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 2024

HIGHLIGHTS

Total revenue from continuing operations was approximately **RMB5,904.7 million**, decreased by approximately RMB2,941.1 million, or approximately 33.2%, when compared to approximately RMB8,845.8 million recorded for the first half of 2023.

Adjusted net loss* was approximately **RMB0.7 million**, compared to approximately RMB8.4 million in the first half of 2023.

Adjusted EBITDA* was approximately **RMB10.7 million**, compared to approximately RMB34.2 million in the first half year of 2023.

Loss attributable to equity holders of the Company from continuing operations was approximately **RMB55.3 million**, compared to approximately RMB696.8 million for the first half of 2023.

Diluted loss per share from continuing operations was **RMB0.0422**, compared to RMB0.5319 for the first half of 2023, on a period-on-period basis.

The board (the "**Board**") of directors (the "**Directors**") of HC Group Inc. (the "**Company**") announces the unaudited financial results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Period**"), together with the comparative figures for the corresponding period ended 30 June 2023.

* Non-HKFRS financial measures. Please refer to page 30 for more information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	Unaudited Six months ended 30 June 2024 RMB'000	2023 RMB'000 (Represented)
Continuing operations			
Revenue	5	**5,904,709**	8,845,839
Cost of revenue		**(5,712,051)**	(8,643,844)
		192,658	201,995
Other income		**14,384**	7,243
Other gains, net		**(3,320)**	40,282
Selling and marketing expenses		**(119,097)**	(127,091)
Administrative expenses		**(88,665)**	(90,587)
Impairment of goodwill	10	**–**	(719,426)
Provision for impairment losses of financial assets		**(9,515)**	(4,595)
Operating loss		**(13,555)**	(692,179)
Finance cost, net		**(1,376)**	230
Share of post-tax losses of associates		**(34,072)**	(524)
Loss before income tax		**(49,003)**	(692,473)
Income tax (expense)/credit	6	**(346)**	4,322
Loss from continuing operations		**(49,349)**	(688,151)
Loss from discontinued operations	7	**(15,086)**	(155,440)
Loss for the period		**(64,435)**	(843,591)
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss			
Currency translation differences		**596**	(129)
Items that will not be reclassified to profit or loss			
Fair value loss on financial assets at fair value through other comprehensive income – Group		**(1,743)**	(68,886)
Currency translation differences for financial assets at fair value through other comprehensive income		**141**	889
Total comprehensive loss for the period, net of tax		**(65,441)**	(911,717)

	Notes	Unaudited Six months ended 30 June **2024** *RMB'000*	2023 *RMB'000* (Represented)
Loss for the period attributable to:			
Equity holders of the Company		**(63,197)**	(810,300)
Non-controlling interests		**(1,238)**	(33,291)
		(64,435)	(843,591)
Loss for the period attributable to the equity holders of the Company arises from:			
Continuing operations		**(55,298)**	(696,797)
Discontinued operations		**(7,899)**	(113,503)
		(63,197)	(810,300)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(64,203)**	(878,426)
Non-controlling interests		**(1,238)**	(33,291)
		(65,441)	(911,717)
Total comprehensive loss attributable to equity holders of the Company arises from:			
Continuing operations		**(56,304)**	(764,923)
Discontinued operations		**(7,899)**	(113,503)
		(64,203)	(878,426)
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*	**(0.0422)**	(0.5319)
Diluted loss per share	*8*	**(0.0422)**	(0.5319)
Loss per share from loss attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	*8*	**(0.0482)**	(0.6186)
Diluted loss per share	*8*	**(0.0482)**	(0.6186)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	**Unaudited 30 June 2024** *RMB'000*	Audited 31 December 2023 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**20,088**	20,045
Right-of-use assets		**12,841**	4,247
Investment property		**23,104**	23,685
Intangible assets		**98,803**	91,522
Deferred income tax assets		**4,058**	3,969
Investments accounted for using equity method		**299,878**	262,705
Financial assets at fair value through other comprehensive income		**18,154**	21,546
Financial assets at fair value through profit or loss		**–**	3,426
Long term deposits and prepayments		**1,722**	13,225
Total non-current assets		**478,648**	444,370
Current assets			
Inventories		**119,848**	123,919
Contract assets		**16,573**	2,687
Trade receivables	*11*	**116,344**	107,610
Deposits, prepayments and other receivables		**1,112,343**	770,198
Financial assets at fair value through profit or loss		**20,143**	–
Loans and interest receivables		**4,227**	53,203
Restricted bank deposit		**319,429**	234,868
Cash and cash equivalents		**229,440**	365,682
		1,938,347	1,658,167
Assets classified as held for sale	*12*	**–**	974,508
Total current assets		**1,938,347**	2,632,675
Total assets		**2,416,995**	3,077,045

