss per share	*10*	**(0.0841)**	(0.1535)
Loss per share from loss attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	*10*	**(0.0790)**	(0.2132)
Diluted loss per share	*10*	**(0.0790)**	(0.2132)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**Unaudited 30 June 2021** *RMB'000*	Audited 31 December 2020 *RMB'000*
Assets			
Non-current assets			
Investment properties	*12*	**26,590**	134,348
Property, plant and equipment	*12*	**38,268**	40,808
Right-of-use assets	*12*	**43,500**	44,630
Intangible assets	*12*	**1,812,495**	1,827,175
Long term deposits and prepayments		**3,449**	884
Loans and interest receivables	*14*	**524,242**	571,438
Deferred income tax assets		**39,686**	50,692
Investments accounted for using equity method		**771,820**	896,390
Finance lease receivables		**111,324**	79,994
Financial assets at fair value through other comprehensive income		**64,489**	80,716
Financial assets at fair value through profit or loss		**16,138**	20,234
Total non-current assets		**3,452,001**	3,747,309
Current assets			
Finance lease receivables		**214,098**	297,641
Loans and interest receivables	*14*	**1,026,321**	945,377
Deposits, prepayments and other receivables		**989,836**	731,720
Trade receivables	*13*	**279,403**	478,284
Contract related assets		**24,147**	2,802
Other tax receivable, net		**3,421**	–
Inventories		**156,607**	153,455
Restricted bank deposit		**–**	25,848
Cash and cash equivalents		**265,221**	254,301
		2,959,054	2,889,428
Assets classified as held for sale	*9(a)*	**132,148**	–
Total current assets		**3,091,202**	2,889,428
Total assets		**6,543,203**	6,636,737

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Equity			
Equity attributable to equity holders of the Company			
Share capital		**120,977**	120,977
Other reserves		**3,379,025**	3,366,441
(Accumulated losses)/retained earnings		**(69,646)**	31,404
		3,430,356	3,518,822
Non-controlling interests		**580,879**	506,957
Total equity		**4,011,235**	4,025,779
Non-current liabilities			
Non-current portion of bank borrowings	*16*	**518,000**	280,228
Lease liabilities		**25,628**	17,599
Deferred income tax liabilities		**64,135**	73,581
Total non-current liabilities		**607,763**	371,408
Current liabilities			
Trade payables	*15*	**261,725**	478,940
Accrued expenses and other payables		**300,973**	166,059
Contract liabilities		**787,864**	552,039
Current portion of bank borrowings	*16*	**209,020**	615,080
Current portion of other borrowings	*16*	**275,105**	340,959
Lease liabilities		**21,213**	15,050
Deferred government grants		**–**	1,600
Other taxes payables, net		**–**	2,980
Income tax payables		**51,610**	66,843
		1,907,510	2,239,550
Liabilities directly associated with assets classified as held for sale	*9(a)*	**16,695**	–
Total current liabilities		**1,924,205**	2,239,550
Total liabilities		**2,531,968**	2,610,958
Total equity and liabilities		**6,543,203**	6,636,737

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share Capital *RMB'000*	Other reserves *RMB'000*	Retained earnings/ (accumulated losses) *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2021	**120,977**	**3,366,441**	**31,404**	**3,518,822**	**506,957**	**4,025,779**
(Loss)/ profit for the period	**–**	**–**	**(103,468)**	**(103,468)**	**9,730**	**(93,738)**
Other comprehensive loss:						
Fair value loss on financial assets at fair value through other comprehensive income, net of deferred tax	**–**	**(7,599)**	**–**	**(7,599)**	**–**	**(7,599)**
Currency translation differences	**–**	**(6,785)**	**–**	**(6,785)**	**–**	**(6,785)**
Total comprehensive loss for the period ended 30 June 2021	**–**	**(14,384)**	**(103,468)**	**(117,852)**	**9,730**	**(108,122)**
Transactions with owners						
Share-based compensation expense	**–**	**10,274**	**–**	**10,274**	**–**	**10,274**
Transactions with non-controlling interests	**–**	**19,112**	**–**	**19,112**	**68,093**	**87,205**
Addition of NCI	**–**	**–**	**–**	**–**	**1,163**	**1,163**
Dividend paid to non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**(5,064)**	**(5,064)**
Disposal of financial assets at fair value through other comprehensive income	**–**	**(2,418)**	**2,418**	**–**	**–**	**–**
Balance at 30 June 2021	**120,977**	**3,379,025**	**(69,646)**	**3,430,356**	**580,879**	**4,011,235**

	Attributable to equity holders of the Company					
	Share Capital *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	103,638	3,152,947	766,586	4,023,171	706,541	4,729,712
Loss for the period	–	–	(248,564)	(248,564)	(18,425)	(266,989)
Other comprehensive income/(loss):						
Fair value gain on financial assets at fair value through other comprehensive income, net of deferred tax	–	18,415	–	18,415	–	18,415
Currency translation differences	–	(2,725)	–	(2,725)	–	(2,725)
Total comprehensive loss for the period ended 30 June 2020	–	15,690	(248,564)	(232,874)	(18,425)	(251,299)
Transactions with owners						
Issuance of new shares in relation to the placement	18,310	200,116	–	218,426	–	218,426
Exercise of share options	26	214	–	240	–	240
Share-based compensation expense	–	17,339	–	17,339	–	17,339
Share purchased under share award scheme	–	(8,301)	–	(8,301)	–	(8,301)
Transactions with non-controlling interests	–	(8,511)	–	(8,511)	(4,356)	(12,867)
Disposal of subsidiaries	–	–	–	–	(633)	(633)
Balance at 30 June 2020	121,974	3,369,494	518,022	4,009,490	683,127	4,692,617

In accordance with the Law of the People's Republic of China (the "PRC") on Enterprises with Foreign Investments, appropriation from net profit (after offsetting accumulated losses brought forward from prior years) should be made by the foreign investment enterprises to the statutory reserves. The percentage of net profit to be appropriated to the statutory reserve is not less than 10% of the net profit. When the balance of the statutory reserve reaches 50% of the registered capital, such transfer needs not be made.

During the six months ended 30 June 2021, retained earnings amounting to RMB22,523,000 (30 June 2020: RMB4,361,000) had been transferred to the statutory reserves. As at 30 June 2021, retained earnings comprise statutory reserves amounting to RMB116,839,000 (31 December 2020: RMB94,316,000).

The above unaudited condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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. The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

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 products information via "zol.com.cn";

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

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

– hosting exhibitions and seminars.

Note a:

During the year ended 31 December 2020, the Group decided to discontinue the operation of integrated marketing and advertising services operated by Huijia Yuantian Limited, a wholly-owned subsidiary of the Group and the operation of O2O business exhibition centre segment, therefore the comparative amounts related to these two discontinued operations had been reclassified as discontinued operations.

During the six months ended 30 June 2021, the Group decided to discontinue the operation of rental service provision operated by Tianjin Guokai Ruitou Education Technology Co., Ltd.

In accordance with HKFRS 5, the financial results of Tianjin Guokai Ruitou Education Technology Co., Ltd. for the six months ended 30 June 2021 and 2020 were classified as discontinued operations in the Group's financial statements.

Certain comparative amounts have been reclassified to conform with current year presentation.

The condensed consolidated interim financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) unless otherwise stated.

This condensed consolidated interim financial information has not been audited, but has been reviewed by the external auditor of the Group.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Group during the interim reporting period.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of amended standards and framework as set out below.

Income tax expense for interim period is recognised based on management's estimate of the weighted average effective annual income tax rates expected for the full financial year.

(a) Amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The amended standards 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 period.

