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 2022

FINANCIAL HIGHLIGHTS

- **Total revenue** was approximately **RMB6,116.9 million**, decreased by approximately **RMB947.6 million**, or **decreased by approximately 13.4%**, when compared to approximately **RMB7,064.5 million** recorded for the corresponding period in 2021 from continuing operations.
- The Group's **adjusted net loss*** was approximately **RMB48.1 million**, decreased by approximately **RMB68.1 million** from approximately **RMB116.2 million** in the first half of 2021.
- The Group's **EBITDA*** was approximately **RMB9.9 million**, increased by approximately **RMB22.0 million** from approximately LBITDA of **RMB12.1 million** in the first half of 2021.
- **Loss attributable to equity holders of the Company** from continuing operations was approximately **RMB74.7 million** during the first half of 2022, while a loss attributable to equity holders of the Company from continuing operations of approximately **RMB80.6 million** was recorded for the corresponding period in 2021.
- The **loss per share from continuing operations** was **RMB0.0571**, when compared to **RMB0.0615** for the corresponding period in 2021, on a period-on-period basis.

*: The adjusted net loss, and the EBITDA/(LBITDA) are non-HKFRS financial measure, for details, please refer to page 37 in this announcement.

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 2022 (the "Period"), together with the comparative figures for the corresponding periods ended 30 June 2021 to the shareholders of the Company (the "Shareholders").

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Unaudited six months ended 30 June	
	Note	**2022**	2021
		RMB'000	*RMB'000*
			(Restated)
			(Note 1(a))
Continuing operations			
Revenue	*4*	**6,064,214**	6,999,829
Interest income from financing services	*4*	**52,733**	64,710
		6,116,947	7,064,539
Cost of revenue		**(5,852,265)**	(6,771,088)
Other income		**3,084**	4,382
Other gains, net	*5*	**16,356**	15,738
Selling and marketing expenses		**(135,319)**	(164,729)
Administrative expenses		**(117,227)**	(150,625)
(Provision for)/reversal of provision for impairment losses of financial assets, net		**(42,433)**	47,074
Operating (loss)/profit		**(10,857)**	45,291
Finance cost, net		**(26,950)**	(35,007)
Share of post-tax losses of associates		**(44,145)**	(52,376)
Share of post-tax loss of a joint venture		**–**	(45)
Loss before income tax		**(81,952)**	(42,137)
Income tax credit/(expense)	*6*	**7,309**	(21,499)
Loss from continuing operations		**(74,643)**	(63,636)
Discontinued operations			
Loss from discontinued operations	*7*	**–**	(30,102)

	Note	Unaudited six months ended 30 June 2022 RMB'000	2021 RMB'000 (Restated) (Note 1(a))
Loss for the period		**(74,643)**	(93,738)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences		**70**	(5,945)
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income			
– Group		**23,059**	(3,311)
– Associate		**–**	(4,288)
Currency translation differences for financial assets at fair value through other comprehensive income		**1,701**	(840)
Total comprehensive loss for the period, net of tax		**(49,813)**	(108,122)
Loss for the period attributable to:			
Equity holders of the Company		**(74,735)**	(103,468)
Non-controlling interests		**92**	9,730
		(74,643)	(93,738)
Loss for the period attributable to the equity holders of the Company arises from:			
Continuing operations		**(74,735)**	(80,584)
Discontinued operations		**–**	(22,884)
		(74,735)	(103,468)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(49,905)**	(117,852)
Non-controlling interests		**92**	9,730
		(49,813)	(108,122)

	Note	Unaudited six months ended 30 June 2022 RMB'000	2021 RMB'000 (Restated) (Note 1(a))
Total comprehensive loss attributable to equity holders of the Company arises from:			
Continuing operations		**(49,905)**	(94,968)
Discontinued operations		**–**	(22,884)
		(49,905)	(117,852)
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	*8*	**(0.0571)**	(0.0615)
Diluted loss per share	*8*	**(0.0571)**	(0.0615)
Loss per share from loss attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	*8*	**(0.0571)**	(0.0790)
Diluted loss per share	*8*	**(0.0571)**	(0.0790)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022 *RMB'000***	Audited 31 December 2021 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*10*	**32,315**	33,554
Right-of-use assets	*10*	**20,917**	35,285
Investment property	*10*	**25,428**	26,009
Intangible assets and goodwill	*10*	**1,270,154**	1,296,435
Deferred income tax assets		**56,201**	46,994
Investments accounted for using equity method		**291,635**	322,176
Financial assets at fair value through other comprehensive income		**469,467**	454,458
Financial assets at fair value through profit or loss		**18,079**	18,219
Finance lease receivables		**70,464**	97,390
Loans and interest receivables	*12*	**341,258**	418,032
Long term deposits and prepayments		**4,314**	3,990
Long-term bank deposits		**–**	28,622
Total non-current assets		**2,600,232**	2,781,164
Current assets			
Inventories		**239,889**	186,260
Contract assets		**21,386**	3,878
Trade receivables	*11*	**113,145**	175,837
Deposits, prepayments and other receivables		**634,821**	667,107
Finance lease receivables		**222,426**	204,432
Loans and interest receivables	*12*	**1,166,921**	1,111,447
Restricted bank deposit		**108,200**	33,437
Cash and cash equivalents		**304,821**	333,812
		2,811,609	2,716,210
Assets classified as held for sale	*7(a)*	**132,397**	132,397
Total current assets		**2,944,006**	2,848,607
Total assets		**5,544,238**	5,629,771