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	**Unaudited 30 June 2024** *RMB'000*	Audited 31 December 2023 *RMB'000*
Equity			
Equity attributable to equity holders of the Company			
Share capital		**120,977**	120,977
Other reserves		**3,272,851**	3,147,855
Accumulated losses		**(2,904,839)**	(2,708,422)
		488,989	560,410
Non-controlling interests		**303,903**	624,866
Total equity		**792,892**	1,185,276
Liabilities			
Non-current liabilities			
Lease liabilities		**7,379**	537
Deferred income tax liabilities		**1,075**	1,253
Total non-current liabilities		**8,454**	1,790
Current liabilities			
Trade payables and bill payables	*13*	**376,895**	292,924
Accrued expenses and other payables		**138,192**	139,198
Contract liabilities		**456,358**	298,733
Bank borrowings	*14*	**161,324**	150,852
Other borrowings	*14*	**286,507**	255,621
Lease liabilities		**5,881**	4,075
Income tax payables		**17,630**	20,400
Other financial liabilities		**172,862**	165,644
		1,615,649	1,327,447
Liabilities directly associated with assets classified as held for sale	*12*	**–**	562,532
Total current liabilities		**1,615,649**	1,889,979
Total liabilities		**1,624,103**	1,891,769
Total equity and liabilities		**2,416,995**	3,077,045

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

HC Group Inc. (the “**Company**”) is a company incorporated in the Cayman Islands with limited liability. 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**”):

– Trading of goods through its B2B trading platforms, including “www.unioncotton.com” (“**Union Cotton**”) and “www.ibuychem.com” (“**ibuychem**”);

– 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.

Note:

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 subsequently 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 controls the board of directors of Chongqing Micro-credit but continue 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 associates in the condensed consolidated financial statements using the equity method of accounting. For details, please refer to Note 12.

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 six months ended 30 June 2023 were classified as discontinued operations in the Group’s condensed consolidated interim financial information.

The condensed consolidated interim financial information is presented in thousands of units of Renminbi, unless otherwise stated.

This condensed consolidated interim financial information was approved by the board of directors of the Company for issue on 23 August 2024.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 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**").

This condensed consolidated interim financial information does not include all the notes of the type normally included in an annual consolidated financial information. Accordingly, this information is to be read in conjunction with the annual consolidated financial information for the year ended 31 December 2023 and any public announcements made by the Group during the interim reporting period.

No audit or review was performed by the auditors on this information.

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 new and amended standards 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) New and Amended standards adopted by the Group

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants
Amendments to HKFRS 16	Lease liability in sale and leaseback
Revised to HK Interpretation 5	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.

(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 2024 and have not been early adopted by the Group:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability[(1)]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[(2)]
HKFRS 18	Presentation and Disclosure in Financial Statements[(3)]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[(3)]
Amendments to HK Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[(3)]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[(4)]

(1) Effective for the Group for annual period beginning on 1 January 2025
(2) Effective for the Group for annual period beginning on 1 January 2026
(3) Effective for the Group for annual period beginning on 1 January 2027
(4) 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.

Historically, the Group present the financial result of its e-business platform, hc360.com, and its financial services business as "Platform and corporate services segment".

In 2022, the Group decided to suspend the operation of hc360.com and gradually close down its related entity. On 28 November 2023, the Group announced that it agreed to sell its equity interests in Huicong Hulian to an independent third party. Huicong Hulian and its subsidiaries ("**Huicong Hulian Group**") were engaged in financial related business and held the Group's investment in commercial bank and financial sector in the Chinese Mainland. The above disposal and cessation of business were completed in the first half of 2024.

Consequently, the entire "Platform and corporate services segment", which was historically presented as a separate segment, is reported in the current period as discontinued operations. Accordingly, certain comparative figures related to the discontinued operations have been represented in the consolidated financial statements.

As at 30 June 2024, the Group has the following reportable business segments:

(i) Technology-driven new retail segment, which primarily includes provision of online advertising services through ZOL as well as B2B2C retail business of electronics products through its platforms.

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

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 2024 and 2023.