(b) Amended standards, interpretation and guideline issued by not yet effective

Certain amended standards, interpretation and guideline have been published that are not mandatory for the financial year beginning on 1 January 2021 and have not been early adopted by the Group:

Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments(1)
Annual improvements 2018–2020 cycle	Improvements to HKFRSs(1)
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations(1)
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current(2)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies(2)
Amendments to HKAS 8	Definition of Accounting Estimates(2)
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction(2)
HKFRS 17	Insurance Contracts and related Amendments(2)
Revised Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause(2)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(3)

(1) Effective for the Group for annual period beginning on 1 January 2022
(2) Effective for the Group for annual period beginning on 1 January 2023
(3) Effective date to be determined

4 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 (including the discontinued operations) based on a measure of profit/(loss) before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

The Group is organised into the following business segments:

(i) Technology-driven new retail segment, which mainly includes provision of online advertising services through "zol.com.cn" as well as B2B2C retail business of electronics products by leveraging big data and internet technology through the Group's websites and trading platform.

(ii) Smart industries segment, which mainly includes B2B trading platforms, provision of anticounterfeiting products and services, and supply chain management service as well as sales and leases of construction equipment.

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

During the year ended 31 December 2020, the Group decided to discontinue the operation of integrated marketing and advertising services operated by Huijia Yuantian Limited, a wholly-owned subsidiary of the Group and the operation of O2O business exhibition centre segment.

On 5 January 2021, the Group entered into the equity transfer agreement to dispose 100% of the equity interest in Tianjin Guokai Ruitou Education Technology Co., Ltd. As at 30 June 2021, the disposal has not yet been completed and parties to the agreement are working on the transitional arrangements.

Therefore, the financial results of Huijia Yuantian Limited, the segment of O2O business exhibition centre and Tianjin Guokai Ruitou Education Technology Co., Ltd. for the six months ended 30 June 2021 and 2020 were classified as discontinued operations in the Group's condensed consolidated interim financial information.

For details of the discontinued operations, please refer to note 9.

The table below shows the segment information of revenue and results, and there were no sales or other transactions between the business segments for the periods ended 30 June 2021 and 2020.

	Unaudited six months ended 30 June 2021					
	Continuing operations				Discontinued operations *(Note 1(a))*	
	Technology-driven new retail segment *RMB'000*	**Smart industries segment** *RMB'000*	**Platform and corporate services segment** *RMB'000*	**Subtotal** *RMB'000*	**Platform and corporate services segment** *RMB'000*	**Total** *RMB'000*
Revenue	**505,510**	**6,438,625**	**57,567**	**7,001,702**	**8,032**	**7,009,734**
Interest income from financing services	**–**	**–**	**64,710**	**64,710**	**–**	**64,710**
Total revenue and income	**505,510**	**6,438,625**	**122,277**	**7,066,412**	**8,032**	**7,074,444**
Segment results	**(10,583)**	**(53,796)**	**52,704**	**(11,675)**	**6,745**	**(4,930)**
Other income				**4,386**	**–**	**4,386**
Other gains, net				**15,738**	**–**	**15,738**
Share of post-tax losses of associates				**(52,376)**	**–**	**(52,376)**
Share of post-tax loss of a joint venture				**(45)**	**–**	**(45)**
Finance income				**3,852**	**–**	**3,852**
Finance cost				**(38,864)**	**–**	**(38,864)**
Loss before income tax				**(78,984)**	**6,745**	**(72,239)**
Other information:						
Depreciation and amortisation				**47,641**	**–**	**47,641**
Share-based compensation expense				**10,273**	**–**	**10,273**

	Unaudited six months ended 30 June 2020 (Restated)							
	Continuing operations				Discontinued operations *(Note 1(a))*			
	Technology-driven New Retail Segment *RMB'000*	Smart industries Segment *RMB'000*	Platform and Corporate services Segment *RMB'000* *(Restated)*	Subtotal *RMB'000*	O2O Business Exhibition Centre Segment *RMB'000*	Platform and Corporate services Segment *RMB'000* *(Restated)*	Subtotal *RMB'000*	Total *RMB'000*
Revenue	382,773	4,520,412	74,418	4,977,603	7,152	9,577	16,729	4,994,332
Interest income from financing services	–	–	68,288	68,288	–	–	–	68,288
Total revenue and income	382,773	4,520,412	142,706	5,045,891	7,152	9,577	16,729	5,062,620
Impairment loss on intangible assets	–	(37,645)	–	(37,645)	–	(47,185)	(47,185)	(84,830)
Segment results	(16,447)	(59,086)	(17,609)	(93,142)	(29,720)	(64,488)	(94,208)	(187,350)
Other income				1,813			13,341	15,154
Other gains, net				4,770			–	4,770
Share of post-tax losses of associates				(30,758)			–	(30,758)
Share of post-tax loss of a joint venture				(967)			–	(967)
Finance income				8,395			2,817	11,212
Finance cost				(77,172)			(16,220)	(93,392)
Loss before income tax				(187,061)			(94,270)	(281,331)
Other information:								
Depreciation and amortisation				56,423			33,442	89,865
Share-based compensation expense				17,339			–	17,339

5 Other gains, net

Other gains, net, mainly consist of the following:

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Change in fair value on financial assets at fair value through profit or loss	**755**	(8,299)
Loss on disposal of Hunan Zhongmoyun Construction Science and Technology Co., Limited* *(note i)*	**(13,743)**	–
Loss on deemed disposal of Hunan Zhongmoyun Construction Science and Technology Co., Limited**(note i)*	**(1,389)**	–
Gain on disposal of Beijing Huiyase Technology Co., Limited* *(note ii)*	**30,270**	
Gain on disposal of subsidiaries *(note iii)*	**–**	12,664

Note:

(i) The amount represents loss on disposal of an associate, Hunan Zhongmoyun Construction Science and Technology Co., Limited* (湖南中模雲建築科技有限公司) ("Zhongmo"). In March 2021, the Group entered into share purchase agreement with two independent third parties, in respect of the disposal of 7.8125% interest in Zhongmo for a cash consideration of RMB50,000,000. Besides, Zhongmo issued 30,000,000 new shares to new investors which dilute the equity interest of the Group. The Group resulted in a loss of disposal amounted to RMB15,132,000.

(ii) The amount represents gain on disposal of an associate, Beijing Huiyase Technology Co., Limited* (北京慧亞瑟科技有限公司) ("Huiyase"). In March 2021, the Group completed the disposal of entire interest in Huiyase for a cash consideration of RMB33,000,000 and resulted in a gain of disposal of an associate amounted to RMB30,270,000.

(iii) The amount mainly represents gain on disposal of a wholly-owned subsidiary, Shanghai HuiFa Information Technology Company Limited* (上海慧發信息技術有限公司) ("Huifa"), which is a properties holding company. On 12 May 2020, the Group entered into share purchase agreement with an independent third party, in respect of the disposal of entire interest in Huifa for a cash consideration of RMB50,000,000. The book value of the net assets of Huifa disposed amounted to RMB37,989,000 and resulted in a gain of disposal of a subsidiary amounted RMB12,011,000.

