慧聰集团
HC GROUP

2022 中期報告

INTERIM REPORT

HC GROUP INC. 慧聰集團有限公司
Stock code 股份代號：02280

MESSAGE FROM THE CHAIRMAN

The board (the "Board") of directors (the "Directors") of HC Group Inc. (the "Company") hereby announces the unaudited financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 (the "Period"), together with the comparative figures for the corresponding period ended 30 June 2021 to the shareholders of the Company (the "Shareholders").

Financial Highlights

	Unaudited Six months ended 30 June	
	2022 ***RMB'000***	2021 *RMB'000* (Restated)
Revenue		
– continuing operations	**6,116,947**	7,064,539
– discontinued operations	**–**	9,905
Adjusted net loss* (Non-HKFRS measure)	**(48,149)**	(116,174)
EBITDA/(LBITDA)* (Non-HKFRS measure)	**9,875**	(12,143)
Loss attributable to equity holders		
– continuing operations	**(74,735)**	(80,584)
– discontinued operations	**–**	(22,884)
Diluted loss per share ("LPS")		
– continuing operations	**(0.0571)**	(0.0615)
– discontinued operations	**–**	(0.0175)

Key financial figures for the six months ended 30 June 2022

- **Total revenue** was approximately **RMB6,116.9 million**, decreased by approximately **RMB947.6 million**, or **decreased by approximately 13.4%**, when compared to approximately **RMB7,064.5 million** recorded for the corresponding period in 2021 from continuing operations.

- The Group's **adjusted net loss*** was approximately **RMB48.1 million**, decreased by approximately **RMB68.1 million** from approximately **RMB116.2 million** in the first half of 2021.

- The Group's **EBITDA*** was approximately **RMB9.9 million**, increased by approximately **RMB22.0 million** from approximately **RMB12.1 million** of **LBITDA** in the first half year of 2021.

- **Loss attributable to equity holders of the Company** from continuing operations was approximately **RMB74.7 million** during the first half of 2022, while a loss attributable to equity holders of the Company from continuing operations of approximately **RMB80.6 million** was recorded for the corresponding period in 2021.

- The diluted **loss per share from continuing operations** was **RMB0.0571**, when compared to **RMB0.0615** for the corresponding period in 2021, on a period-on-period basis.

* The adjusted net loss and EBITDA/(LBITDA) are non-HKFRS financial measures, for details, please refer to page 71 in this report.

FINANCIAL REVIEW

Revenue	Technology-Driven New Retail *RMB'000*	Smart Industries *RMB'000*	Platform and Corporate Services *RMB'000*	Subtotal *RMB'000*	Discontinued Operations *RMB'000*	Total *RMB'000*
First half of 2022	732,548	5,282,694	101,705	6,116,947	–	6,116,947
First half of 2021	505,510	6,436,752	122,277	7,064,539	9,905	7,074,444
Variance	44.9%	-17.9%	-16.8%	-13.4%	-100.0%	-13.5%

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

Revenue of approximately RMB732.5 million was achieved from the segment of technology-driven new retail in the first half of 2022, and represented an increase of approximately 44.9% from approximately RMB505.5 million in the same period of 2021. Revenue from the smart industries segment decreased from approximately RMB6,436.8 million to approximately RMB5,282.7 million which represented a decrease of approximately 17.9%. Revenue derived from the segment of platform and corporate services was approximately RMB101.7 million in the first half of 2022, which represented a decrease of approximately 16.8% from approximately RMB122.3 million in the same period of 2021.

During the Period, operating expenses of continuing operations decreased from approximately RMB315.4 million in the same period of 2021 to approximately RMB252.5 million, which was mainly due to the decreased staff cost, share-based compensation expenses and amortization of intangible assets.

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

BUSINESS REVIEW

In the first half of 2022, the Group continued to work on its vision of becoming a leading group for "Industrial Internet" in China by leveraging internet thinking, instruments and methods to ramp up industrial efficiency, empower supply chains and industrial chains, and establish a win-win ecosystem to serve customers. By focusing on and integrating advantageous resources, the Group's businesses are divided into three segments: namely the platform and corporate services segment, the technology-driven new retail segment, and the smart industries segment.

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

Technology-Driven New Retail Segment

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

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

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

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

1. Breakthrough in terms of professional content development:

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

2. Breakthrough in terms of product R&D:

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

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

3. Breakthrough in terms of B2B trading:

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

Smart Industries Segment

The smart industries segment is mainly composed of: "Shanghai Huijing", a cross-sector supply chain integrated service platform; PanPass, an Internet of Things ("IoT") solutions provider for digital transformation; Union Cotton, a spot trading platform for cotton; and ibuychem.com, which is positioned to provide centralised purchasing and integrated e-business service for chemicals and plastics. "Focus" and "significant verticality" are the Group's important strategies for the smart industries segment.

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

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

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

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

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

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

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

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

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

With advanced Internet and AI technologies, leading IoT application concepts, intelligent big data algorithms, efficient trading and supporting services, "Union Cotton" is positioned as the preeminent digital service platform for the 10 trillion level textile and apparel market. By building an alliance system of integrity and trust for enterprises up and down the industry chain, Union Cotton strives to create a new industry chain, eco-environment with online trading of cotton, polyester fiber, yarn and other textile raw materials and textile products as its core. It also provides customers with digital supply chain management and supporting services such as accurate matching of transactions, sales and purchase, logistics and distribution, supply chain services, data information and quality enquiries, and promotes the in-depth integration and allocation of industrial resources. Through Internet technology and big data, Union Cotton will improve the synergy of the supply chain of the cotton textile industry and create an open, intelligent, efficient and convenient digital chemical industry Internet platform based on textile manufacturing through the in-depth implantation of IoT devices.