	Note	**Unaudited 30 June 2022** *RMB'000*	Audited 31 December 2021 *RMB'000*
Equity			
Equity attributable to equity holders of the Company			
Share capital		**120,977**	120,977
Other reserves		**3,405,520**	3,374,629
Accumulated losses		**(706,171)**	(629,622)
		2,820,326	2,865,984
Non-controlling interests		**671,585**	682,411
Total equity		**3,491,911**	3,548,395
Liabilities			
Non-current liabilities			
Non-current portion of bank borrowings	*14*	**5,000**	512,000
Lease liabilities		**8,896**	17,151
Deferred income tax liabilities		**41,994**	49,860
Financial liabilities at fair value through profit or loss		**6,681**	7,242
Total non-current liabilities		**62,571**	586,253
Current liabilities			
Trade payables	*13*	**178,721**	194,368
Accrued expenses and other payables		**292,359**	316,007
Contract liabilities		**372,651**	348,431
Current portion of bank borrowings	*14*	**682,492**	171,114
Current portion of other borrowings	*14*	**339,471**	319,416
Lease liabilities		**14,252**	21,158
Other taxes payables, net		**1,751**	4,241
Income tax payables		**50,395**	60,799
Financial liabilities at fair value through profit or loss		**45,021**	46,946
		1,977,113	1,482,480
Liabilities directly associated with assets classified as held for sale	*7(a)*	**12,643**	12,643
Total current liabilities		**1,989,756**	1,495,123
Total liabilities		**2,052,327**	2,081,376
Total equity and liabilities		**5,544,238**	5,629,771

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 People's Republic of China ("PRC"):

- providing industrial internet information 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 2021, the Group decided to discontinue the operation of provision of properties leasing in PRC operated by Tianjin Guokai Ruitou Education Technology Co., Ltd.* ("Tianjin Guokai") and the online garment services operated by Zhejiang Zhongfu Network Technology Co., Ltd.* ("Zhongfu").

In accordance with Hong Kong Financial Reporting Standard ("HKFRS") 5, "*Non-current assets held for sale and discontinued operations*", the financial results of Tianjin Guokai and Zhongfu and the related impairment expenses for the six months ended 30 June 2022 and 2021 were classified as discontinued operations in the Group's condensed consolidated interim 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.

*: *English names are translated for identification purpose only.*

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021 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 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Annual improvements 2018-2020 cycle	Improvements to HKFRSs
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

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 but not yet effective

Certain amended standards, interpretation and guideline have been published that are not mandatory for the financial year beginning on 1 January 2022 and have not been early adopted by the Group:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current(1)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies(1)
Amendments to HKAS 8	Definition of Accounting Estimates(1)
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction(1)
HKFRS 17	Insurance Contracts and related Amendments(1)
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(1)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(2)

(1) Effective for the Group for annual period beginning on 1 January 2023

(2) 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 loss before income tax. This measurement basis excludes the effects of non-recurring expenditure from the operating segments.

As at 30 June 2022, 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 anti-counterfeiting products and services, and supply chain management service.

(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 2021, the Group decided to discontinue the operation of provision of properties leasing in PRC operated by Tianjin Guokai and the online garment services operated by Zhongfu.

Therefore, the financial results of Tianjin Guokai and Zhongfu for the six months ended 30 June 2022 and 2021 were classified as discontinued operations in the Group's condensed consolidated interim financial information.

For details of the discontinued operations, please refer to note 7.

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 six months ended 30 June 2022 and 2021.

	Unaudited Six months ended 30 June 2022 Continuing operations			
	Technology-driven new retail segment *RMB'000*	**Smart industries segment** *RMB'000*	**Platform and corporate services segment** *RMB'000*	**Total** *RMB'000*
Revenue	**732,548**	**5,282,694**	**48,972**	**6,064,214**
Interest income from financing services	**–**	**–**	**52,733**	**52,733**
Total revenue and income	**732,548**	**5,282,694**	**101,705**	**6,116,947**
Segment results	**2,218**	**(19,690)**	**(12,825)**	**(30,297)**
Other income				**3,084**
Other gains, net				**16,356**
Share of post-tax losses of associates				**(44,145)**
Finance income				**4,911**
Finance cost				**(31,861)**
Loss before income tax				**(81,952)**
Other information:				
Depreciation and amortisation				**38,383**
Share-based compensation expense				**417**

	Technology-driven new retail segment RMB'000	Smart industries segment RMB'000	Platform and corporate services segment RMB'000	Subtotal RMB'000	Smart industries segment RMB'000	Platform and corporate services segment RMB'000	Subtotal RMB'000	Total RMB'000
	Unaudited Six months ended 30 June 2021							
	Continuing operations				Discontinued operations (Note 1(a))			
Revenue	505,510	6,436,752	57,567	6,999,829	1,873	8,032	9,905	7,009,734
Interest income from financing services	–	–	64,710	64,710	–	–	–	64,710
Total revenue and income	505,510	6,436,752	122,277	7,064,539	1,873	8,032	9,905	7,074,444
Segment results	(10,583)	(16,950)	52,704	25,171	(36,846)	6,745	(30,101)	(4,930)
Other income				4,382			4	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				3,848			4	3,852
Finance cost				(38,855)			(9)	(38,864)
Loss before income tax				(42,137)			(30,102)	(72,239)
Other information:								
Depreciation and amortisation				47,525			116	47,641
Share-based compensation expense				10,274			–	10,274

5 Other gains, net

Other gains, net, mainly consist of the following:

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Change in fair value on financial assets at fair value through profit or loss	**(140)**	755
Change in fair value on financial liabilities at fair value through profit or loss	**2,486**	–
Gain/(loss) on deemed disposal of partial interest in an associate – Hunan Zhongmoyun Construction Science and Technology Co., Limited ("Zhongmo")* *(note i)*	**13,604**	(1,389)
Loss on disposal of partial interest in an associate – Zhongmo *(note ii)*	**–**	(13,743)
Gain on disposal in an associate – Beijing Huiyase Technology Co., Limited* *(note iii)*	**–**	30,270
Others	**406**	(155)
	16,356	15,738

Note:

(i) The amount represents gain/(loss) on deemed disposal of partial interest in 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 April 2022, Zhongmo issued 70,000,000 new shares to certain independent new investors resulted in dilution of equity interest held by the Group and a gain on deemed disposal of partial interest in an associate amounting to approximately RMB13,604,000 was recognised. In May 2021, Zhongmo issued 30,000,000 new shares to new investors which resulted in dilution of the equity interest of the Group and a loss on deemed disposal of partial interest in an associate amounted to approximately RMB1,389,000 was recognised.