* *English name is for translation purpose only.*

6 Loss before income tax from continuing operations

The loss before income tax from continuing operations is arrived at after charging/(crediting):

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Direct expenses of B2B trading platform	**6,763,960**	4,660,751
Cost of goods sold for anti-counterfeiting products and services	**47,995**	29,357
Interest cost for financing services	**70**	3,698
Agency costs	**3,081**	4,374
Amortisation of investment properties *(note 12)*	**581**	808
Amortisation of intangible assets *(note 12)*	**29,595**	39,424
Depreciation of property, plant and equipment *(note 12)*	**5,680**	6,496
Depreciation of right-of-use assets *(note 12)*	**11,785**	9,695
Employee benefits expenses, including directors' emoluments	**153,563**	160,703
Impairment loss on intangible assets *(note 12)*	**–**	37,645
Marketing and consultancy expenses	**23,438**	39,911
(Reversal of)/provision for impairment of trade receivables	**(1,802)**	13,971
(Reversal of)/provision for impairment of loans to customers of financing service business	**(9,927)**	23,338
(Reversal of)/provision for impairment of other loans and interest receivables	**(243)**	3,532
(Reversal of)/Provision for impairment of other financial assets	**(1,102)**	12,531
Staff commission	**22,338**	15,410
Transportation expense	**3,805**	5,771
Expenses relating to short term leases	**1,507**	2,188

7 Finance cost, net

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Interest expense:		
– Bank borrowings	**(27,378)**	(35,837)
– Other borrowings	**(9,532)**	(33,997)
– Convertible bonds	**–**	(5,976)
– Lease liabilities	**(1,183)**	(1,102)
– Others	**(771)**	(260)
Finance cost	**(38,864)**	(77,172)
Finance income	**3,852**	8,395
Finance cost, net	**(35,012)**	(68,777)

8 Income tax (expense)/credit

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Current income tax expense		
– Hong Kong profits tax	**–**	–
– The PRC corporate income tax ("CIT")	**(17,262)**	(15,918)
– The PRC land appreciation tax	**–**	(598)
Deferred income tax (expense)/credit		
– The PRC corporate income tax	**(4,237)**	30,858
Income tax (expense)/credit	**(21,499)**	14,342
Income tax (expense)/credit is attributable to:		
– Loss from continuing operations	**(21,499)**	6,544
– Profit/(loss) from discontinued operations	**–**	7,798
	(21,499)	14,342

9 Profit/(loss) from discontinued operations

	2021	2020
	RMB'000	RMB'000 (Restated) *(Note 1(a))*
Tianjin Guokai Ruitou Education Technology Co., Ltd *(note a)*	**6,745**	1,619
Huicong (Tianjin) E-commerce Investment Co., Ltd *(note b)*	**–**	(25,368)
Huijia Yuantian Limited *(note c)*	**–**	(62,723)
	6,745	(86,472)

(a) Discontinued operation of Tianjin Guokai Ruitou Education Technology Co., Ltd

On 5 January 2021, the Group entered into the equity transfer agreement (the "agreement") with 北京小犀角科技有限公司 ("Beijing Little Rhino Horn Technology") and Tianjin Guokai Ruitou Education Technology Co., Ltd. ("Tianjin Guokai"). Tianjin Guokai and its subsidiaries (together, the "Tianjin Guokai Group") is principally engaged in the provision of property leasing in PRC, and advertisement design, production, publication and agency. The Group agreed to transfer 100% of the equity interest in Tianjin Guokai to Beijing Little Rhino Horn Technology at a consideration of RMB300,500,000. Upon completion of the transaction, Tianjin Guokai Group will cease to be a subsidiary of the Group, and the financial results of Tianjin Guokai will no longer be consolidated into the accounts of the Group.

As at 30 June 2021, the disposal has not yet been completed and parties to the agreement are working on the transitional arrangements. The Group decided to discontinue the operation of Tianjin Guokai from date of agreement, while the respective assets and liabilities of Tianjin Guokai were classified as held for sale as at 30 June 2021.

(i) Financial performance

The financial performance presented are for the six months ended 30 June 2021 and 30 June 2020.

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**8,032**	8,810
Expenses	**(1,287)**	(7,191)
Profit before income tax	**6,745**	1,619
Income tax expense	**–**	–
Profit from discontinued operation	**6,745**	1,619

(ii) Assets and liabilities of Tianjin Guokai Group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2021:

	Unaudited 30 June 2021 *RMB'000*
Assets classified as held for sale	
Investment properties	**107,177**
Right-of-use assets	**13,871**
Other receivable	**11,100**
	132,148
Liabilities directly associated with assets classified as held for sale	
Accrued expenses and other payables	**10,000**
Contract liabilities	**6,167**
Other taxes payable	**528**
	16,695
Net assets classified as held for sale	**115,453**

(b) Disposal of entire interest of Huicong (Tianjin) E-commerce Investment Co., Ltd

On 23 November 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 60% equity interest of Huicong (Tianjin) E-commerce Investment Co., Ltd. ("Huicong (Tianjin)") at a consideration of RMB16,000,000. Huicong (Tianjin) and its subsidiaries (together, the "Huicong Tianjin Group") was included in O2O business exhibition business centre segment. The disposal was completed on 30 November 2020. The financial results of Huicong Tianjin Group was classified as discontinued operations for six months ended 30 June 2021 and 2020.

(i) Financial performance

The financial performance presented are for the six months ended 30 June 2021 and 2020.

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue	–	7,152
Expenses	–	(31,904)
Loss before income tax	–	(24,752)
Income tax expense	–	(616)
Loss from discontinued operation	–	(25,368)

(c) Discontinued operation of Huijia Yuantian Limited

During the year ended 31 December 2020, the Group decided to discontinue the operation of Huijia Yuantian Limited and its subsidiaries (together, the "Huijia Group"), which is principally engaged in the integrated marketing and advertising services in the PRC. The financial results of Huijia Group was classified as discontinued operations for six months ended 30 June 2021 and 2020.

(i) Financial performance

The financial performance presented are for six months ended 30 June 2021 and 2020.

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue	–	767
Expenses	–	(24,719)
Impairment losses of intangible assets	–	(47,185)
Loss before income tax	–	(71,137)
Income tax credit	–	8,414
Loss from discontinued operation	–	(62,723)

10 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares repurchased by the Company.

	Unaudited six months ended 30 June	
	2021	2020 (Restated) *(Note 1(a))*
(Loss)/profit attributable to equity holders of the Company *(in RMB'000)*		
– From continuing operations	**(110,213)**	(178,983)
– From discontinued operations	**6,745**	(69,581)
	(103,468)	(248,564)
Weighted average number of shares outstanding *('000)*	**1,309,931**	1,165,745
Basic (loss)/profit per share		
– From continuing operations *(in RMB)*	**(0.0841)**	(0.1535)
– From discontinued operations *(in RMB)*	**0.0051**	(0.0597)
Total basic loss per share *(in RMB)*	**(0.0790)**	(0.2132)

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company had one category of dilutive potential ordinary shares that is share options.

During the period ended 30 June 2021, diluted loss per share presented is the same as the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive (30 June 2020: same).

11 Dividends

No dividend was paid or declared by the Company during the period (30 June 2020: Nil).

12 Property, plant and equipment, investment properties, right-of-use assets and intangible assets

	Property, plant and equipment *RMB'000*	**Investment properties** *RMB'000*	**Right-of-use assets** *RMB'000*	**Intangible assets** *RMB'000*	**Goodwill** *RMB'000*
Opening net book amount as at 1 January 2021	**40,808**	**134,348**	**44,630**	**320,350**	**1,506,825**
Additions	**3,782**	**–**	**20,447**	**14,915**	**–**
Lease modification	**–**	**–**	**4,079**	**–**	**–**
Disposals	**(642)**	**–**	**–**	**–**	**–**
Transfer to assets classified as held for sale *(note 9(a))*	**–**	**(107,177)**	**(13,871)**	**–**	
Depreciation and amortisation					
– From continuing operations	**(5,680)**	**(581)**	**(11,785)**	**(29,595)**	**–**
Closing net book amount as at 30 June 2021	**38,268**	**26,590**	**43,500**	**305,670**	**1,506,825**
Opening net book amount as at 1 January 2020	64,139	770,831	214,305	1,010,218	1,542,408
Additions	3,386	–	–	18	–
Disposals	(420)	(8,761)	–	–	–
Disposal of subsidiaries	(95)	(37,596)	–	–	–
Impairment					–
– From continuing operations	–	–	–	(37,645)	–
– From discontinued operations	–	–	–	(47,185)	–
Depreciation and amortisation					
– From continuing operations	(6,496)	(808)	(9,695)	(39,424)	–
– From discontinued operations	(298)	(14,668)	(11,892)	(6,584)	–
Exchange difference					
– From discontinued operations	–	–	–	588	–
Closing net book amount as at 30 June 2020	60,216	708,998	192,718	879,986	1,542,408

As at 30 June 2021, the Group held one property (31 December 2020: two) as investment properties and measured at cost.