	Unaudited Six months ended 30 June 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	**125,594**	**5,779,115**	**5,904,709**	**–**	**5,904,709**
Interest income from financing services	**–**	**–**	**–**	**11,740**	**11,740**
Total revenue and income	**125,594**	**5,779,115**	**5,904,709**	**11,740**	**5,916,449**
Segment results	**(9,654)**	**(14,965)**	**(24,619)**	**(13,968)**	**(38,587)**
Other income			**14,384**	**–**	**14,384**
Other gains, net			**(3,320)**	**3,853**	**533**
Share of post-tax losses of associates			**(34,072)**	**–**	**(34,072)**
Finance income			**5,174**	**–**	**5,174**
Finance cost			**(6,550)**	**(4,971)**	**(11,521)**
Loss before income tax			**(49,003)**	**(15,086)**	**(64,089)**
Other information:					
Depreciation and amortisation	**2,835**	**8,593**	**11,428**	**82**	**11,510**
Provision for impairment on financial assets	**582**	**8,933**	**9,515**	**31,592**	**41,107**

	Technology-driven new retail segment	Smart industries segment	Subtotal	Discontinued operations-Platform and corporate services segment	Total
	Unaudited Six months ended 30 June 2023				
	Continuing operations				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	1,037,377	7,808,462	8,845,839	12,689	8,858,528
Interest income from financing services	–	–	–	47,792	47,792
Total revenue and income	1,037,377	7,808,462	8,845,839	60,481	8,906,320
Impairment losses on goodwill	(719,426)	–	(719,426)	–	(719,426)
Segment results	(747,556)	7,852	(739,704)	(138,433)	(878,137)
Other income			7,243	–	7,243
Other gains, net			40,282	–	40,282
Share of post-tax losses of associates			(524)	–	(524)
Finance income			5,088	73	5,161
Finance cost			(4,858)	(17,034)	(21,892)
Loss before income tax			(692,473)	(155,394)	(847,867)
Other information:					
Depreciation and amortisation	35,456	7,188	42,644	899	43,543
Provision for impairment on financial assets	–	4,595	4,595	172,658	177,253

5 REVENUE

	Unaudited six months ended 30 June 2024	Unaudited six months ended 30 June 2023
	RMB'000	*RMB'000* (Represented)
Continued operations:		
Revenue from contract with customers:		
Sales of goods through B2B trading platforms	**5,740,329**	8,642,541
Advertising and marketing services	**86,140**	88,320
Sales of anti-counterfeiting products	**33,182**	72,366
Digital identity technology and solution services	**36,090**	27,822
Marketing events, exhibition, seminars	**7,564**	13,110
Others	**1,404**	1,680
Total revenue	**5,904,709**	8,845,839

6 INCOME TAX (EXPENSE)/CREDIT

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(Represented)
Current income tax expense		
– The PRC corporate income tax ("**CIT**") expense	**(392)**	(4,080)
Deferred income tax credit		
– The PRC corporate income tax credit	**46**	8,356
Income tax (expense)/credit	**(346)**	4,276
Income tax (expense)/credit is attributable to:		
– Loss from continuing operations	**(346)**	4,322
– Loss from discontinued operations	**–**	(46)
	(346)	4,276

7 LOSS FROM DISCONTINUED OPERATIONS

	2024	2023
	RMB'000	*RMB'000*
		(Represented)
Huicong Hulian Disposal Group *(note a)*	**(19,859)**	(153,183)
Others	**4,773**	(2,257)
	(15,086)	(155,440)

(a) Discontinued operation of Huicong Hulian Disposal Group classified as held for sale

On 28 November 2023, the Group entered into the conditional equity transfer agreement (the "**Agreement**") to dispose 100% equity interest in Huicong Hulian for a cash consideration of RMB5,000,000. The disposal has been completed on 27 February 2024. 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 prior to the completion of such disposal.

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

Please refer to Note 12 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 six months ended 30 June 2023 is as follows:

	Period ended 27 February 2024 *RMB'000*	Six months ended 30 June 2023 *RMB'000*
Interest income from financing services	**11,740**	47,568
Income/(expenses)	**913**	(27,640)
Net provision for impairment losses on financial assets	**(32,512)**	(173,065)
Loss before income tax	**(19,859)**	(153,137)
Income tax expenses	**–**	(46)
Loss after income tax from discontinued operations	**(19,859)**	(153,183)
Gain on disposal of Huicong Hulian Group	**3,853**	–
Loss from discontinued operations	**(16,006)**	(153,183)
Net cash generated from operating activities	**1,574**	25,806
Net cash used in investing activities	**(10,000)**	–
Net cash used in financing activities	**–**	(16,150)
Total net cash (outflow)/inflow	**(8,426)**	9,656

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	
	2024	2023 (Represented)
Loss attributable to equity holders of the Company (in RMB'000)		
– From continuing operations	**(55,298)**	(696,797)
– From discontinued operations	**(7,899)**	(113,503)
	(63,197)	(810,300)
Weighted average number of shares outstanding (thousands)	**1,309,931**	1,309,931
Basic loss per share		
– From continuing operations (in RMB)	**(0.0422)**	(0.5319)
– From discontinued operations (in RMB)	**(0.0060)**	(0.0867)
Total basic loss per share (in RMB)	**(0.0482)**	(0.6186)

(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 six months ended 30 June 2024, all of these share options had no dilutive effect to the Company and therefore, diluted loss per share equaled basic loss per share (30 June 2023: same).