(ii) The amount represents loss on disposal of Zhongmo. In March 2021, the Group entered into share purchase agreement with two independent third parties, in respect of the disposal of 7.8% equity interest in Zhongmo for a cash consideration of RMB50,000,000 and resulted in a loss on disposal of partial interest in an associate amounted to RMB13,743,000.

(iii) 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.

* *English name is for translation purpose only.*

6 Income tax credit/(expense)

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Current income tax credit/(expense)		
– Hong Kong profits tax	**–**	–
– PRC corporate income tax ("CIT")	**(7,827)**	(17,262)
Deferred income tax credit/(expense)		
– PRC corporate income tax	**15,136**	(4,237)
Income tax credit/(expense)	**7,309**	(21,499)
Income tax credit/(expense) is attributable to:		
– Loss from continuing operations	**7,309**	(21,499)

7 Loss from discontinued operations

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Tianjin Guokai *(note a)*	–	6,745
Zhongfu *(note b)*	–	(36,847)
	–	(30,102)

(a) Discontinued operation of Tianjin Guokai

On 5 January 2021, the Group entered into an equity transfer agreement (the "agreement") to transfer 100% of the equity interest in Tianjin Guokai to an independent third party RMB225,000,000 was received by the Group as upfront deposit of transaction. Tianjin Guokai and its subsidiaries (together, the "Tianjin Guokai Group") is principally engaged in the provision of properties leasing in PRC. Upon completion of the transaction, Tianjin Guokai Group will cease to be a subsidiary of the Group. The financial results of Tianjin Guokai was classified as discontinued operations for six months end 30 June 2022 and 2021.

As at 30 June 2022, the disposal has not yet been completed. For more details regarding status of the disposal, please refer to note 15(ii). The respective assets and liabilities of Tianjin Guokai were classified as held for sale as at 30 June 2022.

(i) Financial performance of Tianjin Guokai Group classified as held for sale

The financial performance of Tianjin Guokai Group classified as held for sale presented are for the six months ended 30 June 2022 and 30 June 2021.

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Revenue	–	8,032
Expenses	–	(1,287)
Profit before income tax	–	6,745
Income tax expense	–	–
Profit from discontinued operation	–	6,745

(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 2022 and 31 December 2021:

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Assets classified as held for sale		
Investment properties	**107,177**	107,177
Right-of-use assets	**13,871**	13,871
Trade receivables	**11,349**	11,349
	132,397	132,397
Liabilities directly associated with assets classified as held for sale		
Accrued expenses and other payables	**10,000**	10,000
Other taxes payable	**2,643**	2,643
	12,643	12,643
Net assets classified as held for sale	**119,754**	119,754

(b) Disposal of equity interest of Zhongfu

On 24 December 2021, the Group entered into a sale and purchase agreement with two independent third parties to dispose of its 80.38% equity interest of Zhongfu at a consideration of RMB100,000. Zhongfu and its subsidiaries (together, the "Zhongfu Group") was included in smart industries segment. The disposal was completed on 28 December 2021. The financial results of Zhongfu Group was classified as discontinued operations for the six months ended 30 June 2021.

(i) Financial performance and cash flow information of Zhongfu

The financial performance and cash flow information presented are for the six months ended 30 June 2021.

	Unaudited six months ended 30 June 2021 *RMB'000*
Revenue	1,873
Expenses	(38,720)
Loss before income tax	(36,847)
Income tax expense	–
Loss from discontinued operation	(36,847)
Net cash generated from operating activities	475
Net cash used in investing activities	(156)
Net cash used in financing activities	–
Total cash inflow from discontinued operation	319

8 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.

	Unaudited six months ended 30 June	
	2022	2021 (Restated) *(Note 1(a))*
Loss attributable to equity holders of the Company (in RMB'000)		
– From continuing operations	**(74,735)**	(80,584)
– From discontinued operations	**–**	(22,884)
	(74,735)	(103,468)
Weighted average number of shares outstanding ('000)	**1,309,931**	1,309,931
Basic loss per share		
– From continuing operations (in RMB)	**(0.0571)**	(0.0615)
– From discontinued operations (in RMB)	**–**	(0.0175)
Total basic loss per share (in RMB)	**(0.0571)**	(0.0790)

(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 2022, 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 2021: same).

9 Dividends

No dividend was paid or declared by the Company during the period (30 June 2021: Nil).

10 Property, plant and equipment, investment property, right-of-use assets, intangible assets and goodwill

	Property, plant and equipment *RMB'000*	Investment property *RMB'000*	Right-of-use assets *RMB'000*	Other intangible assets *RMB'000*	Goodwill *RMB'000*
Opening net book amount as at 1 January 2022	**33,554**	**26,009**	**35,285**	**244,330**	**1,052,105**
Additions	**763**	**–**	**5,754**	**–**	**–**
Lease modification	**–**	**–**	**(10,557)**	**–**	**–**
Disposals	**(46)**	**–**	**–**	**–**	**–**
Depreciation and amortisation					
– From continuing operations	**(1,956)**	**(581)**	**(9,565)**	**(26,281)**	**–**
Closing net book amount as at 30 June 2022	**32,315**	**25,428**	**20,917**	**218,049**	**1,052,105**
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 7(a))*	–	(107,177)	(13,871)	–	–
Depreciation and amortisation					
– From continuing operations	(5,657)	(581)	(11,692)	(29,595)	–
– From discontinued operations	(23)	–	(93)	–	–
Closing net book amount as at 30 June 2021	38,268	26,590	43,500	305,670	1,506,825

As at 30 June 2022, the Group held one property (31 December 2021: one) as investment property 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 2022		Audited 31 December 2021	
	Goodwill *RMB'000*	**Other intangible assets** *RMB'000*	Goodwill *RMB'000*	Other intangible assets *RMB'000*
Technology-driven new retail segment				
Online-services – B2B2C business	**980,247**	**157,261**	980,247	173,885
New technology retails solutions	**–**	**30,394**	–	34,735
Smart industries segment				
Anti-counterfeiting products and services	**50,314**	**12,315**	50,314	15,133
Trading services – cotton industry	**21,544**	**15,640**	21,544	17,881
Platform and corporate services segment				
Financing services	**–**	**867**	–	917
Other intangible assets	**–**	**1,572**	–	1,779
	1,052,105	**218,049**	1,052,105	244,330

The recoverable amounts of the CGUs with balance are determined at the higher of a CGU's fair value less cost of disposal and value-in-use calculations. These calculations use 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-years period are extrapolated using the estimated terminal 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.