Impairment test for goodwill and other intangible assets

Managements monitors and reviews the business performance at the operating segment level. Goodwill and other intangible assets are allocated to the following cash generating units ("CGUs").

	Unaudited 30 June 2021		Audited 31 December 2020	
	Goodwill	**Other intangible assets**	Goodwill	Other intangible assets
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Technology-driven new retail segment				
Online-services – B2B2C business	**980,247**	**190,509**	980,247	207,134
New technology retails solutions	**454,720**	**72,000**	454,720	80,000
Smart Industries segment				
Anti-counterfeiting products and services	**50,314**	**17,952**	50,314	20,770
Trading services – cotton industry	**21,544**	**9,007**	21,544	10,218
Platform and corporate services segment				
Electronic appliance e-business	**N/A**	**N/A**	N/A	N/A
Other intangible assets	**–**	**16,202**	–	2,228
	1,506,825	**305,670**	1,506,825	320,350

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 depending on individual CGU circumstances. Cash flows beyond the five year period are extrapolated using the estimated growth rates. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

13 Trade receivables

	Unaudited 30 June 2021	Audited 31 December 2020
	RMB'000	*RMB'000*
Trade receivables *(note a)*	**327,207**	530,570
Less: provision for impairment of trade receivables	**(47,804)**	(52,286)
Trade receivables, net	**279,403**	478,284

Note a:

Trade receivables

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

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Current to 90 days	**241,229**	454,297
91 to 180 days	**31,084**	31,417
181 to 270 days	**14,313**	6,710
271 to 365 days	**9,417**	5,364
Over 1 year	**31,164**	32,782
	327,207	530,570

14 Loans and interest receivables

Loans and interest receivables represent the outstanding balance of loans granted to customers, employees, associates and a joint venture.

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Loans to customers of financing services business *(note)*	**1,595,833**	1,601,442
Loans to employees	**3,885**	3,885
Loans to associates and a joint venture	**85,733**	90,721
Interest receivables	**10,941**	10,762
Loans and interest receivables, gross	**1,696,392**	1,706,810
Less: impairment allowance		
– loans to customers of financing service business *(note)*	**(140,998)**	(184,149)
– loans to employees	**(34)**	(34)
– loans to associates and a joint venture	**(4,742)**	(5,523)
– interest receivables	**(55)**	(289)
Loans and interest receivables, net	**1,550,563**	1,516,815
Less: Non-current portion	**(524,242)**	(571,438)
Current portion	**1,026,321**	945,377

Note:

The following analysis only comprises loans granted in financing services business:

(a) Analysed by nature

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Loans to customers of financing services business	**1,595,833**	1,601,442
Less: impairment allowance	**(140,998)**	(184,149)
	1,454,835	1,417,293

(b) Analysed by type of collateral

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Unsecured loans	**1,269,319**	1,159,965
Guaranteed loans	**134,001**	182,832
Collateralised loans	**192,513**	258,645
Loans to customers of financing service business	**1,595,833**	1,601,442
Less: impairment allowance	**(140,998)**	(184,149)
	1,454,835	1,417,293

15 Trade payables

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

	Unaudited 30 June 2021 ***RMB'000***	Audited 31 December 2020 *RMB'000*
Current to 90 days	**86,169**	370,081
91 to 180 days	**170,704**	106,296
181 to 365 days	**3,170**	747
Over 1 year	**1,682**	1,816
	261,725	478,940

16 Borrowings

	Unaudited 30 June 2021 *RMB'000*	Audited 31 December 2020 *RMB'000*
Non-current portion:		
Bank borrowings	**518,000**	280,228
	518,000	280,228
Current portion:		
Bank borrowings	**209,020**	615,080
Other borrowings	**275,105**	340,959
	484,125	956,039
Total borrowings	**1,002,125**	1,236,267

Bank borrowings bear average interest rate of 6.46% per annum (31 December 2020: 7.00% per annum), mature ranging from to 2021 to 2023 (31 December 2020: same), part of which amounting to RMB110,000,000 (31 December 2020: RMB130,000,000) are secured by properties and investment properties, with a total carrying value amounting to RMB52,120,000 (31 December 2020: secured by properties, investment properties and right-of-use assets with carrying value amounting to RMB174,125,000), which are also guaranteed by the Executive Directors of the Group and subsidiaries (31 December 2020: same). The remaining bank borrowings included borrowings of RMB530,000,000 (31 December 2020: RMB548,000,000) provided by Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Limited and guaranteed by subsidiaries and associates of the Group (31 December 2020: guaranteed by an associate of the Group).

As at 30 June 2021, other borrowings with a total principal amount of RMB230,000,000 (31 December 2020: same) were provided by an independent third party and is payable in December 2021 (31 December 2020: RMB200,000,000 is repayable on demand while the remaining RMB30,000,000 is payable in May 2021). This other borrowing is interest-free and secured by certain equity shares of a subsidiary (31 December 2020: same).

The remaining other borrowings are provided by independent third parties, director of a subsidiary, a non-controlling shareholder of a subsidiary (31 December 2020: independent third parties, director of a subsidiary, a non-controlling shareholder of a subsidiary and associate companies) and bear interest rate ranging from Nil to 10% per annum (31 December 2020: same). Out of these borrowings RMB18,105,000 (31 December 2020: RMB88,001,000) are secured by inventories (31 December 2020: same).

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**	
	Unaudited	Audited	**Unaudited**	Audited
	30 June	31 December	**30 June**	31 December
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**209,020**	615,080	**275,105**	340,959
Between 1 and 2 years	**518,000**	246,857	**–**	–
Between 2 and 4 years	**–**	33,371	**–**	–
	727,020	895,308	**275,105**	340,959

As at 30 June 2021, the Group has no undrawn banking facilities (31 December 2020: Nil).

FINANCIAL REVIEW

Revenue	Technology-Driven New Retail	Smart Industries	Platform and Corporate Services	Subtotal	Discontinued Operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
First half of 2021	505,510	6,438,625	122,277	7,066,412	8,032	7,074,444
First half of 2020	382,773	4,520,412	142,706	5,045,891	16,729	5,062,620
Variance	32.1%	42.4%	-14.3%	40.0%	-52.0%	39.7%

The Group had discontinued the operation of integrated marketing and advertising services operated by Huijia Yuantian Limited, a wholly-owned subsidiary of the Group, and the operation of the O2O business exhibition centre segment in 2020. In accordance with HKFRS5, the financial results of Huijia Yuantian Limited, the segment of O2O business exhibition centre and the relevant impairment expenses for the half years ended 30 June 2021 and 2020 were classified as discontinued operations in the Group's financial statements.

During the six months ended 30 June 2021, the Group generated a total revenue of approximately RMB7,066,412,000 (2020: RMB5,045,891,000) from continuing operations. This represented an increase of approximately 40.0% as compared to that in the corresponding period in 2020. The increase of revenue was mainly due to the economy recovery from the COVID-19 pandemic. Many obstructions on factory productions and business operations have been removed or reduced, leading to the growing of our orders and revenue.