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

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

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

Platform and Corporate Services Segment

Positioned as an operating service platform of SMEs, the platform and corporate services segment devotes to help SMEs (small and medium-sized enterprises) to improve business operation efficiency and to promote the transformation and upgrade of SMEs. With industrial data chains and business layouts through the B2B e-business platform, hc360.com, internet platform products and traditional industries, the Group targets at helping SMEs accurately connect with remarkable merchants and products. The platform and corporate services segment also includes the Group's micro-credit financing, lease financing and factoring services, which provides financial services targeting at, among others, SMEs via the Group's customer resource. For more details, please refer to the content on the "Financing Services Business" in Page 13 of this report.

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

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

Prospect

Since the beginning of 2022, the resurgence of the pandemic has exerted immense pressure on global supply chain, along with energy crisis and friction and conflicts in regional trading, have all impacted the growth of enterprise to a great extent. The vigorous capital growth has switched to stable operational growth. In recent years, the transformation in supply driven by consumption in reverse is a remarkable feature of our country's economic development, while digital economy and smart economy have become the development direction of social economy. Industry internet, under the support of multiple technology, is now the foundation of advancing revamp of business operation.

The Group's B2B e-commerce business platform – hc360.com ("the HC (hc360.com) Platform") mainly provides services for SMEs. Since the outbreak of the COVID-19 pandemic, the business situation of SMEs has deteriorated and many SMEs struggle for survival. The original business model of the HC (hc360.com) Platform has been challenged and its sales revenue has fallen short of expectations. For instance, operations of Beijing Huicong 360 Technology Co., Ltd. (北京慧聰叁陸零科技有限公司) (an e-commerce business entity and website technology service company, "Huicong 360") has been suspended due to business adjustment from the end of August 2022. For the Period ended 30 June 2022, the revenue generating from the HC (hc360.com) Platform accounted for a relatively small portion of only approximately 0.9% of the Group's total revenue, while also bringing continual loss to the Group. Considering the outlook of B2B e-commerce business, the immateriality of HC (hc360.com) Platform in the Group and its revenue performance, as well as the resources needed and potential return, the Group intends to pool resources to the other businesses with more sustainable development prospects. The Group is prudently considering the prospect and sustainability of the HC (hc360.com) Platform to ensure that they are in the interests of the Group and its shareholders. The principal operating entity, management team and staff of HC (hc360.com) Platform (including Huicong 360) are relatively independent from the Group's other business segments. Huicong 360 and HC (hc360.com) Platform's potential business adjustments will not have a material adverse impact on the continuing operations of the Group's other business segments as well as the continuous operation of the Company. The Group will make further announcement to provide updates to the Shareholders as and when required.

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

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

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

On behalf of the Board, I would like to take this opportunity to thank the management team and every staff member of the Group for their on-going dedication and hard work.

Liu Jun
Chairman

Hong Kong, 19 August 2022

Liquidity and financial resources

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

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

Other borrowings with a total principal amount of RMB230,000,000 (31 December 2021: RMB230,000,000) were provided by an independent third party with maturity dates in December 2022. These borrowings are interest-free and secured by certain equity shares of a subsidiary. The remaining other borrowings are provided by independent third parties, director of a subsidiary, a non-controlling shareholder of a subsidiary and bear interest rate ranging from 3.70% to 8% per annum (31 December 2021: 3.89% to 10% per annum). As at 30 June 2022, the Group's gearing ratio is 15% (31 December 2021: 15%), which is calculated as net debt divided by total capital.

The capital and reserves attributable to equity holders of the Company decreased by approximately RMB45.7 million from approximately RMB2,866.0 million as at 31 December 2021 to approximately RMB2,820.3 million as at 30 June 2022.

Treasury policy

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

Significant investments

As at 30 June 2022, the Group held 9.8% equity interest of Inner Mongolia Hohhot Jingu Rural Commercial Bank Company Ltd ("Jingu") through acquisition and subscription of shares with an aggregate investment amount of approximately RMB383,885 million. As of 30 June 2022, the Group's interests in Jingu was classified as a financial asset at fair value through other comprehensive income in the Company's accounts, accounted for with a fair value of RMB419,426,000 (representing approximately 7.6% of the Group's total assets). See also notes 5.3 and 18 to the note to the condensed consolidated interim financial information. Jingu's principal business includes, among other things, provision of products and services on bank deposits, loans and advances in PRC and other business approved by the China Banking Regulatory Commission. During the Period, Jingu's financial performance maintain stable and within management's expectations. The Group engaged external valuer to measure and reflect its market fair value and reflected it in the consolidated financial statements.

During the Period, the Group did not receive any dividends from Jingu (six months ended 30 June 2021: Nil). The Group considered the investment in Jingu as a long-term strategic investment.

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

Future plans for material investments

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

Staff

The continued success of the Group relies on the skills, motivation and commitment of its staff. As at 30 June 2022, the Group had 1,295 employees.

Remuneration of employees is generally in line with the market trend and commensurate with the rate in the industry. The Group also provides share incentive (including share options) to employees based on individual performance. Other benefits to the Group's employees include medical insurance, retirement schemes, training programs and educational subsidies.