11 Trade receivables

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Trade receivables *(note a)*	**134,476**	198,258
Less: provision for impairment of trade receivables	**(21,331)**	(22,421)
Trade receivables, net	**113,145**	175,837

(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 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Current to 90 days	**70,445**	155,681
91 to 180 days	**34,078**	16,727
181 to 270 days	**14,927**	2,295
271 to 365 days	**2,287**	2,692
Over 1 year	**12,739**	20,863
	134,476	198,258

12 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 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Loans to customers of financing services business *(note (a),(b))*	**1,603,131**	1,584,571
Loans to employees	**3,600**	3,690
Loans to associates and a joint venture	**84,553**	85,733
Interest receivables	**9,673**	11,482
Loans and interest receivables, gross	**1,700,957**	1,685,476
Less: impairment allowance		
– loans to customers of financing service business *(note (a),(b))*	**(187,315)**	(149,786)
– loans to employees	**(28)**	(20)
– loans to associates and a joint venture	**(5,361)**	(5,986)
– interest receivables	**(74)**	(205)
Loans and interest receivables, net	**1,508,179**	1,529,479
Less: Non-current portion	**(341,258)**	(418,032)
Current portion	**1,166,921**	1,111,447

Note:

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

(a) Analysed by nature

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Loans to customers of financing services business	**1,603,131**	1,584,571
Less: impairment allowance	**(187,315)**	(149,786)
	1,415,816	1,434,785

(b) Analysed by type of collateral

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Unsecured loans	**1,258,664**	1,239,613
Guaranteed loans	**128,755**	128,868
Collateralised loans	**215,712**	216,090
Loans to customers of financing service business	**1,603,131**	1,584,571
Less: impairment allowance	**(187,315)**	(149,786)
Loan receivables, net	**1,415,816**	1,434,785

13 Trade payables

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Current to 90 days	**137,684**	133,525
91 to 180 days	**8,729**	38,459
181 to 365 days	**12,986**	2,444
Over 1 year	**19,322**	19,940
	178,721	194,368

14 Borrowings

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Non-current portion:		
Bank borrowings	**5,000**	512,000
	5,000	512,000
Current portion:		
Bank borrowings	**682,492**	171,114
Other borrowings	**339,471**	319,416
	1,021,963	490,530
Total borrowings	**1,026,963**	1,002,530

Bank borrowings bear average interest rate of 6.36% per annum (31 December 2021: 6.49% per annum), mature ranging from 2022 to 2025 (31 December 2021: 2022 to 2023), part of which amounting to RMB70,000,000 (31 December 2021: RMB90,000,000) are secured by properties and an investment property, with carrying values amounting to RMB24,778,000 and RMB25,428,000 respectively (31 December 2021: secured by properties and an investment property, with carrying values amounting to RMB25,156,000 and RMB26,009,000 respectively), and are also guaranteed by the Executive Directors of the Group and subsidiaries (31 December 2021: same).

The remaining bank borrowings included borrowings of RMB518,000,000 (31 December 2021: RMB524,000,000) that are guaranteed by subsidiaries and associates of the Group (31 December 2021: same).

As at 30 June 2022, other borrowings with a total principal amount of RMB230,000,000 (31 December 2021: RMB230,000,000) were provided by an independent third party and is payable on 31 December 2022 (31 December 2021: provided by an independent third party matured on 31 December 2021 and subsequently renewed the borrowing term). This other borrowing is interest-free and secured by certain equity shares of a subsidiary (31 December 2021: same).

The remaining other borrowings with a principal amount of RMB102,375,000 (31 December 2021: RMB89,006,000) are provided by independent third parties, the director of a subsidiary and a non-controlling shareholder of a subsidiary (31 December 2021: independent third party and a non-controlling shareholder of a subsidiary) and bear interest rate ranging from 3.70% to 8% per annum (31 December 2021: 3.89% to 10% per annum). Out of these borrowings, RMB97,275,000 (31 December 2021: RMB86,506,000) are secured by inventories (31 December 2021: 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
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**682,492**	171,114	**339,471**	319,416
Between 1 and 2 years	**–**	512,000	**–**	–
Between 2 and 5 years	**5,000**	–	**–**	–
	687,492	683,114	**339,471**	319,416

As at 30 June 2022, the Group has no undrawn banking facilities (31 December 2021: Nil).

15 Contingent liabilities

(i) Lease agreement with an independent third party

On 4 March 2022, a subsidiary of the Group received a claim of civil proceeding amounting to RMB38,534,000 against the Group (the"Proceeding"), being alleged to breach the contract terms under a leasing agreement it entered into with an independent third party. The first hearing of the Proceeding has not yet been held as of the date of this announcement.

The directors of the Company, after having considered the information so far available and taking advice from its legal advisors, consider that there would be no material liabilities arising from this proceeding up to the date of this announcement, and there would be no material impact to the financial statements of the subsidiary of the Group and the consolidated financial statements of the Group for the period ended 30 June 2022.

(ii) Disposal of Tianjin Guokai

On 5 January 2021, the Group entered into the equity transfer agreement to transfer 100% of the equity interest in Tianjin Guokai to an independent third party. Tianjin Guokai Group is principally engaged in the provision of properties leasing in PRC. On 6 April 2022, the Group received a written notice of arbitration ("Arbitration"), claiming for damages in the sum of RMB100,655,000 in relation to certain breaches of the above-mentioned agreement.