During the six months ended 30 June 2021, for the Group's financial performance in different segments of continuing operations, a total revenue of approximately RMB505,510,000 was achieved from the technology-driven new retail segment in the first half of 2021, and represented an increase of approximately 32.1% from approximately RMB382,773,000 in the corresponding period in 2020. Revenue from the smart industries segment increased from approximately RMB4,520,412,000 to approximately RMB6,438,625,000 which represented an increase of approximately 42.4%. Revenue derived from the platform and corporate services segment was approximately RMB122,277,000 in the first half of 2021, which represented a decrease of approximately 14.3% from approximately RMB142,706,000 in the same period of 2020.

During the six months ended 30 June 2021, operating expenses of continuing operations decreased from approximately RMB336,686,000 in 2020 to approximately RMB319,882,000 which was mainly due to the decreased amortization of intangible assets and share options.

The loss attributable to equity holders of the Company was approximately RMB103.5 million for this Period, as compared to a loss of approximately RMB248.6 million in the corresponding period in 2020. The decreased loss was mainly attributable to, among other things: (i) the Company has recognized impairment for the intangible assets of the business units that could not attain the expected results, which amounting to approximately RMB84.8 million in the first half of 2020, (ii) in light of the adverse impact of the COVID-19 pandemic and the economic environment, the Company has made enough provision for impairment of the financial assets, which amounting to approximately RMB53.4 million in the first half of 2020, while it was a reversal of approximately RMB13.1 million this Period.

BUSINESS REVIEW

In 2021, the Group continued to work on 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, the Group's businesses are divided into three segments: namely the platform and corporate services segment, the technology-driven new retail segment, and the smart industries segment. In the first half of 2021, approximately 7% of the Group's revenue was generated from the technology-driven new retail segment, approximately 91% of the Group's revenue was derived from the smart industries segment, and approximately 2% of the Group's revenue was attributable to the platform and corporate services segment.

Platform and corporate services segment

Leveraging on hc360.com, the platform and corporate services segment is committed to developing industrial internet business platform instruments that enable small and medium-sized enterprises ("SMEs") to "improve industrial efficiency" and "create value for customers". This segment also aims at constructing industrial data chains and business layouts to empower SMEs by providing them with more value-added services such as financial services, data marketing and SaaS, promoting the transformation and upgrade of SMEs, and facilitating the economic development of the PRC. "hc360.com", being the core operation entity of the platform and corporate services segment, has its strategy to become the "operating service platform of SMEs", with a core value of "managing and operating the infrastructures for multi-stores" for corporate customers. Last year, with means such as artificial intelligence, big data etc., products of hc360.com collected and sorted out numerous inquiries from buyers by means of manual labelling, machine identification, knowledge map, etc., which is known as "buyer service", and matched high-quality suppliers of hc360.com catering for customer demand, which is known as "seller service". During the service process, hc360.com quickly obtained industry information and constantly optimised and upgraded its underlying system. Our fundamental logic is to establish a knowledge map of enterprise information and business opportunities, which connects online merchants with internet traffic and excavate effective information for intelligent pairing-up, so as to improve the efficiency of marketing services.

In particular, b2b.so.com has become the most attractive platform for B2B vertical procurement and marketing since its launch last year, by virtue of its traffic advantages, new forms of presentation, cost-effective payment methods and accurate user groups. In February 2021, hc360.com upgraded its services on top of version 1.0 of b2b.so.com, to help more excellent merchants and products to gain more business opportunities through digital marketing. b2b.so.com 2.0 realised product sales by key words via the side column of 360 Browser and introduced scenarios for inquiries and contact with sellers, coupled with customised logos of quality products and fixed display gateways to greatly improve the connection efficiency between the buyer and the seller.

In March 2021, hc360.com developed SCRM System 1.0 based on the needs of business services. The system realises customer resource allocation, customer follow-up management, saleable resources inquiry, customer order management and system user management. It can simultaneously coordinate with related functions of payment, order, finance and invoice systems, and realise the entire SCRM social customer relations management from the introduction, allocation and interaction of customer resources to after-sales follow-up services.

In April 2021, hc360.com hosted "Lectures from Famous Procurement Experts" (採購名師大講堂), in which experts from procurement related industries were invited as guest speakers for live broadcasting, to answer questions on operation issues of SMEs such as enterprise procurement, supply chain, taxation, tendering and bidding which were closely related to customers. It has successfully hosted 5 sessions and attracted more than 20,000 viewers in total.

Technology-driven new retail segment

The technology-driven new retail segment is conducted principally via ZOL. Last year, the Group has adjusted and optimised the corporate structure of the technology-driven new retail segment, establishing four sectors, namely "smart marketing", "smart retail", "smart enterprise procurement sector" and "self-owned brand sector".

"Smart marketing" business provides industry partners with integrated marketing services of whole network resources, covering mainstream platforms such as ZOL's main site, Baidu, ByteDance, JD.com, Taobao and Bilibili. At the same time, we provide mature operation management agency services from user operation to opening stores for our partners, so as to gain trust with our professional competence.

In January 2021, ZOL APP won the first "Dandelion Best Information Application of the Year" (蒲公英年度最佳資訊應用) award. As the pioneer of mobile ZOL, the APP carries the professional evaluation content of ZOL, a rich 3C digital product library, interesting technology videos and gathering numerous fans in the technology community, making continuous efforts to build a private traffic platform for ZOL. In April 2021, ZOL won the 2020 Baidu Best Partner Award for Mobile Ecology (2020百度移動生態最佳合夥人獎). As technology vertical media, ZOL and Baidu worked together to explore cooperation in diversified content, to offer users better consumer decision-making services. In June 2021, ZOL, as the chief media partner and exclusive awarding agency of CTIS, leveraged on 20 years of professional experience and in-depth industry observation to assess and select 16 innovation awards from products by 800 exhibitors based on various dimensions (such as product design, technical innovation, functional innovation and product application potential), presenting an annual event that truly promoted the exchange and development of the consumer technology industry. In the first half of 2021, in terms of vertical technology media, ZOL was committed to "developing a platform for thoughts (APP), a win-win ecosystem (Baidu) and modular and scalable products (CTIS awards)".

In the first half of 2021, ZOL launched the "Tech Shopping Festival" (科技嗨購節) with JD.com and 21 major manufacturers to select 27 fashionable technology products in a shopping bonanza to netizens. The festival influenced 73.50 million people in aggregate across the internet and accurately covered 22.90 million search users via 5 major search portals. In July 2021, ZOL and China Video Industry Association (視像協會) jointly released the Report on the Demand of Game TV Users (遊戲電視用戶需求研究報告). In the same month, ZOL joined hands with 26 brands to carefully plan a creative exhibition area named "Zin Planet" (Zin星球) in a space of 460 square metres, and customised 8 special-theme exhibition spaces with well-received products, presenting a feast of technology and trends for Generation Z. During the current ChinaJoy, ZOL produced over 200 original articles during the exhibition with a team of 100 interviewers, editors and reporters. ZOL alone attracted 68.90 million visits from digital product enthusiasts, including a total of 13.44 million video views. In addition, KOC as a partner also influenced 6.10 million users via its respective advantageous platforms.

In the first half of 2021, ZOL continued to enhance its brand influence in the industry as we saw its video capabilities gradually exceed the average industry level and explored the ways of cooperation with KOLs.

In the vertical technology media industry, ZOL has the most authoritative technology product library, covering over 20,000 technology brands, 850 product lines and nearly 500,000 popular products for sale up to now. At the same time, ZOL is connected with the data of various mainstream search engines such as Baidu, 360 and Toutiao, and delivers our professional opinions to more than 70 million internet users focusing on technology every day. As a media brand with a history of 21 years, ZOL has always adhered to the professionalism and ethics of media professionals and is committed to becoming a leading vertical technology media platform company in the industry.