9 DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2024 (30 June 2023: Nil).

10 IMPAIRMENT OF GOODWILL

An impairment for goodwill amounting to RMB719,426,000 were recognised for the "Online services – B2B2C business CGU" during the six months ended 30 June 2023 as the business performance of ZOL did not meet the growth in revenue and earnings originally anticipated.

For the remaining CGUs, 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 TRADE RECEIVABLES

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Trade receivables *(note a)*	**132,393**	123,392
Less: provision for impairment of trade receivables	**(16,049)**	(15,782)
Trade receivables, net	**116,344**	107,610

(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 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
0 to 90 days	**79,747**	73,774
91 to 180 days	**25,176**	23,768
181 to 270 days	**12,978**	9,271
271 to 365 days	**4,360**	2,720
Over 1 year	**10,132**	13,859
	132,393	123,392

12 DISPOSAL OF HUICONG HULIAN DISPOSAL GROUP

On 27 February 2024 ("**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. 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 directly owned investment of Huicong Hulian as at 31 December 2023 and the 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 Digital China Huicong Micro-credit Co., Ltd. ("**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% equity interests in Chongqing Micro-credit, out of which 30% equity interest were held by Huicong Hulian and 40% equity interest were held by Hong Kong Huicong International Group Limited, which is a wholly-owned subsidiary of the Group. Upon the Completion Date, the Group's interest in Chongqing Micro-credit decreased from 70% to 40% and the Group no longer holds control over the board of directors of Chongqing Micro-credit, but retains significant influence over it. As a result, Chongqing Micro-credit ceased to be a subsidiary of the Group and the retained 40% equity interest was recognised as investment in an associate in the consolidated financial statements using the equity method.

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*
Property, plant and equipment	710
Intangible assets	700
Right-of-use assets	123
Deferred income tax assets	40,674
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	17,823
Cash and cash equivalents	14,391
Trade and other payables	(54,868)
Bank borrowings	(487,882)
Lease liabilities	(130)
Other taxes payable	(533)
Income tax payable	(16,335)
Impairment loss previously recognised	(586,302)
Net assets disposed of	392,118
Less: net assets attributable to non-controlling interests	(319,726)
Net assets attributable to the Group	72,392
Net gain on disposal Huicong Hulian Disposal Group:	
Cash consideration	5,000
Fair value of the 40% equity interests retained in Chongqing Micro-credit as investment in associate	71,245
Less net assets attributable to Group disposed of	(72,392)
	3,853
Net cash outflow arising on disposal for the period ended 30 June 2024:	
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 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 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 gains amounting to RMB3,853,000 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 notional goodwill arising on the transaction of Chongqing Micro-credit was as follows:

	RMB'000
Fair value of the 40% equity interests retained in Chongqing Micro-credit as investment in associate	71,245
Share of the fair value of net identifiable assets	(70,187)
Notional goodwill	(1,058)

13 TRADE PAYABLES AND BILL PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES

	Unaudited 30 June 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000*
Trade payables and bill payables *(note a)*	**376,895**	292,924
Accrued salaries and staff benefits	**36,613**	45,650
Accrued agency commission	**6,189**	5,702
Accrued expenses	**61,583**	54,691
Deposits from customers	**3,819**	3,434
Other tax payables	**14,596**	15,522
Others	**15,392**	14,199
	515,087	432,122

Note:

(a) Trade payables and bill payables

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

	Unaudited 30 June 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000*
0 to 90 days	**173,305**	238,717
91 to 180 days	**171,140**	40,949
181 to 365 days	**19,511**	218
Over 1 year	**12,939**	13,040
	376,895	292,924

14 BORROWINGS

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Current portion:		
Bank borrowings *(note a)*	**161,324**	150,852
Other borrowings *(note b)*	**286,507**	255,621
Total borrowings	**447,831**	406,473

The above balance includes both principal and interest portion of the borrowings and are all denominated in RMB (31 December 2023: same).

