HC GROUP INC.
慧聰集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

*For the year ended 31 December 2024 (the "**Year**")*

- Total revenue from continuing operations was approximately RMB10,966 million, decreased by approximately 41% when compared to approximately RMB18,448 million recorded in 2023 from continuing operations.
- Loss attributable to equity holders of the Company from continuing operations was approximately RMB265 million, loss attributable to equity holders of the Company from continuing operations for 2023 was approximately RMB1,129 million.
- The Group's adjusted net loss* (non-HKFRS) was approximately RMB52 million, while it was approximately RMB87 million in 2023.
- The Group's adjusted LBITDA* (non-HKFRS) was approximately RMB27 million, while it was approximately RMB19 million in 2023.
- The loss per share from continuing operations was RMB0.2025, while it was RMB0.8621 for 2023.
- The Board does not recommend payment of final dividend for the Year.

The board ("**Board**") of directors (the "**Directors**") of HC Group Inc. (the "**Company**") announces the audited results of the Company and its subsidiaries (the "**Group**") for the Year, together with the comparative figures for the same period in 2023.

* These are non-HKFRS financial measures. See page 39 of this announcement for more information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	**2024** *RMB'000*	2023 *RMB'000*
Continuing operations			
Revenue	*3*	**10,965,992**	18,447,807
Interest income from financing services	*3*	**—**	256
		10,965,992	18,448,063
Cost of revenue		**(10,560,001)**	(18,050,204)
Selling and marketing expenses		**(234,210)**	(267,708)
Administrative expenses		**(170,340)**	(227,247)
Impairment losses on goodwill and intangible assets		**—**	(1,019,680)
Net provision for impairment losses on financial assets	*4*	**(102,428)**	(19,301)
Other income		**18,193**	16,999
Other gains, net	*5*	**15,825**	30,770
Operating loss		**(66,969)**	(1,088,308)
Finance cost, net		**(2,391)**	(1,366)
Impairment losses on the investment in an associate	*11*	**(103,728)**	(3,894)
Share of post-tax losses of associates	*11*	**(65,155)**	(11,678)
Loss before income tax		**(238,243)**	(1,105,246)
Income tax expenses	*6*	**(3,871)**	(10,769)
Loss from continuing operations		**(242,114)**	(1,116,015)
Discontinued operations			
Loss from discontinued operations	*7*	**(42,169)**	(774,490)
Loss for the year		**(284,283)**	(1,890,505)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences		**546**	8,287
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income, net of tax			
— Group		**964**	(78,471)
Currency translation differences for financial assets through other comprehensive income		**326**	221
Total comprehensive loss for the year, net of tax		**(282,447)**	(1,960,468)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	**2024** **RMB'000**	2023 RMB'000
Loss for the year attributable to:			
Equity holders of the Company		**(289,229)**	(1,829,540)
Non-controlling interests		**4,946**	(60,965)
		(284,283)	(1,890,505)
Loss for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**(265,206)**	(1,129,319)
Discontinued operations		**(24,023)**	(700,221)
		(289,229)	(1,829,540)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(287,393)**	(1,899,503)
Non-controlling interests		**4,946**	(60,965)
		(282,447)	(1,960,468)
Total comprehensive loss for the year attributable to the equity holders of the Company arises from:			
Continuing operations		**(263,370)**	(1,199,282)
Discontinued operations		**(24,023)**	(700,221)
		(287,393)	(1,899,503)
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*	**(0.2025)**	(0.8621)
Diluted loss per share	*8*	**(0.2025)**	(0.8621)
Loss per share for loss attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	*8*	**(0.2208)**	(1.3967)
Diluted loss per share	*8*	**(0.2208)**	(1.3967)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**19,795**	20,045
Right-of-use assets		**14,285**	4,247
Investment properties		**22,523**	23,685
Intangible assets	*10*	**98,129**	91,522
Deferred income tax assets		**1,506**	3,969
Financial assets at fair value through other comprehensive income		**15,176**	21,546
Financial assets at fair value through profit or loss		**—**	3,426
Long term deposits and prepayments		**10,005**	13,225
Investments accounted for using equity method	*11*	**149,864**	262,705
Total non-current assets		**331,283**	444,370
Current assets			
Inventories		**115,622**	123,919
Trade receivables	*12*	**127,510**	107,610
Deposits, prepayments and other receivables	*13*	**793,957**	770,198
Contract assets		**1,678**	2,687
Loans and interest receivables		**2,194**	53,203
Restricted bank deposit		**224,499**	234,868
Cash and cash equivalents		**279,037**	365,682
		1,544,497	1,658,167
Assets classified as held for sale	*7*	**—**	974,508
Total current assets		**1,544,497**	2,632,675
Total assets		**1,875,780**	3,077,045
Equity attributable to equity holders of the Company			
Share capital		**120,977**	120,977
Other reserves		**3,271,388**	3,147,855
Accumulated losses		**(3,131,944)**	(2,708,422)
		260,421	560,410
Non-controlling interests		**325,320**	624,866
Total equity		**585,741**	1,185,276

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2024

	Note	**2024** *RMB'000*	2023 *RMB'000*
Liabilities			
Non-current liabilities			
Lease liabilities		**8,737**	537
Deferred income tax liabilities		**1,602**	1,253
Other financial liabilities		**92,423**	—
Total non-current liabilities		**102,762**	1,790
Current liabilities			
Trade and bill payables	*15*	**276,178**	292,924
Accrued expenses and other payables		**120,849**	139,198
Contract liabilities		**241,416**	298,733
Bank borrowings	*16*	**175,848**	150,852
Other borrowings	*16*	**261,632**	255,621
Lease liabilities		**6,675**	4,075
Income tax payable		**18,863**	20,400
Other financial liabilities		**85,816**	165,644
		1,187,277	1,327,447
Liabilities directly associated with assets classified as held for sale	*7*	**—**	562,532
Total current liabilities		**1,187,277**	1,889,979
Total liabilities		**1,290,039**	1,891,769
Total equity and liabilities		**1,875,780**	3,077,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

HC Group Inc. (the "**Company**") is a company with limited liability 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, KY1-1103, 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**") during the year ended 31 December 2024:

- Trading of goods through its B2B trading platforms, including "www.unioncotton.com" ("**Union Cotton**");
- Provision of advertising and marketing services through its website "www.zol.com.cn" ("**ZOL**");
- Sales and provision of anti-counterfeiting products and digital identity technology and solution services through PanPass; and
- Hosting marketing events, exhibitions and seminars.

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

1.1 Discontinued operation

On 28 November 2023, the Group announced that it agreed to sell its equity interests in Beijing Huicong Hulian Information Technology Co., Ltd. (北京慧聰互聯信息技術有限公司) ("**Huicong Hulian**"), its 100% owned subsidiary mainly operated in financial related business and held the Group's investment in commercial bank and financial sector in the Chinese Mainland, to an independent third party. The transaction was completed on 27 February 2024 ("**Completion Date**") and Huicong Hulian ceased to be a subsidiary of the Group thereafter.

Following the completion of the transaction on Completion Date, the Group's equity interest in Chongqing Digital China Huicong Micro-credit Co., Ltd. ("**Chongqing Micro-credit**") decreased from 70% to 40%, and the Group no longer controlled the board of Chongqing Micro-credit but continued to exercise significant influence over Chongqing Micro-credit. As a result, with effect from the Completion Date, Chongqing Micro-credit ceased to be a subsidiary and has then been accounted for as investment in an associate in the consolidated financial statements using the equity method of accounting.

In accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 5 "Non-current Assets Held for Sale and Discontinued Operations", the financial results of Huicong Hulian and the related impairment expenses for the period ended 27 February 2024 and the year ended 31 December 2023 were classified as discontinued operations in the Group's consolidated financial statements.

Financial information relating to the discontinued operations is set out in Note 7.

2 SUMMARY OF ACCOUNTING POLICIES INFORMATION

This note provides a list of the accounting policies adopted in the preparation of these consolidated financial statements.

2.1 Basis of preparation

(i) Compliance with HKFRS and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with HKFRS and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

— Certain financial assets and financial liabilities, which are measured at fair value or their present value of expected redemption amounts;

— Assets held for sale — measured at the lower of carrying amount and fair value less costs to sell.

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

The Group has applied the following annual improvements and amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time for their annual reporting period commencing 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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.

2 SUMMARY OF ACCOUNTING POLICIES INFORMATION (CONTINUED)

2.1 Basis of preparation (Continued)

(iv) New and amended standards, interpretation and accounting guidance issued but not yet effective

Certain new standards and amendments to standards have been issued but are not yet effective for the year beginning on 1 January 2024 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Company's directors have performed an assessment on these amendments to standards and have concluded on a preliminary basis that the adoption of these amendments to standards is not expected to have a significant impact on the Group's financial performance and position when they become effective, except for HKFRS 18 which will impact the presentation of profit and loss. The Group is still in the process of evaluating the impact of adoption of HKFRS 18.

3 SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company ("**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 operating segments.

Historically, the Group presented the financial results of its e-business platform, hc360.com, and its financial services business, including finance lease services, as "Platform and corporate services segment".

In 2022, the Group decided to suspend the operation of hc360.com and gradually close down its entity.

On 28 November 2023, the Group announced that it has agreed to sell its equity interests in Huicong Hulian and its subsidiaries ("**Huicong Hulian Group**") to an independent third party. Huicong Hulian Group which is principally engaged in financial related business and holds the Group's investment in commercial bank and financial sector in the Chinese Mainland. The above disposals of business has been completed on 27 February 2024.

The finance lease business under "Platform and corporate services segment" was gradually close down in 2024 after the Group collected remaining balance of loans to customers of financing business, which does not represent a major line of business.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the financial results of hc360.com for the year ended 31 December 2023 and financial result of Huicong Hulian and the relevant impairment expenses for the period ended 27 February 2024 and year ended 31 December 2023 were classified as discontinued operations in the Group's consolidated financial statements.

Financial information relating to the discontinued operations is set out in Note 7.

As at 31 December 2024, the Group is organised into the following business segments:

(i) Technology-driven new retail segment, which primarily includes provision of online advertising services through ZOL as well as trading business of electronics products through its platform.

(ii) Smart industries segment, which mainly includes B2B trading through Union Cotton, sale and provision of anti-counterfeiting products and digital identity technology and solution services under PanPass and other marketing services.

3 SEGMENT INFORMATION (CONTINUED)

The table below shows the segment information for the year ended 31 December 2024.

	Year ended 31 December 2024				
	Continuing operations			Discontinued operations	
	Technology-driven new retail segment	**Smart industries segment**	**Subtotal**	**Platform and corporate services segment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**243,459**	**10,722,533**	**10,965,992**	**—**	**10,965,992**
Interest income from financing services	**—**	**—**	**—**	**11,740**	**11,740**
Cost of revenue	**(41)**	**(10,559,960)**	**(10,560,001)**	**—**	**(10,560,001)**
Total revenue and income	**243,459**	**10,722,533**	**10,965,992**	**11,740**	**10,977,732**
Segment results	**(24,673)**	**(76,314)**	**(100,987)**	**(14,888)**	**(115,875)**
Other income			**18,193**	**—**	**18,193**
Other gains, net			**15,825**	**14,222**	**30,047**
Impairment losses on the investment in an associate			**(103,728)**	**—**	**(103,728)**
Share of post-tax losses of associates			**(65,155)**	**—**	**(65,155)**
Finance income			**9,516**	**—**	**9,516**
Finance cost			**(11,907)**	**(4,971)**	**(16,878)**
Loss before income tax			**(238,243)**	**(5,637)**	**(243,880)**
Other information:					
Depreciation and amortisation	**3,941**	**14,911**	**18,852**	**82**	**18,934**
Provision for impairment on financial assets	**1,129**	**101,299**	**102,428**	**32,512**	**134,940**

3 SEGMENT INFORMATION (CONTINUED)

The table below shows the segment information for the year ended 31 December 2023.

	Year ended 31 December 2023					
	Continuing operations				Discontinued operations	
	Technology-driven new retail segment	Smart industries segment	Platform and corporate services segment	Subtotal	Platform and corporate services segment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,209,833	17,225,282	12,692	18,447,807	—	18,447,807
Interest income from financing services	—	—	256	256	87,374	87,630
Cost of revenue	(970,314)	(17,076,075)	(3,815)	(18,050,204)	(64)	(18,050,268)
Total revenue and income	1,209,833	17,225,282	12,948	18,448,063	87,374	18,535,437
Impairment losses on goodwill and intangible assets	(1,019,680)	—	—	(1,019,680)	—	(1,019,680)
Segment results	(1,087,800)	(5,821)	(42,456)	(1,136,077)	(335,635)	(1,471,712)
Remeasurement losses on discontinued operations				—	(586,302)	(586,302)
Other income				16,999	407	17,406
Other gains, net				26,876	180,746	207,622
Share of post-tax losses of associates				(11,678)	—	(11,678)
Finance income				7,651	245	7,896
Finance cost				(9,017)	(33,905)	(42,922)
Loss before income tax				(1,105,246)	(774,444)	(1,879,690)
Other information:						
Depreciation and amortisation	41,995	9,270	4,067	55,332	532	55,864
Share based compensation expense	17,045	—	—	17,045	—	17,045
(Reversal of)/provision for impairment on financial assets	(480)	17,946	1,835	19,301	401,064	420,365

(a) Disaggregation of revenue

	2024	2023
	RMB'000	*RMB'000*
Continued operations:		
Revenue from contract with customers:		
Sales of goods through B2B trading platforms	**10,600,134**	18,078,701
Advertising and marketing services	**125,527**	121,516
Digital identity technology and solution services	**107,534**	89,883
Sales of anti-counterfeiting products	**70,806**	76,045
Marketing events, exhibition, seminars	**59,312**	78,121
Others	**2,679**	3,541
	10,965,992	18,447,807
Income from other sources:		
Interest income from financing services	**—**	256
Total revenue and income	**10,965,992**	18,448,063

4 NET PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Provision for impairment of other receivables *(Note)*	**99,128**	2,808
Provision for/(reversal of) impairment of trade receivables	**4,256**	(4,524)
(Reversal of)/provision for impairment of other loans and interest receivables	**(13)**	20,031
(Reversal of)/provision for impairment of other financial assets	**(943)**	986
Net provision for impairment losses on financial assets	**102,428**	19,301

Note:

As part of the ordinary course of its B2B trading platform operations, the Group routinely prepays independent upstream suppliers for goods and products to secure pricing and ensure the availability of items needed to fulfill orders from the Group's downstream customers. These prepayments are typically utilized within one to two months upon delivery of goods by the suppliers. However, some suppliers failed to deliver the merchandise as stipulated in the agreements. The Group initiated negotiations with the suppliers and agreed on settlement plans. Despite these efforts, the suppliers failed to honor the agreed settlements, even after the Group's active follow-up for repayment. Consequently, management has initiated legal action to recover the outstanding amount. Following a thorough assessment, management has concluded that there is no reasonable expectation of recovering the outstanding amount. As a result, a provision of RMB92,003,000 has been recognised in the financial statements (2023: RMB1,571,000).