As the router of science and technology industry, we pay equal attention to distribution channels, i.e. the trading services with "jdhui.com" as the main operating entity. The smart retail business with brands ZOL Huimaimai and ZOL cloud store as the core helps merchants to easily purchase goods on one hand and sell goods on the other hand, providing comprehensive solutions for industrial partners to solve the problems of supply chain connection as well as opening stores and seeking customers on the network. ZOL Huimaimai integrates brand businesses, retailers, logistics, finance, SaaS, traffic, content and home appliance aftermarkets, enabling the upgrading and transformation of traditional home appliance retailers, helping brand manufacturers to localise digital channels and making the home appliance business easier. Through the industrial router model of "integrated supply chain + SaaS + localised services", ZOL Huimaimai provides service solutions to localised channel digitisation for brand owners, new retail solutions for small- and medium-sized home appliance retailers, and diversified quality home appliance products for consumers in local markets. In the first half of 2020, Mr. Chen Chen, CEO of the smart retail sector, completed his first live show; Huimaimai hosted cloud investment promotion for Panasonic washing machines, and worked with Huizhou University to deepen school-enterprise integration. Its sales on 18 June 2021 alone increased by 207% year-on-year. As of June 2021, ZOL Huimaimai covered 2,163 districts and counties in 18 provinces, with over 500 offline service teams, more than 30,000 precision paid member-stores across the country, and over 100 home appliance brands and 2,000 SKU. In July 2021, the new official website of Huimaimai was launched at www.jdhui.com. ZOL cloud store is a joint-brand manufacturer based on the retail matrix created by SaaS cloud store tools – after the selection of products is completed by ZOL's joint manufacturers, the central live broadcast rooms of the platform would gather tens of thousands of small b distributed 2C traffic in the private sector, forming a B2b2C industrial router.

For "brand sector", RHT air purifier which was invented by JV parties "RHT" is a national brand independently developed and patented in Hong Kong, China. It has been designated as the supplier of air purifier system and fresh air system by certain Fortune Global 500 companies. With the globally patented core technology, NCCO is the first air purifier brand in Mainland China to obtain the German TUV Rheinland certification. Currently, it is providing services for nearly 100 hospitals in over 10 countries around the world. The killing rate of RHT air purification system for human coronavirus (HCoV-229E) achieved over 99.99% according to the authoritative test report of Guangdong Detection Center of Microbiology.

Smart industries segment

The smart industries segment mainly comprises of (i) PanPass, an IoT solutions provider for digital transformation, (ii) Union Cotton, a spot transaction platform for cotton, and (iii) ibuychem.com, which is positioned to provide centralised purchasing and integrated e-business service for chemicals and plastics. "Focus" and "significant verticality" are the Group's important strategies for the smart industries segment.

Beijing PanPass Information Technology Co., Ltd. (北京兆信信息技術股份有限公司) ("PanPass") (NEEQ Stock Code: 430073) is a platform with Z-SCM, a proprietary IP right supply chain management system, as its core, and is based on technologies such as IoT, big data, artificial intelligence (AI) and computation, as well as the markers of digital code, QR code, RFID, etc. as carriers, providing lifetime traceability and management service for brand customers.

In January 2021, PanPass fully upgraded its brand strategy. The upgraded logo has a more modern sense, implying empowering traditional industries and interconnection and integration of industries. The upgraded official website is concise and light, with a greater sense of science and technology. In addition, in terms of customer service, PanPass optimised the service process, simplified the access to its service hotline, and improved service efficiency and customer service satisfaction. In the same month, PanPass won the 2020 "Beijing Integrity Enterprise" (北京市誠信創建企業). In February 2021, the "PanPass One-Code SaaS" (兆信一碼通SaaS) product was upgraded to its version 6.0. The new version not only meets the needs of SMEs for rapid transformation of production lines and convenient deployment, but also supports the all-round customised development of functions such as production and warehouse management, channel control, anti-counterfeiting page configuration, logistics control, marketing activities, member management and data statistics. It is a digital enterprise service product platform that covers the entire industry chain developed by PanPass with its more than 20 years of serving major customers. In March 2021, PanPass launched its official English website. In the same month, PanPass won the title of "Beijing User Satisfaction Enterprise" (北京市用戶滿意企業). The award was granted by the Beijing Social Enterprise Quality Association (北京社會企業質量協會), and only three companies in each industry could be shortlisted according to evaluation requirements. In April 2021, PanPass became the first enterprise from its industry selected to join Beijing Chaoyang District Federation of Industry and Commerce (北京市朝陽區工商聯). In June 2021, PanPass won the "SaaS Product with the Highest Commercial Value" (最具商業價值SaaS產品) award. In the same month, PanPass and Shuifa-Uni Ziguang Big Data Company (水發紫光大數據公司) jointly developed a quality traceability platform. With "One Product, One Code for Traceability" (一物一碼，物碼同追) for LauteBach Beer (勞赫巴特啤酒), the platform manages the entire lifecycle of products from raw material procurement, production and processing, related packaging, warehousing and logistics, sales and marketing for enterprises, ensures the traceability of product source, direction and accountability, helps enterprises build a good production system, assists government departments in supervision and management, and protects the interests of consumers from the source. At present, the platform has been successfully put into operation.

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 stores, supply-chain financial service and warehouse receipt pledge. Union Cotton, one of the B2B e-business pioneers in the cotton industry, has accumulated extensive industrial experience and significant market resources in the cotton industry. In March 2021, the cumulative trading revenue of Union Cotton exceeded RMB15 billion. In April 2021, Union Cotton won the title of 2020 "Shanghai Excellent Enterprise of Industrial Internet" (上海市產業互聯網優秀企業). On 11 April, "2021 Yuncheng Textile Industry Salon" (2021鄆城紡織產業沙龍) was successfully held at the headquarters of HC Union Cotton Industrial Internet. Leaders of Yuncheng County and more than 50 textile enterprises nearby attended the industry salon. Afterwards, Union Cotton signed the "2021 Strategic Cooperation Agreement for the Supply Chain of the Textile Industry" (2021紡織產業供應鏈戰略合作協議) with over 10 large – and medium-sized textile factories, garnering extensive market influence in Yuncheng, a hub of the textile industry. On 12 April 2021, the "2021 Work Seminar for the Industry Chain of Textile and Apparel of Marabishi County" (2021巴楚縣紡織服裝全產業鏈工作研討會) was successfully held in Marabishi County, Kashgar, Xinjiang. The seminar was sponsored by the People's Government of Marabishi County and co-organised by Union Cotton and China Cotton Industry Alliance (CCIA). The seminar aimed at helping cotton planting and processing in Xinjiang, and guiding industrial customers to produce high-quality textile and apparel products. In April 2021, Union Cotton officially launched its polyester staple and yarn categories, and became a multi-category digital service platform for the textile industry chain. In June 2021, Union Cotton won the title of "2021 Top 10 Most Popular Internet Platforms for the Chinese Textile Industry" (2021年十佳中國最受歡迎的紡織工業互聯網平台) jointly granted by China National Textile and Apparel Council (中國紡織工業聯合會), the Department of Industry and Information Technology of Shandong Province (山東省工業和信息化廳), the Internet Industry Working Committee of AIITRE (中信聯互聯網產業工作委員會) and China Wool Industry Association (中國羊毛商會). In July 2021, Union Cotton fully promoted its strategic transformation and upgrading. Its polyester and yarn segments have an operational scale of over RMB100 million, as Union Cotton emerged from the industry and yielded the initial effect from the strategic upgrading of its service model of developing cotton, polyester fibre and yarn varieties at the same time.

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 January 2021, ibuychem.com successfully launched the business card system for chemicals and plastics, developed a new model of social interaction for industry practitioners, and connected talents with businesses to meet the new demands for e-commerce development amongst companies. In April 2021, ibuychem.com successfully held the Second China Plastics Industry Summit (中國塑料產業峰會), which featured "Futures and Spot Training" (期現培訓), new product trends and interactive forums to help plastic enterprises understand risk factors and grasp the market development directions.