Capital structure

The total number of issued Shares was 1,309,931,119 as at 30 June 2022.

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

Charges on Group assets

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

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

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

Exchange risk

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

Contingent liabilities

Save as the financial liabilities at fair value through profit or loss in relation disclosed in Note 11 and Note 26 in the notes to the condensed consolidated interim financial information, the Group had no material contingent liabilities as at 30 June 2022.

FINANCING SERVICES BUSINESS

As part of its ordinary and usual course of business, the Group provides micro-credit loans and finance lease, principally targeting small and medium-sized enterprises and business owners ("financing services business"). The Group's financing service business is included in its Group's platform and corporate services segment. Such business is conducted through two of the subsidiaries of the Group (the "Licensed Members") which hold the respective licenses conducting finance lease business and micro-credit financing business in the mainland China. During the Period, the Group recorded interest income of approximately RMB52,733,000 from its financing services business (six months ended 30 June 2021: RMB64,710,000, year ended 31 December 2021: RMB124,763,000). As of 30 June 2022, the Group's balance of outstanding loans and interest receivables, net and finance lease receivables from the financing services business amounted to approximately RMB1,508,179,000 and RMB292,890,000, respectively (31 December 2021: RMB1,529,479,000 and RMB301,822,000), respectively.

Micro-credit loan and finance lease arrangements are initiated by salesmen of the Licensed Members, who would firstly perform a study on the creditworthiness of the applicant, as well as the applicants' background, credit history, financial statements, financial conditions (e.g. source of income), purpose of making the arrangements, title documents of collaterals or leased assets and other case specific material (collectively as the "Vetting Material"). Then salesmen would submit proposals along with the Vetting Material to managers and the credit department for further review and verification.

For the micro-credit loan business, the Group enters into loan agreements with its customers using its model loan contracts (and where applicable, model guarantee contract) setting out the terms of each loan, including: applicable term and floating interest rate (comprising the base interest rate and the margin over the base rate, and adjustment mechanism), arrangements on default and damages, and additional rights of the lender such as right of inspection and right to information. The Group has established relevant mechanism to cover credit risk in key operational phases of micro-credit financing services business, including pre-lending evaluations, credit approval, and post-lending monitoring. The Group conducts customer acceptance and due diligence by operating department and risk management department in the pre-lending evaluations. In the credit approval phase, all loans applications are subjected to the assessment and approval of the Department Manager, General Manager and Risk Assessment Committee of the micro-credit company, depending on the amount and nature of the loans. The relevant Group's entity performs pre-loan investigations to investigate and assess the creditworthiness of the applicant based on guidance and rules established by the Group. The Group focuses on (but without limitation) the following factors in performing its pre-loan investigations: background and continued existence of the applicant, its ownership and management, its credit history, its financial conditions measured by, among other things, its income, assets, sources for repayment, (for corporation) industry in which the borrow operates, (for individual) occupation and income source, and/or (where applicable) title, value and condition of collateral. Due diligence will be conducted via various means such as enquiry via credit reference center of the People's Bank of China, review of industrial and commercial registration, review of business license, tax registration, industry licenses, constitutional documents, financial statements and business contracts, interview with applicant's management, study of industry-related big-data, and/or on-site visit of applicant's premises, etc.

For the finance leasing business, the Group enters into finance lease agreements with its customers using its model contracts setting out the terms of each finance lease, including: applicable term and floating interest rate (comprising the base interest rate and the margin over the base rate, and adjustment mechanism), arrangement on the title of subject assets, arrangements on default and damages, borrower's option to re-purchase the assets, and additional rights of the lender such as right of inspection and right to information. Prior to the entering into of finance lease arrangement, due diligence will be conducted via various means such as interview, on-site visit of the applicant, review of financial statements, (for collateral being moveable assets) inspection and understanding of the collateral. After receiving proposals as well as the relevant Vetting Material, the credit department would conduct, if deemed necessary, on-site investigation, inspecting underlying material contracts of potential customers, status of major assets and liabilities, and descriptive documents, title documents, and payment records of assets to be leased. The credit department would also interview the management of potential customers on, among others, their qualification, personal credit history, companies' business model and proposed fund use, competitive edge, and product lifecycle. Afterwards, the credit department would perform an integrated assessments of potential customers' ability to make repayments and make adjustments, if applicable, to the proposed terms of finance lease.

The percentage of outstanding loans principal amount attributable to the Group's major customers in financing service business is set out below:

	30 June 2022 ***(unaudited)***	31 December 2021 *(audited)*
In terms of outstanding loan principal amount		
The total of five largest customers	**28.27%**	29.2%

The following table sets out the outstanding loans to customers of financing services business of the collaterals, securities or guarantees of the relevant loans in the Group's financing services business as of 30 June 2022 and 31 December 2021:

	As of 30 June 2022 (unaudited)		As of 31 December 2021 (audited)	
	RMB'000	%	RMB'000	%
Loans backed by collaterals *(Note)*	215,712	13.46%	216,090	13.64%
Guaranteed loans	128,755	8.03%	128,868	8.13%
Unsecured loans	1,258,664	78.51%	1,239,613	78.23%
Total	1,603,131	100%	1,584,571	100%

The following table sets out the number of loans for the periods indicated by type of security:

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Number of loans	%	Number of loans	%
Loans backed by collaterals *(Note)*	9	2.25%	9	2.34%
Guaranteed loans	113	28.25%	113	29.43%
Unsecured loans	278	69.50%	262	68.23%
Total	400	100.00%	384	100.00%

Note: Collaterals comprises mainly of real estate properties, automobiles, stocks of corporations, inventories.