5 OTHER GAINS, NET

Other gains, net, mainly consist of the following:

	2024 *RMB'000*	2023 *RMB'000*
Change in fair value on financial assets at fair value through profit or loss	**(3,426)**	1,643
Net gain on disposal of subsidiaries *(Note)*	**19,228**	24,874
Net gain on disposal of associates	**—**	3,939
Others	**23**	314
	15,825	30,770

Note:

The amount mainly represents gain on disposal of a subsidiary, Guangzhou Huizheng Zhi Lian Technology Co., Ltd.* (廣州慧正智聯科技有限公司) ("**Guangzhou Huizheng**"), which engaged in chemical trading platform business, "ibuychem.com". On 26 December 2024, the Group disposed 22.8% of its equity interest in Guangzhou Huizheng for a cash consideration of RMB100. Upon completion of the disposal, the Group's remaining equity interest in Guangzhou Huizheng was 20%, the Group no longer holds any board seats and has no significant influence over Guangzhou Huizheng. The remaining investment will be accounted for as a financial asset measured in fair value through profit or loss. Net liabilities of Guangzhou Huizheng as at the disposal date amounted to approximately RMB19,122,000. This resulted in a gain on disposal of a subsidiary amounting to approximately RMB19,122,000.

* Name of the subsidiary represent management's translation of the Chinese names of the subsidiaries as no English names have been registered.

6 INCOME TAX EXPENSES

	2024	2023
	RMB'000	*RMB'000*
Current income tax expenses		
– The PRC corporate income tax ("**CIT**")		
– Current year	**1,626**	1,037
Deferred income tax expenses		
– The PRC corporate income tax	**2,245**	9,778
	3,871	10,815
Income tax expenses is attributable to:		
– Loss from continuing operations	**3,871**	10,769
– Loss from discontinued operations	**—**	46
	3,871	10,815

7 LOSS FROM DISCONTINUED OPERATIONS

	2024	2023
	RMB'000	*RMB'000*
Huicong Hulian Disposal Group *(Note)*	**(42,169)**	(955,236)
Tianjin Guokai Group	**—**	180,746
	(42,169)	(774,490)

Note:

On 28 November 2023, the Group entered into the conditional disposal agreement (the "**Agreement**") to dispose 100% equity interest in Huicong Hulian for a cash consideration of RMB5,000,000. Huicong Hulian, its subsidiaries, associate and directly owned investment (together, the "**Huicong Hulian Disposal Group**") was included in the platform and corporate services segment, mainly operates financial related businesses and holds the Group's investment in commercial bank and financial sector.

The financial results and related gain/loss on disposal of Huicong Hulian Disposal Group are reported as a discontinued operation in the consolidated statement of comprehensive income.

Please refer to note 14 for details.

(i) ***Financial performance and cash flow information***

The financial performance and cash flow information of Huicong Hulian Disposal Group for the period from 1 January 2024 and ended 27 February 2024 and year ended 31 December 2023 are follows:

	Period ended 27 February 2024 *RMB'000*	Year ended 31 December 2023 *RMB'000*
Interest income from financing services	**11,740**	87,374
Income/(expenses)	**913**	(55,198)
Net provision for impairment losses on financial assets	**(32,512)**	(401,064)
Loss before income tax	**(19,859)**	(368,888)
Income tax expense	**—**	(46)
Loss after income tax from discontinued operations	**(19,859)**	(368,934)
Loss recognised on the remeasurement to fair value less costs to sell	**—**	(586,302)
Loss on disposal of Huicong Hulian Disposal Group	**(22,310)**	—
Loss from discontinued operations	**(42,169)**	(955,236)
Net cash used in operating activities	**1,574**	21,987
Net cash used in financing activities	**(10,000)**	(18,000)
Total net cash (outflow)/inflow	**(8,426)**	3,987

8 LOSS PER SHARE

(a) Basic

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 year.

	2024	2023
Loss attributable to owners of the Company (in RMB'000)		
— from continuing operations	**(265,206)**	(1,129,319)
— from discontinued operations	**(24,023)**	(700,221)
	(289,229)	(1,829,540)
Weighted average number of shares in issue (thousands)	**1,309,931**	1,309,931
Basic loss per share		
From continuing operations (in RMB)	**(0.2025)**	(0.8621)
From discontinued operations (in RMB)	**(0.0183)**	(0.5346)
Total basic loss per share attributable to the equity holders of the Company (in RMB)	**(0.2208)**	(1.3967)

(b) Diluted

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 option.

During the year ended 31 December 2024, all of these share options had no dilutive effect to the Company and therefore, diluted loss per share for continuing and discontinued operations equaled basic loss per share (2023: same).

9 DIVIDENDS

No dividend was paid or declared by the Company during and for the year ended 31 December 2024 (2023: Nil).

10 INTANGIBLE ASSETS

	2024	2023
	RMB'000	*RMB'000*
Goodwill	**71,858**	71,858
Other intangible assets	**26,271**	19,664
	98,129	91,522

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**").

	2024		2023	
	Goodwill	**Other intangible assets**	Goodwill	Other intangible assets
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Anti-counterfeiting products and services	**50,314**	**8,179**	50,314	9,391
Trading services — cotton industry	**21,544**	**17,544**	21,544	9,316
Other intangible assets	**—**	**548**	—	957
	71,858	**26,271**	71,858	19,664

The recoverable amounts of the CGUs are determined by value-in-use calculations based on cash flow projections approved by management covering a five-year period. Thereafter, the cash flows 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.

The Directors and management considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of these CGUs to exceed its recoverable amount.

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2024	2023
	RMB'000	*RMB'000*
Associates	**149,864**	262,705
	149,864	262,705

	2024	2023
	RMB'000	*RMB'000*
At 1 January	**262,705**	288,458
Addition *(Note 14)*	**56,042**	—
Disposal	**—**	(10,181)
Share of post-tax losses of associates	**(65,155)**	(11,678)
Impairment losses on the investment in an associate *(Note)*	**(103,728)**	(3,894)
At 31 December	**149,864**	262,705

Note:

Both external and internal sources of information of associates are considered in assessing whether there is any indicator that the investments may be impaired, including but not limited to information about financial position and business performance of the associates. The Group carries out impairment assessment on those investments with impairment indicators, and the respective recoverable amounts of investment in associates are determined with reference to the higher of fair value less costs of disposal and value in use ("**VIU**").

Zhongmo Group is one of the Group's investment in associate. On 26 December 2019, Zhongmo Group ceased to be subsidiaries of the Group and has then been accounted for as investment in associates in the consolidated financial statements using the equity method of accounting. As at 31 December 2024, the carrying amount of the investment in Zhongmo Group was RMB203,232,000.

The business of the Zhongmo Group is to provide smart attached lifting scaffolding and aluminum alloy formwork systems for the construction formwork industry, including leasing, design, installation, maintenance and refurbishment service for properties developers in the PRC.