Notes:

(a) Bank borrowings bear average interest rate ranging from 2.9% to 5% per annum (31 December 2023: ranging from 3.2% to 7% per annum) and principal of approximately RMB161,258,000 will mature in next twelve months (31 December 2023: RMB150,840,000).

Out of the total balances, the followings bank borrowings were secured.

(i) bank borrowing of RMB8,000,000 which was guaranteed by a subsidiary of the Group and secured by a property (31 December 2023: Nil); and

(ii) bank borrowing of RMB10,000,000 which were guaranteed by certain independent third party of the Group and secured by an Executive Director of the Group (31 December 2023: Same); and

(iii) bank borrowing of RMB5,000,000 which was unguaranteed and secured by restricted bank deposit of the Group (31 December 2023: Nil).

The remaining bank borrowings are unsecured and mainly included:

(i) bank borrowings of RMB68,550,000 (31 December 2023: RMB74,000,000) which were guaranteed by subsidiaries of the Group; and

(ii) bank borrowings of RMB28,980,000 (31 December 2023: RMB43,930,000) which were guaranteed by certain key management personnel of the subsidiaries; and

(iii) bank borrowings of RMB5,000,000 which were guaranteed by a subsidiary and key management personnel of a subsidiary and his spouse (31 December 2023: Nil); and

(iv) bank borrowing of RMB4,828,000 which were guaranteed by an independent third party and a key management personnel of a subsidiary (31 December 2023: Nil); and

(v) bank borrowing of RMB3,000,000 which were guaranteed by an independent third party and a key management personnel of a subsidiary and his spouse (31 December 2023: Nil); and

(vi) bank borrowing of RMB1,400,000 which were guaranteed by an Executive Director of the Group (31 December 2023: same); and

(vii) bank borrowings of RMB26,500,000 (31 December 2023: RMB11,500,000) which were unguaranteed.

(b) Other borrowings bear interest rate ranging from 0% to 8% per annum (31 December 2023: same) and principal of approximately RMB286,273,000 will mature in next twelve months (31 December 2023: RMB255,598,000).

Out of the total balances, the followings other borrowings were secured:

(i) other borrowing of RMB230,000,000 provided by an independent third party which was guaranteed by a subsidiary of the Group and secured by certain equity interest of a subsidiary of the Group (31 December 2023: Same); and

(ii) other borrowings of RMB10,000,000 provided by an independent third party which were guaranteed by a subsidiary of the Group and secured by prepayment of home appliances (31 December 2023: Nil); and

(iii) other borrowing of RMB9,273,000 provided by an independent third party which was unguaranteed and secured by prepayment of cotton (31 December 2023: Nil).

The remaining other borrowings are unsecured and mainly included:

(i) other borrowing of RMB20,000,000 provided by an independent third party which was guaranteed by an executive director of a subsidiary of the Group (31 December 2023: RMB10,000,000); and

(ii) other borrowings of RMB4,000,000 provided by a non-controlling shareholder and certain key management personnels of subsidiaries of the Group (31 December 2023: RMB3,600,000); and

(iii) other borrowing of RMB3,000,000 provided by a key management personnel of a subsidiary (31 December 2023: Nil); and

(iv) other borrowings of RMB10,000,000 provided by an independent third party (31 December 2023: RMB11,998,000).

As at 30 June 2024, the Group has undrawn banking facilities of RMB2,350,000 (31 December 2023: RMB12,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue	Technology-driven new retail	Smart industries	Subtotal	Discontinued operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
First half of 2024	125,594	5,779,115	5,904,709	11,740	5,916,449
First half of 2023	1,037,377	7,808,462	8,845,839	60,481	8,906,320
Variance	-87.9%	-26.0%	-33.2%	-80.6%	-33.6%

During the Period, the Group generated a total revenue and income of approximately RMB5,916.4 million (first half of 2023: approximately RMB8,906.3 million), representing a decline of approximately 33.6% as compared to that in the corresponding period in 2023. The decrease was mainly attributable to the decline in revenue generated by Union Cotton in the smart industries segment to approximately RMB5,698 million (first half of 2023: approximately RMB7,068 million). During the Period, Union Cotton scaled down its self-operated sales as a measure to reduce its risks from price fluctuations in response to the weakened demand from downstream textile enterprises and changes in government subsidy policies.

During the Period, operating expenses decreased from approximately RMB217.6 million in the first half of 2023 to approximately RMB207.7 million, which was mainly due to the decreased amortization of intangible assets and staff cost.