The directors of the Company, after having considered the information so far available and taking advice from its legal advisors, consider that there would be no material liabilities arising from this Arbitration up to the date of this announcement, and there would be no material impact to the financial statements of the subsidiary of the Group and the consolidated financial statements of the Group for the period ended 30 June 2022.

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 2022	732,548	5,282,694	101,705	6,116,947	–	6,116,947
First half of 2021	505,510	6,436,752	122,277	7,064,539	9,905	7,074,444
Variance	44.9%	-17.9%	-16.8%	-13.4%	-100.0%	-13.5%

During the six months ended 30 June 2022, the Group generated a total revenue of approximately RMB6,116.9 million from continuing operations (representing a decrease of approximately 13.4% as compared to approximately RMB7,064.5 million in the corresponding period in 2021). The decrease was mainly due to the price fluctuation of petrochemical products relating to sales of such products by ibuychem.com under the smart industries segment, and the epidemic prevention and control measures which led to a lower transaction volume of the Group. The revenue from the sales of petrochemical products was RMB849.6 million during the Period, decreased by approximately RMB1,373.6 million from approximately RMB2,223.2 million in the six months ended 30 June 2021.

Revenue of approximately RMB732,548,000 was achieved from the segment of technology-driven new retail in the first half of 2022, and represented an increase of approximately 44.9% from approximately RMB505,510,000 in the same period of 2021. Revenue from the smart industries segment decreased from approximately RMB6,436,752,000 to approximately RMB5,282,694,000 which represented a decrease of approximately 17.9%. Revenue derived from the segment of platform and corporate services was approximately RMB101,705,000 in the first half of 2022, which represented a decrease of approximately 16.8% from approximately RMB122,277,000 in the same period of 2021.

During the Period, operating expenses of continuing operations decreased from approximately RMB315,354,000 in the same period of 2021 to approximately RMB252,546,000, which was mainly due to the decreased staff cost, share-based compensation expenses and amortization of intangible assets.

The loss attributable to equity holders of the Company was approximately RMB74.7 million for the Period, as compared to a loss of approximately RMB103.5 million in the corresponding period in 2021. The loss was mainly attributable to, among other things: (i) the gross profit declined as a result of the reduction of revenue, (ii) in light of the adverse impact of the COVID-19 and the economic environment, the Company has made a provision for impairment of the financial assets, which amounted to approximately RMB42.4 million in the first half of 2022, (iii) share of loss from associates amounted to approximately RMB44.1 million in the first half of 2022.

BUSINESS REVIEW

In the first half of 2022, 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 2022, approximately 12.0% of the Group's revenue was generated from the technology-driven new retail segment, approximately 86.3% of the Group's revenue was derived from the smart industries segment, and approximately 1.7% of the Group's revenue was attributable to the platform and corporate services segment.

Technology-driven New Retail Segment

ZOL (zol.com.cn, "ZOL") acts as the main driver of the technology-driven new retail segment of the Group. Focusing on vertical technology segment for 23 years, in 2022, it strategically upgraded its brand, making breakthroughs in professional content development and product R&D, enhancing itself with the aim to become a foremost living technology products shopping guide platform to cater for the users' needs and expectation. The platform provides detailed and updated analysis for the life technology products that helps its users to choose and purchase products efficiently and comprehensively. Through product analysis, feedbacks on products, Q&A on reputation, interfacing with e-commerce, it simplifies the path and makes improvements on product test, evaluation and shopping guide recommendations, depicting a full picture of product performance for users, which facilitated users to develop the habit of searching for information on ZOL before purchasing and using technology products.

Furthermore, it also enhanced its influence in the industry by increasing user loyalty through transforming user behaviour with useful, interesting and in-depth professional content, and devoted substantial R&D expenses to accumulate data assets and grow competitive barriers by applying model, parameters and algorithms to user procurement decision-making and difficult scenarios for constant iterations; and to establish long-term advantages by taking high-quality and efficient transformation as the core criteria for customer products and services and conducting big data analysis.

The strategically upgraded ZOL has not only maintained its existing advantage as a technology leading media, but also allowed ZOL to connect with more than 50,000 small businesses in home appliances and 3C industry through SaaS and to access the core upstream supply chain, upon which it facilitated the completion of transformation towards new retail business for upstream enterprises and helped achieve cost reduction and efficiency enhancement for downstream enterprises, eventually enhancing media value.

Strategic layout continued to achieve outcomes: as the router of technology industry in the whole industrial internet platform, ZOL has shown its deep value and achieved great breakthroughs in three aspects:

1. Breakthrough in terms of professional content development:

   With a mission to purchase good products for users and sell good products for customers, ZOL is user-oriented and has influence in the industry with creditability and reliability. It delivers values and influencing topics to arouse public concern. As of 30 June 2022, there were over 52 million registered users, with 900 professional articles published on the platform every day, over 460 professional videos published every month, and a monthly coverage of 237 million users on the whole platform. UGC users produce 4,500 contents every day. At the same time, the content covers mainstream platforms such as ZOL's main site, Baidu, ByteDance, JD.com, Taobao and Bilibili, with more than 10 million fans in aggregate, making consumption choices easier and more pleasant for users.

2. Breakthrough in terms of product R&D:

   With substantial expenses devoted in R&D of ZOL, full coverage of user access end, comprising PC, WAP, App and mini programme, was achieved. Furthermore, through continuous development of big data and algorithm, it analysed users' decision-making behaviour in procurement, accumulated data assets and gained competitive advantage by applying model, parameters and algorithms to difficult scenarios for constant iterations, which helped users make decisions with features including technology ranking, word of mouth and enumeration of fine products; and took high-quality and efficient transformation as the core criteria for customer products and services.