Management, as an investor in Zhongmo Group, has been consistently reviewing the company's business operations and the evolving industry landscape. Particular attention has been given to the persistent slowdown in construction projects and the weakened market demand within the real estate industry, which are significantly reshaping Zhongmo Group's business environment.

During the year ended 31 December 2024, Zhongmo Group experienced a substantial increase in the default rate of accounts receivable, as many customers were unable to meet their payment obligations on time. This created significant challenges for the company's business operations and working capital. Additionally, the declining demand in the real estate market slowed the number of construction projects, directly impacting Zhongmo Group's core business activities. Consequently, the company faced a significant decline in revenue and incurred considerable losses for the year ended 31 December 2024.

In response to these challenges, Zhongmo Group's management is currently in the process of reforming its business strategies. Key measures include streamlining its clientele by focusing on high-quality clients, downsizing operations (including staff layoffs), and implementing various cost-saving initiatives. Furthermore, the management has prepared a revised financial forecast based on the updated business plan to better align with the current market conditions and organizational reforms.

The management of the Group has assessed the above-mentioned impairment indicators and performed an impairment assessment with the assistance of an independent external valuer and determined the recoverable amount of the investment in Zhongmo Group based on its VIU as VIU is higher than its fair value less cost of disposal. The calculation has considered the cash flow projections of Zhongmo Group for the five years ending 31 December 2029 with an extrapolation made to perpetuity. The pre-tax discount rate used to discount the cash flows to their respective net present values was 14.5% in 2024, and was based on cost of capital used to evaluate investments of similar nature in the mainland of China. Management judgement is required in estimating the future cash flows of Zhongmo Group. The management determines the key assumptions with reference to external sources of information. Based on the management's assessment result, an impairment of RMB103,728,000 was recognised for investment in Zhongmo Group for the year ended 31 December 2024 (2023: nil), as the recoverable amount as determined by a VIU calculation was lower than the carrying amount.

The table below sets out the key assumptions for the determination of the recoverable amount of the investment in Zhongmo Group:

	2024
Compound annual revenue growth rate	**6.2%**
Compound annual cost and expense growth rate	**5.6%**
Pre-tax discount rate	**14.5%**

As at 31 December 2024, there was no impairment indicator of the Group's interests in other associates.

Set out below are associates which, in opinion of directors, are material to the Group as at 31 December 2024 and 2023. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of establishment or registration is also their principal place of business.

Name of entity	Place of business/ country of establishment	% of effective interest		Nature of the relationship	Measurement method	Carrying amount	
		2024	2023			**2024**	2023
						RMB'000	*RMB'000*
廣東中模雲數字科技股份有限公司 (Guangdong Zhongmo Cloud Digital Technology Co., Limited, formerly known as Guangdong Zhongmoyun Construction Science and Technology Co., Limited* ("**Zhongmo Group**"))	PRC	**22.4**	22.4	Associate *(Note i)*	Equity method	**99,504**	232,625
廣東家電世界電子商務有限公司(家電世界集團) (Guangdong Home Electronic Appliances World E-Commerce Co., Ltd.* (JDSJ Group))	PRC	**20**	20	Associate *(Note ii)*	Equity method	**28,531**	30,080
重慶神州數碼慧聰小額貸款有限公司 (「**重慶小額貸款**」) ("**Chongqing Micro-credit**")	PRC	**40**	70	Associate *(Note 14)*	Equity method	**21,829**	—
						149,864	262,705

* English names are translated for identification purpose only

Note:

(i) As at 31 December 2024 and 2023, the Group effectively holds 22.4% equity interests in Zhongmo Group.

(ii) As at 31 December 2024 and 2023, the Group holds 20% equity interest of JDSJ Group. JDSJ Group is engaged in the e-commerce for home appliances in the PRC through its websites and mobile applications.

12 TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**144,334**	123,392
Less: provision for impairment of trade receivables	**(16,824)**	(15,782)
Trade receivables, net	**127,510**	107,610

The Group generally grants a credit period ranging from 90 to 180 days to customers depending on business segment. The aging analysis of the gross trade receivables based on invoice date is as follows:

	2024	2023
	RMB'000	*RMB'000*
0 to 90 days	**95,714**	73,774
91 to 180 days	**18,879**	23,768
181 to 270 days	**11,115**	9,271
271 to 365 days	**2,853**	2,720
Over 1 year	**15,773**	13,859
	144,334	123,392

13 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Non-current portion		
— Prepayment for acquiring intangible assets (Note (i))	**8,069**	13,138
— Deposits	**1,936**	87
	10,005	13,225
Current portion		
— Prepayments (Note (ii))	**676,199**	639,924
— Deposits	**57,269**	56,016
— Other receivables (Note (iii))	**60,489**	74,258
	793,957	770,198
	803,962	783,423
The fair values are as follows:		
— Deposits	**59,205**	56,103
— Other receivables	**60,489**	74,258
	119,694	130,361

Note:

(i) At 31 December 2024 and 2023, the amount mainly represented prepayment to IT supplier for the platform development and consultation fee.

(ii) At 31 December 2024 and 2023, the amount mainly represented prepayment to suppliers for B2B trading platform business. In the Group's ordinary trading operations and in line with the general practices in the industry, the Group routinely prepays upstream suppliers for certain goods and products to secure prices and products needed to fulfill orders from the Group's downstream customers. The prepayment to suppliers for B2B trading platform business is expected to be utilised within the next reporting period.

(iii) On 5 January 2021, the Group agreed to sell its entire equity interest in Tianjin Guokai to an independent third party ("**Buyer**") at a consideration of RMB300,500,000, with RMB225,000,000 received as an advance deposit. On 21 March 2022, the Group received an arbitration notice from the Buyer, who claimed RMB100,655,000 for demolition costs of properties hold by Tianjin Guokai.

The arbitration, concluded on 7 June 2023, ruled the Group to pay RMB12,569,000 for compensation and arbitral expenses. On 15 September 2023, the statutory transfer procedures of Tianjin Guokai to the Buyer completed; however, RMB75,500,000 ("**Remaining Balance**") remained unpaid by the Buyer.

As of the date of this announcement, the Group is applying a second arbitration for the outstanding amount, while the Buyer is appealing for additional compensation.

The directors of the Company, after taking advice from legal advisors, which have considered the latest available information, considers it is probably that a favourable judgement and definitive conclusion will be obtained regarding the Arbitration applied by the Group. However, a maximum reduction of 10% would be deducted from Remaining Balance due to incomplete handover of document to Buyer. Maximum liability exposed to be borne by the Group would likely be not more then RMB1,563,000 in relation to the appeal, and RMB1,227,000 in relation to the late payment fines.

Therefore, as at 31 December 2024, the Group has recognised a balance of RMB55,381,000 as "other receivables" in it consolidated financial statements, representing the outstanding unsettled balance of RMB67,950,000 due from the Buyer, netting off by liabilities mentioned above totalling RMB12,569,000.

14 DISPOSAL OF HUICONG HULIAN DISPOSAL GROUP

On Completion Date, the Group completed the disposal transaction of Huicong Hulian Disposal Group. Huicong Hulian Disposal Group was included in the platform and corporate services segment for the year ended 31 December 2023. Huicong Hulian Disposal Group mainly operates financial related business and holds the Group's investment in commercial bank and financial sector prior to the completion of such disposal.