Loss from discontinued operations was mainly resulted from the finance services business under the platform and corporate services segment, such business was agreed to be disposed of in November 2023 through the disposal of Huicong Hulian. The disposal completed in February 2024, and the Group no longer holds any equity interests in Huicong Hulian afterwards.

Loss attributable to equity holders of the Company was approximately RMB63.2 million for the Period which was mainly attributable to the share of post-tax losses of associates (of approximately RMB34.1 million) in the Period. In the first half of 2023, the Group recorded a loss attributable to equity holders of the Company of approximately RMB810.3 million, with one of the key contributing factors being the goodwill impairment of approximately RMB719.4 million with respect to ZOL in the technology-driven new retail segment in 2023, which did not recur in the Period (more information is set out in Note 10 to the condensed consolidated financial statement in this announcement, and in the Company's 2023 Annual Report).

BUSINESS REVIEW

During the Period, the Group has 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.

In the Period, revenue of the Group was mainly generated from two business segments, namely, the technology-driven new retail segment (contributing approximately 2.13% of the Group's revenue), and the smart industries segment (contributing approximately 97.87% of the Group's revenue).

Technology-Driven New Retail Segment

The technology-driven new retail segment mainly generates its revenue through the operation of the ZOL website (zol.com.cn, "**ZOL**"), which provides online advertising and marketing services for 3C and living technology products in Chinese Mainland.

The decline in overall scale of the 3C product advertising and marketing industry, the global economic trend of contraction and the impact of the rapid application of AI (Artificial Intelligence) technology on the traditional content production and dissemination have affected the business of ZOL. There has been a substantial decline in the number of customers over the past few years as customers have tightened their business scope and divested themselves of non-core businesses. Customers' investment and budget on advertising and marketing activities have also significantly reduced. In addition, under the influence of the mobile internet trend, 3C and living technology products users have become more reliant on content from self-media platforms, and are becoming more cautious on content produced by professional/institutional creators. While ZOL has adopted various means such as expanding the content of its video platform, one-stop online and offline custody, and multi-platform cross-border cooperation among opinion leaders, its result performance in the first half of the year still fell short of expectations.

ZOL will continue to focus on improving the following areas:

— Enhance core capabilities: accelerate the construction of AIGC, improve AI-assisted creation capabilities, produce high-quality content quickly, accurately and efficiently to meet user needs and maintain the vitality of the platform; establish ZOL's own platform matrix and introduce users and opinion leaders to the platform based on the original PGC content, so as to form a platform structure that combines users' self-produced content and the platform's professional content; innovate APP monetisation mode, and innovate various APP commercial functions to realize a new mode that facilitates the use of users and meets the advertising and promotion needs of cooperative customers.

— Enhance marketing capabilities: online and offline integrated communication services, professional planning services for dedicated customers, online and offline integrated comprehensive communication, to help customers complete the communication work in various areas from different perspectives using a single program; establish its own industry opinion leaders and professional user resource database, to rapidly respond to customer demand for multi-platform integrated communication, and formulate a personalized communication plan that is more suitable for the characteristics of the customer's products with the in-depth research of ZOL professionals on products; with multi-platform cooperation and integrated communication, ZOL can refine its operation on all platforms and deeply communicate with the different platforms officials of different attributes, such as social, sharing, and e-commerce, to formulate a differentiated and customized full-chain marketing solution for the customers, as well as one-stop services.

— Enhance content: expand the automotive field, intelligent vehicles, especially new energy vehicles, are increasingly related to electronic technology products. Based on the in-depth understanding of electronic technology products, ZOL interprets the technological attributes of intelligent vehicles from a professional perspective to expand brand-new possibilities; construct content across multiple fields and angles, integrate user profile analysis, expand the content of hot interests in multiple domains, enhance user stickiness, and expand the interest group; enhance comprehensive content organization capabilities, integrate different types of creators to provide customers with comprehensive communication solutions on a planned scale, maximizing technical expertise and producing high-quality content more efficiently, with an innovative planning team composed of a professional evaluation and editing team.

Huimaimai platform business ("**Huimaimai**"), which serves small b, has been growing steadily. During the first half of the year, Huimaimai promoted its strategy of sinking into the market, relying on its S2B2C business model to effectively integrate urban and rural resources amidst the slowing down of domestic economic growth. By strengthening the empowerment of the upstream supply chain and downstream husband-and-wife retail stores, it further enhanced the operational resilience, consolidated the market competitiveness and optimized the operational efficiency and effectiveness. Huimaimai further deepened the cooperation with leading brands, and expanded the authorized cooperation with other well-known brands to customize and develop products that better meet the needs of consumers in the sinking market, and the supply chain capability was enhanced. In terms of intelligence, the Company's independently deployed AI big model service capability provided strong sales and operation support for member retail stores, realizing application and effectiveness in multiple scenarios. By focusing on sales support and service innovation for member retail stores, the Company independently researched and developed after-sales and store management tools to respond to diversified customer needs. These initiatives helped optimize the profit structure and enhance profitability.