In the same month, the 2021 Application and Development Forum for Colour Board Industry Coating (2021彩板工業塗層應用發展論壇) was successfully held in Bo Xing County of Shandong Province, a colour board distribution centre, in a bid to enable its development and practice the policy of peak carbon emissions and carbon neutrality (雙碳). In May 2021, ibuychem.com launched its search system. The system successfully opened up the search channels of ibuychem.com, hzeyun.com and U-selector, and realised the integrated display of merchants, products, indices, information and experts, enabling users to select products, understand merchants and obtain industry information in a more comprehensive and objective way. In June 2021, the First Competition of Colourful Coating Samples cum Architectural Coating Application and Development Forum (多彩塗料樣板評比大賽暨建築塗料應用發展論壇) took place successfully. The competition was the effort of ibuychem.com to localise the colourful board engineer segment by working with the National Testing Center of Product Quality Supervision (Guangdong) (國家塗料產品質量監督檢驗中心（廣東）) and Shunde Polytechnic, with a view to improving professional skills and quality. In the same month, China Coatings and Waterproofing Summit Forum (中國塗料和防水高峰論壇) was successfully held at China World Summit Wing in Beijing. This forum was a grand activity for the coating and waterproofing industry amidst epidemic normalisation. It took full advantage of the internet and combined online and offline organically, where development directions and digitisation were discussed to enable the rapid development of enterprises in the coating and waterproofing industry.

PROSPECT

The overall trend of the internet has evolved from consumption internet to an era of industrial internet with a largely completed social ecosystem. In order to meet the challenges, the Group has been engaged in full strategic transformation since October 2017, and is committed to becoming a leading industrial internet company in China.

On 8 May 2021, the two core segments of the Group, ZOL and PanPass, were officially relocated to Yonghe Hangxing Science Park in Beijing (北京雍和航星科技園) where their relocation ceremony was held. In the next three years, the two professional companies will build a better customer service system and service process in addition to enhancing the professionalism and influence of their brands in respective vertical segments.

ZOL will continue to focus on content, influence users with professionalism, and cooperate with brand owners based on the concept of service first, so as to win the trust of over 3,000 brand customers and 165 million users of the ZOL. In the second half of 2021, ZOL Huimaimai will continue to build efficient, low-cost and strong experience solutions for traditional retailers. In the next three years, its development plan and policy will focus on "seizing opportunities, deepening operation, focusing on iteration and leading in segments", continue to tap into customer needs and pain points, and empower the B-end member stores with more valuable and efficient services. The ZOL media platform will optimise user experience in multiple dimensions, transform user behaviour with useful, interesting and in-depth professional content, enhance user loyalty and enhance industry influence. ZOL will apply models, parameters and algorithms to user procurement decision-making and difficult scenarios for constant iteration, accumulate data assets and grow competitive barriers. Conversion to high quality and efficiency will serve as the core criterion for customers to judge products and services and develop its edge. ZOL will obtain customers and maximise corporate value by enhancing user value, based on its 21 years of professional engagement in technology vertical media.

In the first half of 2021, PanPass made great achievements and obtained dozens of software copyrights and patents, which reflected the continuous progress in technical strength. It also represented that the software research and development achievements of PanPass had been highly recognised by the industry. Embracing changes and continuous innovation remain the original intentions of PanPass. As a service enterprise empowered by industrial internet and a digital partner of Chinese industries, PanPass will remain convinced that "Science and technology are the first productive force".

In the future, PanPass will accelerate the development of digital management ecology with proprietary technology as the core, continue to develop new driving forces for technological innovation, build a solid foundation for the digital management of enterprises, fully help enterprises in digital transformation and write a new chapter of development.

Industrial internet is the process of restoring users' behaviour, understanding their pain points and reviewing industries across multiple industries. Based on such consideration, in the smart industries segment, we will operate the Company in a cooperative model of "joint investment + incubation" with industrial practitioners. In addition, the Group will assist vertical companies to strengthen technology, upgrade products, and connect investment financing and traffic resources. Industrial business logic will serve as the basis to observe the business behaviour of customers step by step, dissect the behaviours of customers in business, identify their pain points and turn them into solutions through the internet, before providing customers with one-stop solutions based on the entire industry chain. One of the commercial values of vertical companies is to enable internet and data capabilities in vertical segments and assist upstream and downstream customers to reduce costs and enhance efficiency.

At the end of 2020, we were pleased to see that Zhongmo, PanPass and nahuomall.com obtained financing from top institutions and started their capitalisation. In August 2021, Union Cotton obtained an investment of RMB150 million from the investment fund of Huizhou Daya Bay Government. It is expected that Union Cotton will receive continuous support in terms of petrochemical resources in Huizhou Daya Bay District and strive to achieve the established performance goals.

The Group will actively develop the platform and corporate services segment primarily based on hc360.com. Currently, hc360.com has a huge amount of inquiries and clues every year, proving that B-end buyers are still in rigid demand to buy goods at the right price. hc360.com has gained numerous buyers over the past 20 years, and has the resources on inquiries and sellers. In the future, hc360.com will match buyers and sellers through AI algorithm to assist customers in seeking and doing business, being the primary-level clue. In addition, we will also develop the middle-level worktable of hc360.com with an open and cooperative mind. At the contact end, hc360.com actively cooperates with internet traffic giants such as Baidu, Tencent, Sogou and Toutiao. At present, leading companies have strong demand in the "TOB" field, while the Group has accumulated a large number of users, a huge sales system and the competency of reaching customers. The Group and its partners will develop products collectively, hoping to construct a top-level tool for managing and operating multiple stores. All such efforts have been made to enhance efficiency and effectiveness, as hc360.com hopes to utilise the products to bring actual business to SMEs and the value of synergy to the whole ecosystem.

Against the backdrop of global economic downturn and domestic economic slowdown in recent years, domestic enterprises have been under growing pressure in their operations. The COVID-19 pandemic causes implementation of local regulations restricting unnecessary gatherings, and management measures of "enclosure" for epidemic prevention and control due to confirmed cases and associated close contacts therewith. The difficulties faced by SMEs are also gradually escalating, rendering their already difficult operation even more challenging amidst international and domestic economic downturn. Some of the Group's customers also face business suspension, layoffs and even bankruptcies.

In response to the challenges and opportunities of epidemic normalisation and rapid development of industrial internet, the Group will further strengthen the trinitarian market position of "hc360.com + zol.com.cn + PanPass", continue to strive to be a leading industrial internet group in China and use the internet and data to empower traditional industries. HC puts interests first, honours its words, and creates value for customers.

Liquidity and financial resources

As at 30 June 2021, the Group had cash and bank balance of approximately RMB265.2 million (31 December 2020: RMB254.3 million), which were mainly denominated in Renminbi ("RMB"), and net current assets of approximately RMB1,167.0 million (31 December 2020: RMB649,878 million). The Group maintained a strong working capital position during the Period.

As at 30 June 2021, the Group had a total borrowings of approximately RMB1,002,125,000 (as at 31 December 2020: RMB1,236,267,000), of which approximately (i) RMB727,020,000 (31 December 2020: RMB895,308,000) were bank borrowings; and (ii) RMB275,105,000 (31 December 2020: RMB340,959,000) were other borrowings. The Group's borrowings were mainly denominated in RMB. The bank borrowings bear an average interest rate of 6.46% per annum (31 December 2020: 7.00% per annum) and mature ranging from 2021 to 2023.