The following is a list of subsidiaries, an associate and a directly owned investment of the Huicong Hulian as at 31 December 2023 and Completion date:

Name	Principal business	Equity interests, directly or indirectly, held by Huicong Hulian
Tianjin Huicong Leasing Co. Ltd. ("**Tianjin Leasing**")	Engaged in the finance lease business in the PRC	100%
Chongqing Micro-credit *(Note)*	Engaged in the provision of loan service in the PRC	30%
Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd. ("**Jingu Bank**")	Provision of products and services on bank deposits, loans and advances in the PRC and other business approved by the China Banking Regulatory Commission	9.22%
Inner Mongolia Zhongzai Huicai E-commerce Co., Ltd.	Investment holding	100%
Beijing Huixiang Network Technology Co., Ltd.	Dormant	100%
Huijing (Huizhou) E-commerce Co., Ltd.	Dormant	100%

Note:

As at 31 December 2023, the Group held 70% aggregate equity interests in Chongqing Micro-credit, with 30% equity interest being held by Huicong Hulian and 40% equity interest held by Hong Kong Huicong International Group Limited, which is a wholly-owned subsidiary of the Group.

Upon completion, the Group's effective interest in Chongqing Micro-credit decreased from 70% to 40% and the Group no longer had control over the board of Chongqing Micro-credit but retain significant influence over it. Chongqing Micro-credit ceased to be a subsidiary of the Group and the retained 40% equity interest was recognized as investment in an associate in the consolidated financial statements using the equity method.

The 40% equity interest in Chongqing Micro-credit that was retained was remeasured to its fair value, as the initial recognition cost of investment in associates. The deemed disposal loss amounting to RMB22,310,000 was recognised.

The fair value of the 40% equity interest in Chongqing Micro-credit that was retained by the Group as at Completion Date was determined by a valuation performed by an independent professional valuer. The valuation involved significant judgements and estimates, including price-to-book (P/B) ratio, and selection of comparable companies.

The major classes of assets and liabilities of Huicong Hulian Disposal Group as at Completion Date were as follows:

	As at Completion Date
	RMB'000
Finance lease receivables	147,648
Financial assets at fair value through OCI	271,773
Loan and interest receivables	1,044,326
Trade and other receivables	17,822
Cash and cash equivalents	14,391
Other assets	5,675
Trade and other payables	(54,868)
Bank borrowings	(487,882)
Other liabilities	(16,998)
Remeasurement loss previously recognised	(586,302)
Net assets disposed of	355,585
Less: net assets attributable to non-controlling interests	(272,233)
Net assets attributable to the Group	83,352

Net loss on disposal Huicong Hulian Disposal Group as at Completion Date was as follows:

	As at Completion Date
	RMB'000
Cash consideration	5,000
Fair value of the 40% equity interests retained in Chongqing Micro-credit as investment in associate *(Note)*	56,042
Less net assets attributable to Group disposed of	(83,352)
Disposal loss	(22,310)

Net cash outflow arising on disposal for the period ended 27 February 2024 was as follows:

	As at Completion Date
	RMB'000
Cash consideration *(Note)*	5,000
Less: deposit received in advance	(1,000)
Less: cash and cash equivalents disposed of	(14,391)
	(10,391)

Note: Upon the disposal of Huicong Hulian Disposal Group, the total cash consideration received amounted to RMB5,000,000. This included an initial deposit of RMB1,000,000 received on 1 December 2023.

The notional goodwill arising on the transaction of Chongqing Micro-credit was as follows:

	As at Completion Date
	RMB'000
Fair value of the 40% equity interests retained in Chongqing Micro-credit as investment in an associate	56,042
Share of the fair value of net identifiable assets	(55,575)
Notional goodwill	467

15 TRADE AND BILL PAYABLES

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

	2024	2023
	RMB'000	*RMB'000*
0 to 90 days	**148,709**	238,717
91 to 180 days	**98,720**	40,949
181 to 365 days	**20,044**	218
Over 1 year	**8,705**	13,040
	276,178	292,924

16 BORROWINGS

	2024	2023
	RMB'000	*RMB'000*
Bank borrowings	**175,848**	150,852
Other borrowings	**261,632**	255,621
Total borrowings	**437,480**	406,473

As at 31 December 2024, bank borrowings bear interest rate ranging from 2.6% to 4.5% per annum (2023: 3.2% to 7% per annum) and principals of approximately RMB175,748,000 will mature in next twelve months (31 December 2023: RMB150,840,000).

As at 31 December 2024, other borrowings with principals of approximately RMB31,500,000 bear interest rate ranging from 5% to 8% per annum (2023: 0% to 8%) and will mature in coming twelve months (31 December 2023: RMB255,598,000).

The above interest bearing balances include both principal and interest portion of the borrowings, and are all denominated in RMB (2023: same).

As at 31 December 2024, other borrowings also included RMB230,000,000 provided by an independent third party which was secured by certain equity interest of a subsidiary of the Group and guaranteed by the Company and a subsidiary of the Group (31 December 2023: same), which has been matured on 31 December 2024 and became repayable on demand. The Group is in the process of negotiating with counterparty on renewal of this other borrowing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the Year, the Group generated a total revenues of approximately RMB10,966 million (2023: RMB18,448 million) from continuing operations, representing a decrease of approximately 40.6% as compared to that in 2023. The decrease was mainly from the decline in revenue to approximately RMB10,529 million (2023: RMB16,721 million) generated by Union Cotton of the Group's smart industries segment. Arising from the inadequate demand of downstream textile enterprises, as well as changes in government subsidy policies, Union Cotton has reduced the scale of self-operated sales to reduce the risk of price fluctuations and focused on products with comparatively higher gross margin.

For the Group's financial performance in different segments of continuing operations during the Year, revenue of approximately RMB243.5 million was achieved from the technology-driven new retail segment, and represented a decrease of approximately 79.9% from approximately RMB1,209.8 million in 2023. Revenue from the smart industries segment decreased from approximately RMB17,225.3 million in 2023 to approximately RMB10,722.5 million in 2024 which represented a decrease of approximately 37.8%. The Group has closed its platform and corporate services segment in 2024 (2023: Revenue of RMB12.9 million).

During the Year, operating expenses of continuing operations decreased from approximately RMB495.0 million in 2023 to approximately RMB404.6 million, which was mainly due to the decrease of employee expenses and amortization of intangible assets.

The loss attributable to equity holders of the Company from continuing operations was approximately RMB265.2 million in the Year (2023: Loss of approximately RMB1,129.3 million). A factor for such substantial decrease is that there was a recognition of impairment for goodwill and other intangible assets related to the technology-driven new retail business in 2023, which did not recur in 2024.

The loss for the Year was mainly attributable to, among other things, recognition of an impairment loss of approximately RMB103.7 million in relation to the Group's investment in an associate Zhongmo Group (in which the Group has an 22.4% equity interest). It is principally engaged in providing smart attached lifting scaffolding and aluminum alloy formwork system for property developers under construction formwork industry in the PRC. Zhongmo Group experienced a significant decline in its revenue and incurred considerable loss in the Year. It faced significant challenges in its business operations and working capital due to a substantial increase in the default rate of accounts receivable, as many customers were unable to meet their payment obligations on time. Additionally, declining demand in the real estate market led to a drop in the number of construction projects, directly impacting Zhongmo Group's core business. The management has assessed the impairment indicators and performed an impairment assessment with the assistance of the external valuer. The recoverable amount of the investment was determined using the higher of the fair value less costs of disposal and value in use. The Group also recorded Group's share of a post-tax loss of associates (mainly attributable to Chongqing Micro-credit and Zhongmo Group) was approximately RMB65.2 million. Net provision for impairment losses on financial assets of RMB102.4 million was also made for the Year, compared to RMB19.3 million in 2023. More information is set out in Notes 4 and 11 to the consolidated financial information above.