To assess and manage risk arising from loan and interest receivables and finance lease receivables, the Group has established relevant mechanism to cover credit risk in key operational phases of micro-credit financing and finance leasing business, including pre-lending evaluations, credit approval, and post-lending monitoring.

In accordance with the regulations issued by the local regulatory authority, Chongqing Financial Affairs Office (重慶市金融工作辦公室), the Group has established a loan credit risk classification system based on the type of collateral and credit period, and performs credit risk assessment and management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss. Loans classified as substandard, doubtful and loss are regarded as non-performing loans.

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special-mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factor.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measure or resorting to all necessary legal procedures.

The following table sets out the outstanding loans to customers of financing services business for the periods indicated by the "Five-Tier Principle" category:

	As of 30 June 2022		As of 31 December 2021	
	RMB'000	*%*	*RMB'000*	*%*
Normal	1,343,508	83.8%	1,374,286	86.7%
Special-mention	46,745	2.9%	3,495	0.2%
Substandard	69,676	4.3%	64,775	4.1%
Doubtful	95,844	6.0%	94,644	6.0%
Loss	47,358	3.0%	47,371	3.0%
Total	1,603,131	100%	1,584,571	100%

The Group applies general approach under HKFRS 9 Financial Instruments to measure expected credit losses for all loans and interest receivables and finance lease receivables.

For details of the impairment of loans to customers of our financing and finance leasing business, see also note 3.1(b) to the notes to the consolidated financial statements in the Company's 2021 Annual Report.

For loss allowance for loans to customers of financing services business as at 30 June 2022, see also note 16 to the notes to the consolidated financial statements in this report.

Impairment provision amount of loans to customers of financing service business increased from RMB149,786,000 at 31 December 2021 to RMB187,315,000 at 30 June 2022, resulting from the increase of expected credit loss rate mainly driving by the declining GDP growth rate in China.

The Group has also formulated post-loan management procedures to monitor, inspect, collect, recall and enforce loans granted. Among other procedures established, the Group demands repayment upon the loans falling due. For loans overdue for over 30 days, the Group liaises with borrowers who display willingness and ability to repay. For borrowers who lack willingness or ability to repay, or who fail to repay in accordance with liaised repayment terms, the Group takes legal action. Approximately RMB225.0 million of outstanding balance of the relevant loans are currently subject to legal proceedings.

DIVIDEND

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

SIGNIFICANT EVENTS

Disposal of Tianjin Guokai

On 5 January 2021, Beijing Huicong Technology Group Co., Ltd. (北京慧聰科技集團有限公司) ("Beijing HC Technology", a subsidiary of the Group), Beijing Little Rhino Horn Technology Co., Ltd. (北京小犀角科技有限公司) ("Beijing LRH"), an independent third party, Tianjin Guokai Ruitou Education Technology Co., Ltd. (天津國開瑞投教育科技有限公司) ("Tianjin Guokai"), and Hong Kong Huicong International Group Limited (香港慧聰國際集團有限公司, a subsidiary of the Group) entered into an equity transfer agreement, pursuant to which Beijing HC Technology agreed to transfer the entire equity interest in Tianjin Guokai to Beijing LRH at the consideration of RMB300,500,000. If the transaction proceeds to completion, Beijing HC Technology will no longer hold any equity interest in Tianjin Guokai and Tianjin Guokai will cease to be a subsidiary of the Company. Further details of this discloseable transaction are set out in the Company's announcement dated 5 January 2021.

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

Provision of loan to Chongqing Micro-Credit

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

The loan agreement constitutes a connected transaction of the Company. Please refer to the announcement of the Company dated 29 June 2022 for further details.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To The Board of Directors of HC Group Inc.
(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 62, which comprises the condensed consolidated interim statement of financial position of HC Group Inc. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 August 2022

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Note	Unaudited six months ended 30 June **2022** ***RMB'000***	 2021 *RMB'000* (Restated) *(Note 1(a))*
Continuing operations			
Revenue	*6*	**6,064,214**	6,999,829
Interest income from financing services	*6*	**52,733**	64,710
		6,116,947	7,064,539
Cost of revenue	*8*	**(5,852,265)**	(6,771,088)
Other income		**3,084**	4,382
Other gains, net	*7*	**16,356**	15,738
Selling and marketing expenses	*8*	**(135,319)**	(164,729)
Administrative expenses	*8*	**(117,227)**	(150,625)
(Provision for)/reversal of provision for impairment losses of financial assets, net	*8*	**(42,433)**	47,074
Operating (loss)/profit		**(10,857)**	45,291
Finance cost, net	*9*	**(26,950)**	(35,007)
Share of post-tax losses of associates	*17*	**(44,145)**	(52,376)
Share of post-tax loss of a joint venture	*17*	**–**	(45)
Loss before income tax	*8*	**(81,952)**	(42,137)
Income tax credit/(expense)	*10*	**7,309**	(21,499)
Loss from continuing operations		**(74,643)**	(63,636)
Discontinued operations			
Loss from discontinued operations	*11*	**–**	(30,102)
Loss for the period		**(74,643)**	(93,738)
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Currency translation differences	*24*	**70**	(5,945)
Items that will not be reclassified to profit or loss			
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	*24*		
– Group		**23,059**	(3,311)
– Associate	*17*	**–**	(4,288)
Currency translation differences for financial assets at fair value through other comprehensive income	*24*	**1,701**	(840)
Total comprehensive loss for the period, net of tax		**(49,813)**	(108,122)