Smart Industries Segment

With "Focus" and "Significant verticality" as its operating strategies, the smart industries segment mainly comprises: (i) "Shanghai Huijing", a cross-sector supply chain integrated service platform; (ii) PanPass, an Internet of Things ("**IoT**") solutions provider for digital transformation; (iii) Union Cotton, a spot trading platform for cotton; and (iv) "ibuychem", a centralised purchasing and integrated e-business service provider for chemicals and plastics.

Shanghai Huijing E-business Co., Limited ("**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.

Beijing PanPass Information Technology Co., Ltd. ("**PanPass**") (NEEQ stock code: 430073) is committed to becoming a leading provider of 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 provide 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. 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. In the first half of the year, PanPass obtained 4 patents, including 2 invention patents, 2 utility model patents, and 13 software copyrights. PanPass realised operating income of approximately RMB69.35 million in the first half of the year, representing an increase of approximately 13.15% as compared to the corresponding period last year, and net profit of approximately RMB10.08 million, representing an increase of approximately 21.12% as compared to the corresponding period last year.

As one of the components of the smart industries segment of the Group, Union Cotton materialises its development vision of 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. Through harnessing internet technology and big data, Union Cotton can provide both upstream and downstream customers in the industrial chain with digital 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 supply chain of the cotton textile industry and creating a digital industrial internet trading platform for textile manufacturing.

In the first half of 2024, Union Cotton has continued with its overall business strategy for 2023, adhering to its digitalised and platform-based supply chain service philosophy of "transaction + comprehensive services", which is centred around the three major pillars of "resources, products, services". During the Period, with the upstream in the domestic cotton textile industry having ample stock and the customarily rise in supply at the beginning of a year, purchase orders from downstream remained flat. In addition, the insufficient domestic demand across the whole cotton textile industry, coupled with sharp decline in export orders, led to generally higher level 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 negatively affected the fund flow of market participants in general. Thus, profitability has been unfavourably impacted across the industry under the 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 19.4% in its revenue for the Period, when compared to that of Union Cotton for the first half of 2023.

"ibuychem" is the Group's platform in provision of centralised purchasing and integrated e-business service for upstream and downstream of chemicals materials (such as chemical, plastics and coating). Through the new materials database — YouLiaoKu and the digital marketing tool — Smart Store, the Group is constructing a multidimensional digital "Trade + Supply Chain Service" new materials marketplace, as well as the professional media information platform — Huizheng Information's integrated media system, and the "ibuychem" Research Institute market index decision system among other value added services to empower business development.

Prospects

Despite facing many challenges, the Group remains optimistic about capturing opportunities. In recent years, the Group has been reviewing its portfolios and development strategy and making adjustment to its business, operating and costs 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 our core business components, including ZOL, PanPass and Union Cotton with a balance over costs and risks associated with its operations, and to reduce our indebtedness level in the short to medium term.

Liquidity and financial resources

As at 30 June 2024, the Group had cash and bank balance of approximately RMB229.4 million (31 December 2023: RMB365.7 million), which were mainly denominated in Renminbi ("**RMB**"), and net current assets of approximately RMB322.7 million (31 December 2023: RMB742.7 million). The Group maintained a stable working capital position during the Period.

As at 30 June 2024, the Group had a total borrowings of approximately RMB447.8 million (as at 31 December 2023: RMB406.5 million), of which approximately (i) RMB161.3 million (31 December 2023: RMB150.9 million) were bank borrowings; and (ii) RMB286.5 million (31 December 2023: RMB255.6 million) were other borrowings. The Group's borrowings were mainly denominated in RMB. The bank borrowings bear average interest rate of 3.57% per annum (31 December 2023: 4.15% per annum), with maturity ranging from 2024 to 2025.

Other borrowings with a total principal amount of RMB230.0 million (31 December 2023: RMB230.0 million) were provided by an independent third party with maturity dates in December 2024. 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 5.50% to 8.00% per annum (31 December 2023: 6.00% to 8.00% per annum). As at 30 June 2024, the Group's gearing ratio is 10%, which is calculated as net asset/debt divided by total capital.

The capital and reserves attributable to equity holders of the Company decreased by approximately RMB71.4 million from approximately RMB560.4 million as at 31 December 2023 to approximately RMB489.0 million as at 30 June 2024.