Loss from discontinued operations attributable to the equity holders of the Company was approximately RMB24.0 million for the Year (2023: loss of approximately RMB700.2 million). The change was because, among other factors, a significant loss in 2023 arising from the discontinued finance services business and the disposal of Huicong Hulian totaling approximately RMB586.3 million did not recur in the Year.

Regarding the disposed, discontinued operations, the management would like to highlight that the Group acquired or invested in certain companies and business for development purposes in the past decade. In face of challenges imposed by macroeconomics and to align with the strategic development goals of the Group, the Group is undergoing its transformation, taking actions to lower its gearing ratio, integrating and optimising its resources, discontinuing loss-making businesses and disinvesting from the non-core businesses. Going ahead, the Group wishes to concentrate its resources to further develop its core business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalent decreased by approximately RMB86.7 million from approximately RMB365.7 million as at 31 December 2023 to approximately RMB279.0 million as at 31 December 2024, which is mainly denominated in RMB.

As at 31 December 2024, the Group had a total borrowings of approximately RMB437.5 million (as at 31 December 2023: RMB406.5 million), of which approximately RMB175.8 million (as at 31 December 2023: RMB150.9 million) were bank borrowings which bear an average interest rate of 3.40% per annum (as at 31 December 2023: 4.15% per annum) and their maturity ranged from 2025 to 2028, and RMB261.6 million (as at 31 December 2023: RMB255.6 million) were other borrowings. As at 31 December 2024, the Group has no undrawn banking facilities (31 December 2023: RMB12,000,000). The other borrowings are bear interest rate ranging from 0.00% to 8.00% per annum (as at 31 December 2023: same). The Group's borrowings were mainly made in RMB. More information about the Group's borrowing is set out in note 16 to the consolidated financial statements.

As at 31 December 2024, the Group was in net debt position of RMB112.4 million (as at 31 December 2023: net cash position of RMB48.8 million; with a gearing ratio of 18%, which is calculated as net debt, including total borrowings, lease liabilities and other financial liabilities less cash and cash equivalent (including restricted bank deposits); and total capital is calculated as "equity" as shown in consolidated statement of financial position plus net debt. The capital and reserves attributable to equity holders of the Company decreased by approximately RMB300.0 million from approximately RMB560.4 million as at 31 December 2023 to approximately RMB260.4 million as at 31 December 2024.

With prudent liquidity risk management, the Group is confident to maintain sufficient cash and cash equivalents and ensure the adequacy and flexibility of working capital through internal generated cash, managing the turnover days of and the level of working capital used in prepayment for procuring inventories and renewal and availability of bank borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

BUSINESS REVIEW

The objective of the Group is to become a leading industrial internet group in China. With this vision in mind, the Group continuously strives to integrate AI-enabled industries and big data analysis, leveraging internet tools and capabilities to enhance the level of industrial digitalization. The revenue of the Group is primarily derived from three industrial internet companies serving vertical industries, namely ZOL, PanPass, and Union Cotton.

ZOL

ZOL and its subsidiaries, leveraging their platform through operation of ZOL website (zol.com.cn, "**ZOL**") in Chinese Mainland, are dedicated to providing precise online advertising and marketing solutions for 3C digital and living technology products, thereby achieving profitability. However, with the rapid development of mobile internet, the user base for 3C digital and living technology products has become increasingly reliant on content from self-media platforms, while adopting a more cautious attitude towards contents produced by professional/institutional creators. This has led to an increasingly challenging market environment. The tightening global economic environment and the rapid rise of AI artificial intelligence technology have also had a severe impact on the traditional content production and dissemination system, resulting in ZOL's business development being affected and facing unprecedented challenges.

Furthermore, customers have scaled back their operations as part of strategic adjustments, significantly reducing investments and budgets for advertising and marketing activities. This has led to a decline in the number of customers. During the Year, ZOL actively sought breakthroughs by expanding the content of its video platform, launching a new energy vehicle product line, innovating with an online-offline dual-business model, and maximizing the influence of opinion leaders through multi-platform dissemination. However, despite these initiatives, the performance during the Year still fell short of expectations.

With the application of emerging technologies such as AI and in response to changes in the overall economic situation, ZOL will continue to focus on promoting and improving the following areas:

— Enhance core competitiveness: ZOL will accelerate the construction of AIGC by integrating more AI big models and emerging platforms such as Doubao (豆包), Qwen (通義千問), and DeepSeek. These initiatives aim to address user concerns during the purchasing process and deliver high-quality intelligent services. Building on its original PGC foundation, ZOL will leverage AI to enhance content production efficiency and quality, innovate content formats, and provide personalized and customized services. Meanwhile, ZOL will improve the efficiency and accuracy of information acquisition, enhance the professionalism and authority of the content, and promote the innovation and transformation of ZOL's business.

— Expand segment reach: By leveraging the AI search aggregation capabilities of its APP, ZOL will more precisely target user groups interested in car travel, DIY computers, and photography. Through integrated online and offline multi-platform communication, ZOL aims to reach more established events, exhibitions and organizations, effectively covering its target user base. ZOL will expand the sharing and communication channels for car travel enthusiasts, organize annual events for DIY computers and photography communities, thereby implementing marketing strategies related to the segment. These efforts are designed to enhance user engagement among existing users while attracting new users to join and actively participate in the ZOL APP.

— Deliver creative marketing solutions: Focusing on the ZOL platform matrix, ZOL fully leverages its diversified and multi-dimensional communication advantages. ZOL has created five innovative IPs, including Chao Hao Wan (潮好玩), ZAO and BW, continuously enhancing its cross-industry creative marketing capabilities in the high-tech field. These initiatives help customers reach diverse consumer segments at various levels, maximizing the role of the platform. As a result, ZOL has gained widespread recognition and trust from its customers, establishing itself as a core supplier for leading brands through its professional and creative marketing strategies.

— Mainstream content platform dissemination: With its presence across multiple mainstream content platforms, ZOL is equipped to meet customers' demands for integrated multi-platform dissemination. Through a strategic multi-account matrix layout, ZOL aims to expand its reach to a broader target user, to enhance brand recognition and influence. ZOL's professional team conducts in-depth research, and can develop personalized communication plans tailored to the unique characteristics of customers' products. This one-stop service helps customers create distinctive cross-industry marketing events in the high-tech field.

Huimaimai platform business ("**Huimaimai**"), which serves small b, has been growing steadily. During the Year, the Huimaimai platform continued to deepen its strategic focus on lower-tier markets, leveraging the dual-drive model of "Huimaimai + Huixiaodian" to build a comprehensive empowerment system covering retail terminals in counties, towns, and villages. As a supply chain intermediary platform, Huimaimai focuses on multi-category integration, currently expanding into high-frequency consumer goods such as home appliances, alcoholic beverages, daily chemicals, grains and oils, 3C digital products and snacks, forming a differentiated product matrix. Meanwhile, Huixiaodian enhances terminal retail capabilities through digital tools, capitalizing on national policies such as the "trade-in" initiative to efficiently drive the implementation of economic scenarios in county and rural areas. Through precise supply chain management, private domain traffic operations, and intelligent product selection systems, both platforms work synergistically to improve channel stickiness and operational efficiency. Moving forward, the Group will accelerate the regional deployment of its supply chain, deepen the integration of membership ecosystems and localized services, and continue to solidify its leading position in lower-tier markets, creating sustainable value for shareholders.