	Note	Unaudited six months ended 30 June 2022 RMB'000	2021 RMB'000 (Restated) (Note 1(a))
Loss for the period attributable to:			
Equity holders of the Company		**(74,735)**	(103,468)
Non-controlling interests		**92**	9,730
		(74,643)	(93,738)
Loss for the period attributable to the equity holders of the Company arises from:			
Continuing operations		**(74,735)**	(80,584)
Discontinued operations		**–**	(22,884)
		(74,735)	(103,468)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(49,905)**	(117,852)
Non-controlling interests		**92**	9,730
		(49,813)	(108,122)
Total comprehensive loss attributable to equity holders of the Company arises from:			
Continuing operations		**(49,905)**	(94,968)
Discontinued operations		**–**	(22,884)
		(49,905)	(117,852)
Loss per share for loss from continuing operations attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	12	**(0.0571)**	(0.0615)
Diluted loss per share	12	**(0.0571)**	(0.0615)
Loss per share from loss attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	12	**(0.0571)**	(0.0790)
Diluted loss per share	12	**(0.0571)**	(0.0790)

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

The notes on pages 27 to 62 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	**Unaudited 30 June 2022 *RMB'000***	Audited 31 December 2021 *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*14*	**32,315**	33,554
Right-of-use assets	*14*	**20,917**	35,285
Investment property	*14*	**25,428**	26,009
Intangible assets and goodwill	*14*	**1,270,154**	1,296,435
Deferred income tax assets	*23*	**56,201**	46,994
Investments accounted for using equity method	*17*	**291,635**	322,176
Financial assets at fair value through other comprehensive income	*18*	**469,467**	454,458
Financial assets at fair value through profit or loss	*18*	**18,079**	18,219
Finance lease receivables		**70,464**	97,390
Loans and interest receivables	*16*	**341,258**	418,032
Long term deposits and prepayments	*15*	**4,314**	3,990
Long-term bank deposits		**–**	28,622
Total non-current assets		**2,600,232**	2,781,164
Current assets			
Inventories		**239,889**	186,260
Contract assets	*15*	**21,386**	3,878
Trade receivables	*15*	**113,145**	175,837
Deposits, prepayments and other receivables	*15*	**634,821**	667,107
Finance lease receivables		**222,426**	204,432
Loans and interest receivables	*16*	**1,166,921**	1,111,447
Restricted bank deposit		**108,200**	33,437
Cash and cash equivalents		**304,821**	333,812
		2,811,609	2,716,210
Assets classified as held for sale	*11(a)*	**132,397**	132,397
Total current assets		**2,944,006**	2,848,607
Total assets		**5,544,238**	5,629,771
Equity			
Equity attributable to equity holders of the Company			
Share capital	*22*	**120,977**	120,977
Other reserves	*24*	**3,405,520**	3,374,629
Accumulated losses		**(706,171)**	(629,622)
		2,820,326	2,865,984
Non-controlling interests		**671,585**	682,411
Total equity		**3,491,911**	3,548,395

	Note	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Liabilities			
Non-current liabilities			
Non-current portion of bank borrowings	*21*	**5,000**	512,000
Lease liabilities		**8,896**	17,151
Deferred income tax liabilities	*23*	**41,994**	49,860
Financial liabilities at fair value through profit or loss	*18*	**6,681**	7,242
Total non-current liabilities		**62,571**	586,253
Current liabilities			
Trade payables	*20*	**178,721**	194,368
Accrued expenses and other payables	*20*	**292,359**	316,007
Contract liabilities	*19*	**372,651**	348,431
Current portion of bank borrowings	*21*	**682,492**	171,114
Current portion of other borrowings	*21*	**339,471**	319,416
Lease liabilities		**14,252**	21,158
Other taxes payables, net		**1,751**	4,241
Income tax payables		**50,395**	60,799
Financial liabilities at fair value through profit or loss	*18*	**45,021**	46,946
		1,977,113	1,482,480
Liabilities directly associated with assets classified as held for sale	*11(a)*	**12,643**	12,643
Total current liabilities		**1,989,756**	1,495,123
Total liabilities		**2,052,327**	2,081,376
Total equity and liabilities		**5,544,238**	5,629,771

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

The notes on pages 27 to 62 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Attributable to equity holders of the Company					
	Note	Share capital *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022		120,977	3,374,629	(629,622)	2,865,984	682,411	3,548,395
(Loss)/profit for the period		–	–	(74,735)	(74,735)	92	(74,643)
Other comprehensive income:							
Fair value gain on financial assets at fair value through other comprehensive income, net of deferred tax		–	23,059	–	23,059	–	23,059
Currency translation differences	*24*	–	1,771	–	1,771	–	1,771
Total comprehensive loss for the period ended 30 June 2022		–	24,830	(74,735)	(49,905)	92	(49,813)
Transactions with owners							
Share-based compensation expense	*24*	–	418	–	418	–	418
Transactions with non-controlling interests		–	3,829	–	3,829	(3,829)	–
Dividend paid to non-controlling interests of a subsidiary		–	–	–	–	(7,089)	(7,089)
Disposal of financial assets at fair value through other comprehensive income		–	1,814	(1,814)	–	–	–
Balance at 30 June 2022		120,977	3,405,520	(706,171)	2,820,326	671,585	3,491,911