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. During the Period, the Group had conservative treasury policies in terms of cash and financial management. The Group did not use any financial instruments for hedging purposes during the Period.

Significant investments and future plans for material investments

The Group did not hold any significant investments and did not conducted any material acquisitions and disposal of subsidiaries, associates or joint ventures (other than those disclosed in this announcement) during the Period.

Save as disclosed in this announcement, the Group had no future plans for material investments which have been authorised by the Board as of the end of the Period and the date of this announcement.

Staff

The Group relies on the skills, motivation and commitment of its staff. As at 30 June 2024, the Group had 756 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. The Group also provides incentives through bonuses and share incentives under the Company's share schemes based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programs and educational subsidies. Total staff costs including director's emoluments from continuing operations for the Period amounted to approximately RMB80.3 million.

Capital structure

The total number of issued shares of the Company was 1,309,931,119 as at 30 June 2024.

As of 30 June 2024, 54,485,706 options under the share option schemes (if exercised, 54,485,706 shares may be issued) remained outstanding.

Charges on Group assets

As at 30 June 2024, the Group's bank borrowings amounting to RMB8,000,000 (31 December 2023: Nil) are secured by a property.

As at 30 June 2024 and 31 December 2023, the other borrowing with a total principal amount of RMB230,000,000 were provided by an independent third party with maturity on 31 December 2024. This other borrowing is interest-free and secured by certain equity shares of a subsidiary.

The other borrowings with a principal amount of RMB9,273,000 (31 December 2023: Nil) are provided by an independent third party. These other borrowings are unguaranteed and secured by prepayment of cotton.

Exchange risk

The Group's operations are principally in the Chinese Mainland, and majority of the Group's assets and liabilities are denominated in RMB. The Company believes that the Group's current operations are not subject to significant exchange risk.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2024.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (first half of 2023: Nil).

OTHER IMPORTANT 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and was approved by the shareholders of the Company 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, and 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.

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.

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 C3 to the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed he/she has 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 of them being independent non-executive Directors) and Mr. Guo Fansheng (a non-executive Director). One of the primary duties of the Audit Committee is to review and supervise the financial reporting process and internal control procedures of the Group.

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, this announcement and the interim report.

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 the Group consolidated results which are prepared and presented in accordance with HKFRS, the Group also used adjusted EBITDA and adjusted net profit/loss as additional financial measures, which are not required by, or presented in accordance with HKFRS. The Company 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 issuers and therefore may not be comparable to similar measures presented by other issuers.

The following table sets forth the reconciliations of our non-HKFRS financial measures for the six months ended 30 June 2024 and 2023, to the nearest measures prepared in accordance with HKFRS.

	Unaudited Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(Represented (*Note*))
Operating loss	**(13,555)**	(692,179)
Other gains, net	**3,320**	(40,282)
Impairment losses on goodwill	**–**	719,426
Provision for impairment losses on financial assets	**9,515**	4,595
Adjusted net loss	**(720)**	(8,440)
Adjusted for		
Depreciation and amortisation	**11,428**	42,644
Adjusted EBITDA*	**10,708**	34,204

* Earning before interest, taxes, depreciation and amortisation.

Note: The comparative figures related to the discontinued operations have been represented in the consolidated financial statements, as such the non-HKFRS financial measures have also been represented to align the presentation.

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 a pro-rata basis to existing shareholders of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Mr. Liu Jun is the chairman and the CEO of the Company. Code Provision C.2.1 in Part 2 of Appendix C1 to the Listing Rules 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, and is beneficial to the Group as a whole.

Save as the above, the Board was satisfied that the Company met the applicable code provisions set out in the Corporate Governance Code in Part 2 of Appendix C1 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 its listed securities during the Period.

By order of the board
HC Group Inc.
Liu Jun
Chairman and Chief Executive Officer

Hong Kong, 23 August 2024

As at the date of this announcement, the Directors are:

Mr. Liu Jun (Chairman, Executive Director 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 figures in this announcement have been subject to rounding adjustments.

This announcement contains certain forward-looking statements that reflect the Company's beliefs, plans or expectations about the future or future events. These forward-looking statements are based on a number of assumptions, current estimates and projections, and are therefore subject to inherent risks, uncertainties and other factors which may or may not be beyond the Company's control. The actual results or outcomes of events may differ materially and/or adversely. Nothing contained in these forward-looking statements is, or shall be, relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives assume any responsibility to update these forward-looking statements or to adapt them to future events or developments or to provide supplemental information in relation thereto or to correct any inaccuracies.