   Our self-developed professional product database is the most authoritative and influential IT product database. The standard product database of ZOL is adopted by various search engines, including Baidu, 360, TouTiao.com, sm.cn, Sogou, Tencent and Microsoft Bing, comprehensively covering all kinds of active and passive scenarios of users, ranking top in the industry in terms of internet coverage. Furthermore, ZOL achieved price comparison across the platform and one click to delivery through in-depth cooperation with e-commerce platforms such as JD.com, which strengthened and extended the service capability to users' purchase demand, therefore satisfying the users' needs in the full cycle of procurement from recommendation, selection, price comparison to order placing.

3. Breakthrough in terms of B2B trading:

ZOL Huimaimai platform integrates brands, retailers, logistics, finance, SaaS, traffic, content, home appliances. Through the new retail solution of "supply chain + SaaS + localization service", it empowers traditional retailers to upgrade and transform, and helps brand manufacturers achieve their digital channels precipitation, which in turn facilitates easier business operation. Huimaimai strategically cooperates with over 200 brands, over 5,000 selected SKUs, and over 500 offline service teams, covering linked members in 19 provinces across the country and serving over 50,000 active retailers.

Smart Industries Segment

The smart industries segment is mainly composed of: "Shanghai Huijing", a cross-sector supply chain integrated service platform; PanPass, an Internet of Things ("IoT") solutions provider for digital transformation; Union Cotton, a spot trading platform for cotton; and 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.

Shanghai Huijing E-business Co., Limited (上海慧旌電子商務有限公司) ("Shanghai Huijing") is the Group's wholly-owned cross-sector supply chain integrated services platform, which provides comprehensive supply chain integrated services by leveraging on the Group's years of experience in various industry segments and penetrating into various segments of the supply chain, with a transaction size of over RMB1.7 billion in the first half of the year.

Extending the positive momentum in its results gained in 2021, Beijing PanPass Information Technology Co., Ltd. (北京兆信信息技術股份有限公司) ("PanPass" or "PanPass Information") (NEEQ Stock Code: 430073) maintains remarkable results despite the challenges in the first half of 2022 by accelerating internal improvement and external cooperation for the business development.

In January, PanPass was awarded "Innovative Enterprise" by Beijing Software and Information Service Industry Association.

In February, PanPass was named in the list of Specialised, Sophisticated, Special and New "Little Giant" in Beijing, becoming the first batch of corporates to receive this recognition in the industry.

In March, PanPass launched "Win with Code", a promotional augmented product which helps corporations reduce costs, improve efficiency and control terminal smartly by increasing interactive marketing diversity through empowering the linkage between B-end and C-end enterprise clients.

In April, PanPass was awarded AAA Quality Credit by China Trade Association for Anti-counterfeiting for its unswerving high-quality service to clients and actively giving back to society.

In May, the “General Specification for Anti-counterfeiting Security Thread” group standard, which was drafted by PanPass, was officially implemented; “Digital marketing for products” system provided by PanPass was granted “Award of Taste” by its partner Lang Jiu, in recognition of PanPass’ significant achievement in digital upgrade and transformation; Junlebao Project, which was served by PanPass, was awarded “Top 10 outstanding case in anti-counterfeiting traceability and brand protection”.

As of the end of June, during the first half of the year, PanPass entered into contracts with existing clients such as PetroChina, Lang Jiu, Luzhou Laojiao and Chilwee in respect of several new business cooperation, and became partners with new clients including Yili, Aodong Pharmaceutical, Zhenjiu, Dong Lai Shun, MO&Co, Dongfeng Nissan and Peking University.

In addition, in the first half of the year, PanPass has accumulated 3 invention patents and 11 software copyrights, persistently leading the innovative development of the industry; further advanced the optimisation of the organisation by establishing a “Customer Success Service Centre”, intensifying the implementation of the “Customer-oriented” value, while consolidating the Know-how system in the industry by enhancing training for new-comers and accelerating development; continued to publish industry white book and “Think Tank Exclusive Interview” series, exploring industry development from different perspectives such as digital industry, industry solutions, upgrade and code-assignment in the industry chain and digital software, so as to consolidate its industry benchmark position, lead industry value and market choice.

With advanced Internet and AI technologies, leading IOT application concepts, intelligent big data algorithms, efficient trading and supporting services, “Union Cotton” is positioned as the preeminent digital service platform for the RMB10 trillion textile and apparel market. By building an alliance system of integrity and trust for enterprises up and down the industry chain, Union Cotton strives to create a new industry chain, eco-environment with online trading of cotton, polyester fiber, yarn and other textile raw materials and textile products as its core. It also provides customers with digital supply chain management and supporting services such as accurate matching of transactions, sales and purchase, logistics and distribution, supply chain services, data information and quality enquiries, and promotes the in-depth integration and allocation of industrial resources. Through Internet technology and big data, Union Cotton will improve the synergy of the supply chain of the cotton textile industry and create an open, intelligent, efficient and convenient digital chemical industry Internet platform based on textile manufacturing through the in-depth implantation of IOT devices.

In the first half of 2022, the continued recurrence of the pandemic in various parts of the world, the inverse link between the processing profit of raw cotton and finished yarn, the outflow of orders from the downstream of the textile industry and the sluggish demand from the end of the apparel industry, and other factors, in particular, the deep suppression of the cotton industry chain in Xinjiang by European and American countries, led to difficulties in the operation of enterprises in the textile and apparel industry chain and relatively cold trading. Against this backdrop, the overall operations of the Union Cotton have experienced certain difficulties. However, in such a difficult situation, the business of Union Cotton was stable and normal in the first half of the year during the closure due to the pandemic, with the revenue model further improved and further growth in warehousing and logistics revenue; the platform concept of "trading + service" third party platform business gradually took shape; the "Union Cotton Selection" resource channel was launched on trading resources, and the initial attempts of the self-control model achieved certain results, greatly improving the trading efficiency and effectiveness of customers.

Positioned to provide centralised purchasing and integrated e-business service for upstream and downstream of chemicals material industry chain, ibuychem.com, which originated from the HC chemicals industries segment established by the Group over 20 years ago, delivers in-depth services in chemical new materials such as chemical, plastics and coating for 24 years. It focuses on serving the trading of new materials and provides trading service experience in sourcing, costs reducing and efficiency enhancing for up and down stream in the industry chain through PC, APP and WeChat mini-programme.