	Note	Share Capital RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity holders of the Company					
Balance at 1 January 2021		120,977	3,366,441	31,404	3,518,822	506,957	4,025,779
(Loss)/profit for the period		–	–	(103,468)	(103,468)	9,730	(93,738)
Other comprehensive loss:							
Fair value loss on financial assets at fair value through other comprehensive income, net of deferred tax		–	(7,599)	–	(7,599)	–	(7,599)
Currency translation differences	24	–	(6,785)	–	(6,785)	–	(6,785)
Total comprehensive loss for the period ended 30 June 2021		–	(14,384)	(103,468)	(117,852)	9,730	(108,122)
Transactions with owners							
Share-based compensation expense	24	–	10,274	–	10,274	–	10,274
Transactions with non-controlling interests		–	19,112	–	19,112	68,093	87,205
Addition of non-controlling interests		–	–	–	–	1,163	1,163
Dividend paid to non-controlling interests of a subsidiary		–	–	–	–	(5,064)	(5,064)
Disposal of financial assets at fair value through other comprehensive income		–	(2,418)	2,418	–	–	–
Balance at 30 June 2021		120,977	3,379,025	(69,646)	3,430,356	580,879	4,011,235

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

During the six months ended 30 June 2022, retained earnings amounting to RMB1,624,000 (30 June 2021: RMB22,523,000) had been transferred to the statutory reserves. As at 30 June 2022, retained earnings comprise statutory reserves amounting to RMB126,513,000 (31 December 2021: RMB124,889,000).

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

The notes on pages 27 to 62 form an integral part of this unaudited condensed consolidated interim financial information.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from/(used in) operations	**44,090**	(63,591)
Interest received	**6,611**	3,852
Interest paid	**(24,521)**	(31,652)
The People's Republic of China income tax paid	**(18,231)**	(32,495)
Net cash generated from/(used in) operating activities	**7,949**	(123,886)
Cash flows from investing activities		
Proceeds from disposal of associates	**–**	64,850
Additions of property, plant and equipment	**(763)**	(3,782)
Additions of intangible assets	**(259)**	–
Change in long-term deposit	**28,622**	–
Proceeds from disposal of property, plant and equipment	**–**	91
Proceeds from disposals of financial assets at fair value through profit and loss	**–**	4,851
Proceeds from disposal of financial assets at fair value through other comprehensive income	**5,480**	6,223
Loans repayment received from employees	**90**	–
Loans repayment received from associates	**1,180**	4,988
Advance receipt for disposing assets classified as held for sale	**3,500**	201,500
Dividends received	**–**	1,390
Net cash generated from investing activities	**37,850**	280,111
Cash flows from financing activities		
Proceeds from bank borrowings	**147,400**	821,380
Proceeds from other borrowings	**177,663**	76,856
Repayment of bank borrowings	**(143,000)**	(989,380)
Repayment of other borrowings	**(164,295)**	(151,993)
Principal elements of lease payments	**(10,755)**	(10,341)
Transactions with non-controlling interests	**–**	87,205
Dividend paid to non-controlling interests of subsidiaries	**(7,089)**	(5,064)
Capital contribution from non-controlling interests	**–**	1,163
Change in restricted bank deposit	**(74,763)**	25,848
Net cash used in financing activities	**(74,839)**	(144,326)
Net (decrease)/increase in cash and cash equivalents	**(29,040)**	11,899
Cash and cash equivalents at beginning of the period	**333,812**	254,301
Exchange gain/(loss) on cash and cash equivalents	**49**	(979)
Cash and cash equivalents at end of the period	**304,821**	265,221

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

The notes on pages 27 to 62 form an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

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

– providing industrial internet information and advertising services through its B2B website "hc360.com" and offering comprehensive IT-related products information via "zol.com.cn";

– selling of goods through its B2B trading platforms;

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

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

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

– hosting exhibitions and seminars.

Note a:

During the year ended 31 December 2021, the Group decided to discontinue the operation of provision of properties leasing in PRC operated by Tianjin Guokai Ruitou Education Technology Co., Ltd. ("Tianjin Guokai") and the online garment services operated by Zhejiang Zhongfu Network Technology Co., Ltd. ("Zhongfu").

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

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

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

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

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Group during the interim reporting period.

3 Accounting policies

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

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

(a) Amended standards adopted by the Group

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

Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Annual improvements 2018-2020 cycle	Improvements to HKFRSs
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The amended standards listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future period.

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

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current(1)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies(1)
Amendments to HKAS 8	Definition of Accounting Estimates(1)
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction(1)
HKFRS 17	Insurance Contracts and related Amendments(1)
Revised Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause(1)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(2)

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

4 Estimates and judgement

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

There are no changes in the financial risk management policies since year end 31 December 2021.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There was no changes in the capital risk management policies since year ended 31 December 2021.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2022 and 31 December 2021 by level of inputs to valuation techniques used to measure the fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets carried at fair value as at 30 June 2022 and 31 December 2021:

At 30 June 2022 (Unaudited)

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through other comprehensive income	50,041	–	419,426	469,467
Financial assets at fair value through profit or loss	–	–	18,079	18,079
	50,041	–	437,505	487,546
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	(51,702)	(51,702)

At 31 December 2021 (Audited)

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Assets				
Financial assets at fair value through other comprehensive income	61,772	–	392,686	454,458
Financial assets at fair value through profit or loss	–	–	18,219	18,219
	61,772	–	410,905	472,677
Liabilities				
Financial liabilities at fair value through profit or loss	–	–	(54,188)	(54,188)

There were no transfers between Level 1, 2 and 3 for recurring fair value measurement during the period.