PanPass

Beijing PanPass Information Technology Co., Ltd. ("**PanPass**") (NEEQ stock code: 430073) is committed to becoming a leading provider of product digital identity technology and solution services in China. PanPass focuses on the research and development of product digital identity management technology, and provides IoT identification products, SaaS software products and industry digital solutions based on this technology. Based on the "unique identification code (ID)" (commonly known as "one product, one code" in the industry) of products, it enables brand enterprises to achieve digital transformation, which is a closed-loop and converging whole cycle, chains and scenarios from M (materials), F (manufacturing), W (warehouse), B (distributor), b (store) to C (consumer). This has improved the operational efficiency of enterprises and promoted the renewal and iteration of the business model.

PanPass's business scope has evolved from brand protection and quality traceability solutions to providing digital management services featuring full industry chain traceability, agile supply chain, precise channel control, digital marketing, big data anti-counterfeiting, data insights, and decision-making by using "barcode, QR code, RFID" and other tags as carriers and integrating IoT, big data, cloud computing, AI, blockchain, and other cutting-edge technologies, facilitating enterprises in achieving full chain digitalisation, industrial transformation and upgrading, and business model innovation. In terms of business, adhering to a dual-driven development strategy of "platform R&D + project practice" and consistently upholding a platform-based development approach, PanPass has successfully created a variety of typical industry solutions and application products through continuous efforts in building its general technical platform capabilities, providing strong support for the digital transformation of customer enterprises. Specifically, its business involves "food and beverage, pet supplies, cosmetics, agricultural materials, book publishing, energy auto parts, medicine and healthcare, 3C electronics, maternal and child products, industrial products" and other industries, with rich and high-quality customer resources. PanPass attaches great importance to research and development, technology and products, by constantly increasing investment, and actively promoting scientific and technological innovation to enhance its core productivity. During the Year, PanPass obtained 5 patents, including 2 invention patents, 3 utility model patents, and 20 software copyrights.

During the Year, PanPass maintained its development focus by steadily concentrating on its core business, strengthening operational management and optimising resource allocation, resulting in a stable growth trend in the assets, revenue scale and profitability.

Union Cotton

棉聯雲科技集團有限公司 and its group member ("**Union Cotton**") is committed to constructing a "leading global digital supply chain services platform for the textile industry" with Internet and AI technologies, IoT application concepts, and big data algorithms. With digitalization as its core, Union Cotton can provide both upstream and downstream customers in the industrial chain with one-stop supply chain management and supporting services such as trading, settlement, storage, logistics, textile supply chain e-assistant, and industrial internet technology, with a view to improving the synergy of the cotton textile industry and facilitating the digital transformation of textile manufacturing.

During the Year, the insufficient domestic demand across the cotton textile industry, coupled with a sharp decline in export orders, led to generally higher levels of cotton yarn inventories at textile enterprises and traders in the PRC, which in turn, resulted in a low rate of operation in the industry and poor liquidity. Thus, profitability has been unfavorably impacted across the industry under serious involution, and market participants became more cautious in stocking raw materials. In response to these external environmental factors and changes in government subsidy policies, Union Cotton scaled down self-operated sales in the first half of the Year in order to reduce the risk of price fluctuations, resulting in a decrease of approximately 37.0% in Union Cotton's total revenue for the Year, when compared to that in 2023. Despite the reduction in revenue, Union Cotton achieved a year-on-year positive profit growth through refined management in supply chain services, effective responses to market risks and cost control. Looking forward, Union Cotton will continue to deepen the construction of its digital supply chain service platform, and enhance the synergy efficiency of the industrial chain by further resources integration and service optimisation. Union Cotton will closely keep abreast of market dynamics and policy changes and flexibly adjust its business strategies to cope with challenges brought by the periodic fluctuations of the industry. Meanwhile, through its constant efforts in promoting technological innovation and strengthening the application of big data and AI technologies in supply chain management, Union Cotton strives to become a leading global provider of textile digital supply chain services.

In addition, Shanghai Huijing E-business Co., Limited 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.

Prospect

In recent years, the Group has been reviewing its portfolios and development strategy and making adjustments to its business, operating and cost structure. To create sustainable business and growth in shareholder value in the long term, the Group is progressively enhancing its operation and corporate structure, and shifting to a more focused approach in terms of use of resources. As part of these steps, the Group strives to prioritize core business components, including ZOL, PanPass and Union Cotton with a balance over costs and risks associated with its operations, and to reduce indebtedness level in the short to medium term.

The Group has placed particular emphasis on the opportunities for industrial upgrading driven by AI technology, and is reconstructing its traditional business models through AI technology to continuously optimize resource allocation. ZOL leverages corpus aggregation and intelligent recommendation algorithms to improve the efficiency of content production and distribution, as well as the accuracy and matching of user profiles. PanPass integrates blockchain technology with AI-based anti-counterfeiting identification to build an industry-leading intelligent traceability platform. Union Cotton optimizes the supply chain forecasting models through machine learning to improve the inventory turnover rates. Despite facing many challenges, the Group remains optimistic about capturing opportunities to create value and bring returns to its shareholders.

SIGNIFICANT EVENTS

Disposal of Huicong Hulian

The Group disposed of its 100% equity interests in Huicong Hulian pursuant to an equity transfer agreement dated 28 November 2023 entered into among Beijing Huicong Zaichuang Technology Co., Ltd. (a member of the Group, as the transferor), Beijing Zhongli Jinyuan Technology Co., Ltd. (as the purchaser), Huicong Hulian (as the target company) and Beijing Huajianyu Trading Co., Ltd. (as the guarantor of the purchaser) at a cash consideration of RMB5 million. The disposal constituted a major transaction of the Company under Chapter 14 of the Listing Rules, and was approved by the shareholders at the extraordinary general meeting held on 23 February 2024. With the completion of the disposal in February 2024, the Group has substantively ceased its engagement in the financing services business (including its investment in commercial bank). See the Company's circular dated 30 January 2024 for more information.

Proposed Listing of PanPass on Beijing Stock Exchange

PanPass' listing application is currently under review of the Beijing Stock Exchange. It is proposed that PanPass will issue new shares by way of an initial public offering to unspecified qualified investors (or other methods requested or agreed by the relevant PRC authorities), subject to approvals by relevant PRC regulators. The share allotment by PanPass, if materialises, will constitute a major transaction of the Company. The proposal has been approved by the shareholders of the Company. The proposal is subject to, among other things, approvals from relevant authorities and market conditions, and its terms have not been fixed. The Company will publish further announcement(s) as and when appropriate. See also the Company's circular dated 28 April 2023, and its announcements dated 17, 18, 22 and 30 May 2023, 5 September 2023 and 24 November 2023, respectively, for more information.

Disposal of Tianjin Guokai

As disclosed in 2023 Annual Report, as the purchaser failed to pay the final instalment of the acquisition price, the Group has filed an arbitration claim in 2023, and is waiting for the arbitral award. The Group, taking into account the advice of its legal advisers, believes that the award is likely to be in favour of the Group in respect of such claim.