Due to the high volatility of prices for products such as chemicals and plastics in the first half of the year, ibuychem.com proactively reduced the frequency and volume of transactions, resulting in a significant decline in trading revenue compared to the same period in 2021. At the same time, revenue from the traditional information services and exhibition businesses also fell short of expectations. As a result, ibuychem.com continued to operate at a loss.

Platform and Corporate Services Segment

Strategically positioned as an operating service platform of SMEs, the platform and corporate services segment devotes to help SMEs (small and medium-sized enterprises) to improve business operation efficiency and to promote the transformation and upgrade of SMEs. With industrial data chains and business layouts through hc360.com, internet platform products and traditional industries, the Group targets at helping SMEs accurately connect with remarkable merchants and products. The platform and corporate services segment also includes the Group's micro-credit financing, lease financing and factoring services, which provides inclusive financial services to SMEs nationwide via the Group's customer resource.

In the first half of 2022, in response to the national call of "Intensifying the Efforts to Ease and Solve the Difficulties of Micro, Small and Medium-Sized Enterprises", hc360.com focused on the pain points and difficult points of SMEs under the pandemic, and held online "HC Procurement Festival for the Benefit of Corporates" and other SMEs special sections and special offer campaigns to cultivate a favorable environment for SMEs in resuming production and promoting marketing channels. We also held campaigns such as the "Honest and Quality Merchants" selection and "HC United National Industry Online Introduction Activity" to help remarkable Chinese brands to step into a broader market.

In recent years, many SMEs, the target customers of the business of hc360.com, have been struggling to survive the blow brought by the pandemic. At the same time, the traditional telemarketing model of the business has been impacted by the successive promulgation of regulatory policies. New products and services under the telemarketing business by hc360.com have not been capable of achieving substantive improvements and revenue has been falling short of expectations notwithstanding the efforts placed, leading to a year-on-year decline and the business was in a loss position.

Prospect

Since the beginning of 2022, the resurgence of pandemic has exerted immense pressure on global supply chain, along with energy crisis and friction and conflicts in regional trading, have all impacted the growth of enterprise to a great extent. The vigorous capital growth has switched to stable operational growth.

In recent years, the transformation in supply driven by consumption in reverse is a remarkable feature of our country's economic development, while digital economy and smart economy have become the development direction of social economy. Industry internet, under the support of multiple technology, is now the foundation of advancing revamp of business operation.

The Group has been engaged in full transformation to industry internet since 2017, and has been helping customers achieve the goal of reducing costs while enhancing efficiency in terms of transformation of services and supply chain by empowering customers with internet and data.

Founded in 1999 and with 23 years of operation in the technology vertical field, ZOL under the Group commits to becoming the preferred shopping guide platform for new consumer power of life and technological products. With user first as guidance and helping customers to buy products as its mission, ZOL has gained bargaining power in the industry with accuracy and reliability, therefore delivering values and influencing topics, leading public opinions. ZOL's strategic direction: On the side of the technology industry, it gives full play to the advantages of a leading technology media, supporting China's manufacturing industry to transform from Made in China to a Chinese brand, and promoting the recognition of Made in China by domestic and foreign users.

PanPass under the Group has commenced product identity digitalisation since 1996, being one of the pioneers in this industry. With the frequent revolution in business and emergence of the wave of digitalisation, as a Specialised, Sophisticated, Special and New "Little Giant" in Beijing, PanPass has stood out from the field of digital transformation and empowerment of enterprise. With "One Product, One Code" technology as the starting point, PanPass continued to integrate technologies such as mobile internet, blockchain, big data, AI and cloud computing. Through the full-link digitalisation solution including brand anti-counterfeiting, it managed the entire lifecycle of the product from raw materials, production, quality check, packaging, logistics, marketing to terminal data for enterprise. It empowered enterprise and advanced the upgrade of capability and efficiency of enterprise through full-link digitalisation upgrade.

hc360.com under the Group has been cultivating the B-end industry for 30 years and has accumulated a large amount of resources for both buyers and sellers, possessing advantages such as deep understanding of vertical industries, the control of upstream and downstream resources, technology updates and data reserves. hc360.com mainly serves SMEs. Since the outbreak of the COVID-19 pandemic, the business situation of SMEs has deteriorated and their survival has been difficult. The original business model of hc360.com has also been challenged and its sales revenue has fallen short of expectations. The Group will continuously review its business development to bring benefits to the Company and its shareholders.

Facing the test of verification of enterprise resilience and power of development, meeting demands from customers is still the endgame for a business winner. Nowadays, digitalisation and intellectualisation have become the staunch social consensus and business goal. On the way to the combination of expertise with action, the process of gaining knowledge to value realising, whether the industry internet of HC or the digitalisation upgrade of enterprise, is motivating traditional enterprises to engage in exploring and seeking for the best practice. With the help of digitalisation, we establish resilience, break through growth obstacle, span the cycle and follow the trend.

Liquidity and financial resources

As at 30 June 2022, the Group had cash and bank balance of approximately RMB304.8 million (31 December 2021: RMB333.8 million), which were mainly denominated in Renminbi, and net current assets of approximately RMB954.3 million (31 December 2021: RMB1,353.5 million). The Group maintained a strong working capital position during the Period.

As at 30 June 2022, the Group had a total borrowings of approximately RMB1,026,963,000 (31 December 2021: RMB1,002,530,000), of which approximately (i) RMB687,492,000 (31 December 2021: RMB683,114,000) were bank borrowings; and (ii) RMB339,471,000 (31 December 2021: RMB319,416,000) were other borrowings. The Group's borrowings were mainly denominated in RMB. The bank borrowings bear an average interest rate of 6.36% per annum (31 December 2021: 6.49% per annum) and mature ranging from 2022 to 2025.