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices as at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, price services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 3*

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

(i) Valuation techniques and relationships used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices and adjusted price-to-book ratio of similar instruments.

The following table represents the changes in level 3 instruments for the six months ended 30 June 2022 and 2021:

	Financial assets at fair value through profit or loss *RMB'000* (Unaudited)	Financial assets at fair value through other comprehensive income *RMB'000* (Unaudited)	Financial liabilities at fair value through profit or loss *RMB'000* (Unaudited)
At 1 January 2022	18,219	392,686	(54,188)
Fair value changes credited/ (charged) to consolidated statement of changes in equity	(140)	26,740	2,486
At 30 June 2022	18,079	419,426	(51,702)

	Financial assets at fair value through profit or loss *RMB'000* (Audited)
At 1 January 2021	20,234
Disposal	(4,851)
Fair value changes credited to consolidated statement of changes in equity	755
At 30 June 2021	16,138

The Group's finance department includes a team that reviews, performs and monitors the valuation for financial reporting purposes, including level 3 fair values with assistance of external valuers. This team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussion of valuation processes and results are held between the CFO, AC and the valuation team at leave once every half year, in line with the Group's half-yearly reporting dates.

At the end of the reporting period, finance department:

- verifies all major inputs to the independent valuation reports,
- assesses valuations movements when compared to the prior year valuation report, and
- holds discussion with the independent valuers.

6 Segment information

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

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

As at 30 June 2022, the Group is organised into the following business segments:

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

(ii) Smart industries segment, which mainly includes B2B trading platforms, provision of anti-counterfeiting products and services, and supply chain management service.

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

During the year ended 31 December 2021, the Group decided to discontinue the operation of provision of properties leasing in PRC operated by Tianjin Guokai and the online garment services operated by Zhongfu.

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

For details of the discontinued operations, please refer to note 11.

The table below shows the segment information of revenue and results, and there were no sales or other transactions between the business segments for the six months ended 30 June 2022 and 2021.

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

	Continuing operations: Technology-Driven New Retail Segment RMB'000	Continuing operations: Smart Industries Segment RMB'000	Continuing operations: Platform and Corporate Services Segment RMB'000	Continuing operations: Subtotal RMB'000	Discontinued operations *(Note 1(a))*: Smart Industries Segment RMB'000	Discontinued operations *(Note 1(a))*: Platform and Corporate Services Segment RMB'000	Discontinued operations *(Note 1(a))*: Subtotal RMB'000	Total RMB'000
	Unaudited Six months ended 30 June 2021							
Revenue	505,510	6,436,752	57,567	6,999,829	1,873	8,032	9,905	7,009,734
Interest income from financing services	–	–	64,710	64,710	–	–	–	64,710
Total revenue and income *(note)*	505,510	6,436,752	122,277	7,064,539	1,873	8,032	9,905	7,074,444
Segment results	(10,583)	(16,950)	52,704	25,171	(36,846)	6,745	(30,101)	(4,930)
Other income				4,382			4	4,386
Other gains, net				15,738			–	15,738
Share of post-tax losses of associates				(52,376)			–	(52,376)
Share of post-tax loss of a joint venture				(45)			–	(45)
Finance income				3,848			4	3,852
Finance cost				(38,855)			(9)	(38,864)
Loss before income tax				(42,137)			(30,102)	(72,239)
Other information:								
Depreciation and amortisation				47,525			116	47,641
Share-based compensation expense				10,274			–	10,274

Note:

The Group is domiciled in the PRC. For the six months ended 30 June 2022, all revenue is derived from the operation in the PRC from external customers, except for the related party transactions disclosed in note 25 (30 June 2021: same).

Note:

Disaggregation of revenue

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Timing of revenue recognition		
– At a point in time	**5,899,037**	6,837,454
– Overtime	**165,177**	162,375
	6,064,214	6,999,829

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Revenue from contract with customers:		
Sales of goods through B2B trading platform	**5,824,483**	6,756,950
Online services and advertisement	**104,244**	112,166
Anti-counterfeiting products and services	**88,567**	75,645
Marketing events, exhibition, seminars and other services	**45,546**	52,713
Others	**1,374**	2,355
	6,064,214	6,999,829
Income from other sources:		
Interest income from financing services	**52,733**	64,710
Total revenue and income	**6,116,947**	7,064,539

7 Other gains, net

Other gains, net, mainly consist of the following:

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

Note:

(i) The amount represents gain/(loss) on deemed disposal of partial interest of an associate, Hunan Zhongmoyun Construction Science and Technology Co., Limited* (湖南中模雲建築科技有限公司) ("Zhongmo"). In April 2022, Zhongmo issued 70,000,000 new shares to certain independent new investors resulted in dilution of equity interest held by the Group and a gain on deemed disposal of partial interest in an associate amounting to RMB13,604,000 was recognised. In May 2021, Zhongmo issued 30,000,000 new shares to new investors which resulted in dilution of the equity interest of the Group and a loss on deemed disposal of partial interest in an associate amounted to RMB1,389,000 was recognised.

(ii) The amount represents loss on disposal of partial interest of Zhongmo. In March 2021, the Group entered into share purchase agreement with two independent third parties, in respect of the disposal of 7.8125% interest in Zhongmo for a cash consideration of RMB50,000,000 and resulted in a loss on disposal of partial interest in an associate amounted to RMB13,743,000.