Changes in corporate positions and other corporate change

With effect from 20 March 2024, Mr. Sun Yang resigned as a non-executive Director due to adjustments in his other work arrangements. More information about Mr. Sun's resignation, his view on the disposal of Huicong Hulian and the Company's considerations on the same were included in the Company's circular dated 30 January 2024 and the announcement dated 20 March 2024.

With effect from 26 March 2024, Mr. Xing Jingfeng was appointed as a non-executive Director. Mr. Xing obtained the legal advice referred to in Rule 3.09D of the Listing Rules, and confirmed he understood his obligations as a director on 20 March 2024. See the Company's announcement dated 26 March 2024.

With effect from 27 May 2024, the Company's head office and principal place of business in the PRC has been changed to Unit 302, 3rd Floor, Beiyuan, Yuanyang Xingfan Plaza, Building 1, No. 28 Beiyuan Road, Chaoyang District, Beijing 10017, the PRC.

CAPITAL STRUCTURE

The total number of issued Shares was 1,309,931,119 as at 31 December 2024 (31 December 2023: 1,309,931,119).

As at 31 December 2024, 54,485,706 options under the Company's employees' share option scheme (if exercised, 54,485,706 shares maybe issued) were outstanding.

STAFF AND REMUNERATION

The business development and results of the Group relies on the skills, motivation and commitment of its staff. As at 31 December 2024, the Group had 658 employees (31 December 2023: 764).

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. Other elements of staff remunerations include incentive-based bonus and other benefits (such as medical insurance, retirement schemes, training programs and educational subsidies, and where suitable, share incentives through 2015 share option scheme operated by the Company). Total staff costs including director's emoluments from continuing operations for the Year was approximately RMB171.1 million (2023: RMB224.8 million).

CHARGES ON GROUP ASSETS

As at 31 December 2024, the Group's bank borrowings amounting to RMB17.0 million were guaranteed by a subsidiary of the Group and secured by certain properties held by the Group (31 December 2023: RMB10.0 million).

Bank borrowings of RMB10.0 million were guaranteed by certain independent third parties of the Group and secured by an executive Director of the Company (31 December 2023: same).

As at 31 December 2024, other borrowings with a total principal amount of RMB230.0 million (31 December 2023: same) were provided by an independent third party and matured on 31 December 2024 and are repayable on demand. This other borrowing is interest-free, secured by certain equity interest of a subsidiary of the Group and guaranteed by the Company and a subsidiary of the Group (31 December 2023: same).

EXCHANGE RISK

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2024 (31 December 2023: Nil).

EVENTS AFTER REPORTING PERIOD

Except as disclosed, the Company is not aware of other significant events which have occurred after the end of the Reporting Period and have materially impacted the Group.

AUDIT COMMITTEE

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, the risk management and internal control systems and the annual results of the Company for the Year. The Audit Committee has met with external auditors and discussed the financial matters of the Group that arose during the course of audit for the Year.

CORPORATE GOVERNANCE CODE

During the Year, the Company complied with the applicable code provisions of Part 2 of the Corporate Governance Code in Appendix C1 to the Listing Rules except for the below.

With effect from 3 February 2023, Mr. Liu Jun (the chairman and an executive Director) has been appointed and acting as the CEO of the Company. Code Provision C.2.1 in Part 2 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Liu has been overseeing the Group's strategic development, he has extensive experience in the industry and the experience of acting as the CEO. The Company believes that with Mr. Liu acting as the CEO could allow the Group to maintain its efficient planning and implementation of business decisions and strategies under consistent leadership of the current management team without compromising the balance of power and authority. The arrangement could also facilitate a division of work among key management members of the Company by allowing other key management members to devote on key development directions of the Group. The Company believes that such arrangement is beneficial to the Group as a whole. More information about the Company's corporate governance practices will be available in the 2024 Annual Report.

SECURITIES TRANSACTIONS CODE OF CONDUCT

The Company has adopted written guidelines regarding Directors' securities transactions on terms not less than the required standard of dealings under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have confirmed his/her compliance with such required standard of dealings and the Company's code of conduct regarding securities transactions by Directors throughout the Year.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Directors has confirmed that he/she and to the best of his/her information, his/her respective close associates (as defined in the Listing Rules), did not have any business or interest in any company that materially competes or may compete with the business of the Group or any other conflict of interests with the interests of the Group during the Year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules, and the Company considers they are independent.

PERMITTED INDEMNITY

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

RECONCILIATION OF NON-HKFRS MEASURES TO HKFRS MEASURES

To supplement the Group consolidated results which are prepared and presented in accordance with HKFRS, the Group also used adjusted LBITDA* and adjusted net loss as additional financial measures, which are not required by, or presented in accordance with HKFRS. The Company believes that these non-HKFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of items that the management does not consider to be indicative of the Group's operating performance, such as certain non-cash items and certain impact of investment transactions. The use of these non-HKFRS measures have limitations as an analytical tool, and one should not consider them in isolation from, or as a substitute for analysis of, the 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 and therefore may not be comparable to similar measures presented by other issuers.

The following table sets out the reconciliations of non-HKFRS financial measures for the years ended 31 December 2024 and 2023, to measures prepared in accordance with HKFRS.

	31 December 2024	31 December 2023
	RMB'000	*RMB'000*
		Represented
Loss from continuing operations	**(242,114)**	(1,116,015)
Share based payment expenses	**—**	17,045
Other gains, net	**(15,825)**	(30,770)
Impairment losses on goodwill and intangible assets	**—**	1,019,680
Impairment losses on the investment in an associate	**103,728**	3,894
Net provision for impairment losses on financial assets	**102,428**	19,301
Adjusted net loss	**(51,783)**	(86,865)
Adjusted for		
Finance cost, net	**2,391**	1,366
Income tax expenses	**3,871**	10,769
Depreciation and amortisation	**18,852**	55,332
Adjusted LBITDA*	**(26,669)**	(19,398)

* Loss before interest, taxes, depreciation and amortisation from continuing operations.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed its listed securities (including sale of treasury shares as defined under the Listing Rules) during the Year. As of 31 December 2024, the Company did not hold any treasury shares.

REVIEW OF FINANCIAL STATEMENTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hcgroup.com). The 2024 Annual Report will be published on the above websites in April 2025.

By Order of the Board
HC Group Inc.
Liu Jun
Chairman and Chief Executive Officer

Hong Kong, 30 March 2025

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

Mr. Liu Jun *(Executive Director, Chairman and Chief Executive Officer)*
Mr. Zhang Yonghong *(Executive Director)*
Mr. Liu Xiaodong *(Executive Director and President)*
Mr. Guo Fansheng *(Non-executive Director)*
Mr. Lin Dewei *(Non-executive Director)*
Mr. Xing Jingfeng *(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 entities or individuals 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.

Certain figures set out in this announcement are subject to rounding adjustment.

This announcement contains forward-looking statements that reflect the Company's beliefs, plans or expectations. These statements are based on a number of assumptions, current estimates and projections, and subject to inherent risks, uncertainties and other factors which may be beyond the Company's control. The actual outcomes may differ. These statements is not, and shall not be, relied upon as assurance, representation or warranty otherwise. Neither the Company nor its directors, staff, agents, advisers or representatives assume any responsibility to update, supplement, correct these statements or adapt them to future events.