Other borrowings with a total principal amount of RMB230,000,000 (31 December 2021: RMB230,000,000) were provided by an independent third party with maturity dates in December 2022. 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 3.70% to 8% per annum (31 December 2021: 3.89% to 10% per annum). As at 30 June 2022, the Group's gearing ratio is 15% (31 December 2021: 15%), which is calculated as net debt divided by total capital.

The capital and reserves attributable to equity holders of the Company decreased by approximately RMB44.8 million from approximately RMB2,866.0 million as at 31 December 2021 to approximately RMB2,821.2 million as at 30 June 2022.

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

For the six months ended 30 June 2022, the Group has shared a post-tax loss and other comprehensive loss amounted to RMB44,145,000 (six months ended 30 June 2021: post-tax loss and other comprehensive income amounted to RMB48,484,000 and RMB4,288,000 respectively).

During the Period, the Group did not receive any dividends from Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Ltd ("Jingu") (six months ended 30 June 2021: Nil).

The Group considered the investment in Jingu as a long-term strategic investment.

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

Save 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 2022, the Group had 1,295 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. Share options and share awards 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 2022.

As of 30 June 2022, 59,227,779 options under the share option schemes (if exercised, 59,227,779 shares may be issued) were outstanding.

Charges on Group assets

As at 30 June 2022, the Group's bank borrowings amounting to RMB70,000,000 (31 December 2021: RMB90,000,000) were secured by properties and an investment property, with carrying values amounting to RMB24,778,000 and RMB25,428,000 respectively (31 December 2021: secured by properties and an investment property, with carrying values amounting to RMB25,156,000 and RMB26,009,000 respectively), and were also guaranteed by executive directors of the Company and by subsidiaries (31 December 2021: same). The remaining bank borrowings included borrowings of RMB518,000,000 (31 December 2021: RMB524,000,000) that were guaranteed by subsidiaries and associates of the Group (31 December 2021: same).

As at 30 June 2022, other borrowings with a total principal amount of RMB230,000,000 (31 December 2021: RMB230,000,000) were provided by an independent third party and is payable by 31 December 2022 (31 December 2021: provided by an independent third party, matured on 31 December 2021 and subsequently renewed the borrowing term). This other borrowing is interest-free and secured by certain equity shares of a subsidiary (31 December 2021: same).

The remaining other borrowings with a principal amount of RMB102,375,000 (31 December 2021: RMB89,006,000) were provided by independent third parties, director of a subsidiary and a non-controlling shareholder of a subsidiary (31 December 2021: independent third party and a non-controlling shareholder of a subsidiary) and with interest rate ranging from 3.70% to 8% per annum (31 December 2021: 3.89% to 10% per annum). Out of these borrowings, RMB97,275,000 (31 December 2021: RMB86,506,000) were secured by inventories (31 December 2021: same).

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 RMB, the Directors believe that the operations of the Group are not subject to significant exchange risk.

Contingent liabilities

Save as the financial liabilities at fair value through profit or loss in relation disclosed in Note 7 in the note to the condensed consolidated interim financial information, the Group had no material contingent liabilities as at 30 June 2022.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

SIGNIFICANT EVENTS

Disposal of Tianjin Guokai

On 5 January 2021, Beijing Huicong Technology Group Co., Ltd. (北京慧聰科技集團有限公司) ("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. If the transaction proceed to completion, Beijing HC Technology will no longer hold any equity interest in Tianjin Guokai and Tianjin Guokai will cease to be a subsidiary of the Company. Further details of this discloseable transaction are set out in the Company's announcement dated 5 January 2021.

The Group has divested the employees, intellectual property rights, assets and liabilities in relation to the business of hc360.com during the transition period in accordance with the commitment under the agreement. Beijing LRH has paid the fourth payment under the agreement. As of the date of this announcement, an arbitration proceeding has been commenced, in which Beijing LRH requested the Group to bear the possible losses arising from the demolition of the properties of Tianjin Guokai's subsidiaries and requested to effect the transfer, and the Group raised its disputes and counterclaim. Having considered the advice from its PRC legal adviser, the Group does not consider Beijing LRH's request reasonable, and has engaged PRC legal advisers to contest the arbitration. No arbitral award has been granted and the disposal has not yet been completed as of the date of this announcement. The Company believes that the outcome of the dispute will not have a material adverse impact on the financial conditions of the Group and its operations.

Provision of loan to Chongqing Micro-Credit

On 29 June 2022, Beijing Huicong Internet Information Technology Co., Ltd. (北京慧聰互聯信息技術有限公司) ("Beijing Huicong", a wholly-owned subsidiary of the Company) entered into a loan agreement with 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 Chongqing Micro-Credit an unsecured loan in the principal amount up to RMB25,000,000, bearing interest at a rate of 8% per annum for a period of one year commencing from the drawdown date.

The loan agreement constitutes a connected transaction of the Company. Please refer to the announcement of the Company dated 29 June 2022 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 Audit Committee currently comprises Mr. Zhang Ke (chairman of the Audit Committee), Ms. Qi Yan (both being independent non-executive Directors) and Mr. Guo Fansheng (a non-executive Director). The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control procedures of the Group, and perform other duties under the Corporate Governance Code.

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 and this announcement.

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' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that none of them and to the best of their information, their respective close associates (as defined in the Listing Rules), 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 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/(LBITDA) and adjusted net 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 and 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 2022 and 2021, to the nearest measures prepared in accordance with HKFRS.

	Unaudited Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000* (Restated)
Loss for the period	**(74,643)**	(63,636)
Share based compensation	**417**	10,274
Other gains, net	**(16,356)**	(15,738)
Provision for/(reversal of provision for) impairment losses of financial assets, net	**42,433**	(47,074)
Adjusted net loss	**(48,149)**	(116,174)
Adjusted for:		
Finance cost, net	**26,950**	35,007
Income tax (credit)/expense	**(7,309)**	21,499
Depreciation and amortisation	**38,383**	47,525
Adjusted EBITDA/(LBITDA)	**9,875**	(12,143)

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 applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to 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 the Company's shares during the Period.

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

Hong Kong, 19 August 2022

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

Mr. Liu Jun *(Chairman and Executive Director)*
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)*

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