Other borrowings with a total principal amount of RMB230,000,000 (31 December 2020: RMB230,000,000) were provided by an independent third party with maturity dates in December 2021. These borrowings are interest-free and secured by certain equity shares of a subsidiary. The remaining other borrowings are provided by independent third parties, director of a subsidiary, a non-controlling shareholder of a subsidiary and bear interest rate ranging from Nil to 10% per annum (31 December 2020: Nil to 10% per annum). Details of the Group's borrowings including the maturity profile and interest rate are set out in note 16 to the condensed consolidated interim financial information in this announcement. As at 30 June 2021, the Group's gearing ratio is 17% (31 December 2020: 25%), which is calculated as net debt divided by total capital.

The capital and reserves attributable to equity holders of the Company decreased by approximately RMB88.5 million from approximately RMB3,518.8 million as at 31 December 2020 to approximately RMB3,430.3 million as at 30 June 2021.

Treasury Policy

To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Significant investments

Save as disclosed in this announcement, the Group had no significant investments held, nor material acquisitions and disposal of subsidiaries, associates or joint ventures during the Period.

Future plans for material investments

Saved as disclosed in this announcement, the Group had no future plans for material investments during the Period.

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30 June 2021, the Group had 1,534 employees.

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

Capital structure

The total number of issued Shares was 1,309,931,119 as at 30 June 2021.

As of 30th June 2021, 63,253,294 options under the share option scheme (if exercised, 63,253,294 shares may be issued) remain outstanding.

Charges on Group assets

As at 30 June 2021, the Group's bank borrowings amounting to RMB110,000,000 (31 December 2020: RMB130,000,000) are secured by properties and right-of-use assets with a total carrying value amounting to RMB52,120,000 (31 December 2020: RMB174,125,000), which are also guaranteed by the Executive Directors of the Group and subsidiaries.

Other borrowings with a total principle amount of RMB230,000,000 (31 December 2020: RMB230,000,000) are secured by certain equity shares of a subsidiary of the Company.

For details, please refer to note 16 to the condensed consolidated interim financial information in this announcement.

Exchange risk

As the Group's operations are principally in the People's Republic of China ("PRC"), and majority of the Group's assets and liabilities are denominated in Renminbi ("RMB"), the Directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2021.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

SIGNIFICANT EVENTS

Disposal of Entire Equity Interests in Tianjin Guokai

On 5 January 2021, Beijing Huicong Zaichuang Technology Co., Limited (北京慧聰再創科技有限公司) ("Beijing HC Technology", a subsidiary of the Group), Beijing Little Rhino Horn Technology Co., Ltd. (北京小犀角科技有限公司) ("Beijing LRH"), Tianjin Guokai Ruitou Education Technology Co., Ltd. (天津國開瑞投教育科技有限公司) ("Tianjin Guokai"), and Hong Kong Huicong International Group Limited (香港慧聰國際集團有限公司, a subsidiary of the Group) entered into an equity transfer agreement, pursuant to which, Beijing HC Technology agreed to transfer the entire equity interest in Tianjin Guokai to Beijing LRH at the consideration of RMB300,500,000. As at 30 June 2021, the disposal has not yet been completed and parties to the agreement are working on the transitional arrangements. Upon completion, Beijing Huicong Technology will no longer hold any equity interest in Tianjin Guokai and Tianjin Guokai will cease to be a subsidiary of the Company.

The equity investment agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company. Please refer to the Company's announcement dated 5 January 2021 for further details.

Change of Addresses

During the Period, the Company's principal place of business in Hong Kong has been changed to 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and the address of the Company's Cayman Islands Share Registrar has been changed to Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands.

Please refer to the Company's announcements dated 1 March 2021 and 8 March 2021 for further details.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Investment Agreement and Deemed Disposal of Partial Equity Interests in Huizhou Union Cotton and Shanghai Union Cotton

On 9 August 2021, the Company, Beijing HC Technology, Tianjin Huicong Technology Co., Limited (天津慧聰科技有限公司) ("Tianjin HC"), Huizhou Union Cotton Cloud Technology Co., Limited (惠州市棉聯雲科技有限公司) ("Huizhou Union Cotton") and Shanghai Mianlian E-Commerce Co., Limited (上海棉聯電子商務有限公司) ("Shanghai Union Cotton") (Beijing HC Technology, Tianjin HC, Huizhou Union Cotton and Shanghai Union Cotton are subsidiaries of the Group) entered into an investment agreement with Huizhou Daya Bay Sci-Tech No. 2 Investment Partnership Enterprise (Limited Partnership) (惠州大亞灣區科創二號投資合夥企業(有限合夥) ("HDB Sci-Tech") (as the investor), Juekun (Shanghai) Technology Development Co., Limited (覺鵾(上海)科技發展有限公司) and Shanghai Mianlian E-Commerce Co., Limited (上海棉聯電子商務有限公司). Pursuant to the agreement, among other things, HDB Sci-Tech conditionally agreed to make an investment of RMB150,000,000 in cash to Huizhou Union Cotton. HDB Sci-Tech has already contributed the first instalment of RMB100 million of the investment amount as of the date of this announcement. Upon completion of the transaction, Huizhou Union Cotton will be owned as to 5.01298% by Beijing HC Technology, 30.688% by Tianjin HC, and 30% by HDB Sci-Tech, respectively. Huizhou Union Cotton and Shanghai Union Cotton will remain as subsidiaries of the Company following completion, and their financial results will continue to be accounted for and consolidated into the financial results of the Group.

The investment agreement and the transactions contemplated thereunder constitute a discloseable transaction of the Company, and transaction with connected persons at subsidiary level of the Company. Please refer to the Company's announcement dated 9 August 2021 for further details.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted written guidelines regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the Period.

AUDIT COMMITTEE

The Company established 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. Guo Fansheng. 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, and the unaudited interim results of the Group for the Period.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period in accordance with Hong Kong standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of the Directors or the management shareholders of the Company and their respective associates (as defined in the Listing Rules) has confirmed that none of them had any business or interest in any company that competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the Period.

RECONCILIATION OF NON-HKFRS MEASURES TO THE NEAREST HKFRS MEASURES

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, we also used adjusted EBITDA and adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with HKFRS. The Company's management believes that the non-HKFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of certain disposal acquisition transactions. The use of these non-HKFRS measures have limitations as an analytical tool, and one should not consider them in isolation form, or as a substitute for analysis of, our results of operations or financial conditions as reported under HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of our non-HKFRS financial measures for the six months ended 30 June 2021 and 2020, to the nearest measures prepared in accordance with HKFRS.

	Unaudited six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Loss before income tax	**(78,984)**	(187,061)
Share based payment expense	**10,273**	17,339
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(755)**	8,299
Impairment loss on goodwill and intangible assets	**–**	37,645
Other one-off (gains)/losses on disposal of:		
– Losses on disposal of Hunan Zhongmoyun Construction Science and Technology Co., Limited*	**13,743**	–
– Losses on deemed disposal of Hunan Zhongmoyun Construction Science and Technology Co., Limited*	**1,389**	–
– Gains on disposal of Beijing Huiyase Technology Co., Limited	**(30,270)**	–
– Gains on disposal of subsidiaries	**–**	(12,664)
Adjusted net loss	**(84,604)**	(136,442)
Adjusted for:		
Share based payment expense	**(10,273)**	(17,339)
Finance cost, net	**(35,012)**	(68,777)
Depreciation and amortisation	**(47,641)**	(56,423)
Adjusted EBITDA/(LBITDA)	**13,942**	(44,522)

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board had reviewed the Company's corporate governance practices and was satisfied that the Company had been in compliance with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its listed shares during the Period.

By Order of the Board
HC Group Inc.
Liu Jun
Chairman

Hong Kong, 27 August 2021

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. Sun Yang *(Non-executive Director)*
Mr. Lin Dewei *(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)*

In this announcement, certain Chinese names of institutions, natural persons or other entities have been translated into English and included as unofficial translations for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.