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

* English name is for translation purpose only.

8 Loss before income tax from continuing operations

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

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Cost of goods sold of B2B trading platform	**5,769,540**	6,703,960
Cost of goods sold for anti-counterfeiting products and services	**57,520**	47,995
Interest cost for financing services	**41**	70
Agency costs	**662**	3,081
Amortisation of investment properties *(note 14)*	**581**	581
Amortisation of intangible assets *(note 14)*	**26,281**	29,595
Depreciation of property, plant and equipment *(note 14)*	**1,956**	5,657
Depreciation of right-of-use assets *(note 14)*	**9,565**	11,692
Employee benefits expenses, including directors' emoluments	**135,138**	150,479
Impairment for inventories	**9,207**	–
Marketing and consultancy expenses	**22,202**	23,331
Reversal of impairment of trade receivables *(note 15)*	**(1,090)**	(1,802)
Provision for/(reversal of) impairment of loans to customers of financing service business	**37,529**	(43,927)
Reversal of impairment of other loans and interest receivables	**(748)**	(243)
Provision for/(reversal of) impairment of other financial assets	**6,742**	(1,102)
Staff commission	**12,208**	22,338
Transportation expense	**2,381**	3,805
Expenses relating to short term leases	**548**	1,352

9 Finance cost, net

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
		(Restated)
		(Note 1(a))
Interest expense:		
– Bank borrowings	**(22,069)**	(27,378)
– Other borrowings	**(7,872)**	(9,532)
– Lease liabilities	**(675)**	(1,174)
– Others	**(1,245)**	(771)
Finance cost	**(31,861)**	(38,855)
Finance income	**4,911**	3,848
Finance cost, net	**(26,950)**	(35,007)

10 Income tax credit/(expense)

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

Note:

(i) No Hong Kong profits tax has been provided as there is no assessable profits arising in Hong Kong for the period ended 30 June 2022 (30 June 2021: Nil).

(ii) PRC CIT represents taxation charged on assessable profits for the period at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to the subsidiaries in the PRC is 25%, except for certain subsidiaries of the Group in the PRC which were approved as High and New Technology Enterprises and were subject to a reduced preferential CIT rate of 15% for a 3-year period. Moreover, certain subsidiaries of the Group were subjected to a reduced Preferential CIT rate ranging from 5% to 10% for Small Low-profit Enterprises.

11 Loss from discontinued operations

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

(a) Discontinued operation of Tianjin Guokai

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

As at 30 June 2022, the disposal has not yet been completed. For more details for status regarding the disposal, please refer to note 26(ii). The respective assets and liabilities of Tianjin Guokai were classified as held for sale as at 30 June 2022.

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

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

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

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

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2022 and 31 December 2021:

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

(b)* *Disposal of equity interest of Zhongfu

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

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

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

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

12 Loss per share

(a) *Basic loss per share*

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

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

(b) *Diluted loss per share*

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

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

During the period ended 30 June 2022, diluted loss per share presented is the same as the basic loss per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive (30 June 2021: same).

13 Dividends

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

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

	Property, plant and equipment *RMB'000*	Investment property *RMB'000*	Right-of-use assets *RMB'000*	Other intangible assets *RMB'000*	Goodwill *RMB'000*
Opening net book amount as at 1 January 2022	**33,554**	**26,009**	**35,285**	**244,330**	**1,052,105**
Additions	**763**	**–**	**5,754**	**–**	**–**
Lease modification	**–**	**–**	**(10,557)**	**–**	**–**
Disposals	**(46)**	**–**	**–**	**–**	**–**
Depreciation and amortisation					
– From continuing operations	**(1,956)**	**(581)**	**(9,565)**	**(26,281)**	**–**
Closing net book amount as at 30 June 2022	**32,315**	**25,428**	**20,917**	**218,049**	**1,052,105**
Opening net book amount as at 1 January 2021	40,808	134,348	44,630	320,350	1,506,825
Additions	3,782	–	20,447	14,915	–
Lease modification	–	–	4,079	–	–
Disposals	(642)	–	–	–	–
Transfer to assets classified as held for sale *(note 11(a))*	–	(107,177)	(13,871)	–	–
Depreciation and amortisation					
– From continuing operations	(5,657)	(581)	(11,692)	(29,595)	–
– From discontinued operations	(23)	–	(93)	–	–
Closing net book amount as at 30 June 2021	38,268	26,590	43,500	305,670	1,506,825

As at 30 June 2022, the Group held one property (31 December 2021: one) as investment property which was measured at cost.

As at 30 June 2022, the fair value of the investment property held by the Group was determined by independent valuers to be approximated RMB31,689,000 (31 December 2021: RMB31,689,000).

The fair value of investment property as at 30 June 2022 is derived using the market comparison approach (31 December 2021: market comparison approach and income approach). The income approach is essentially a means of valuing the investment property by discounting cash flow projections based on reliable estimates of future cash flows, while the market comparison approach is essentially means of valuing the investment property by assuming sale of the property in its existing state with the benefit of vacant possession.

The fair value of investment property has been checked by the Group's finance team using the market comparison approach, and has noted no significant changes for the fair value.

Impairment test for goodwill and other intangible assets

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

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

The recoverable amounts of the CGUs with balance are determined at the higher of a CGU's fair value less cost of disposal and value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period depending on individual CGU circumstances. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Impairment assessment

As at 30 June 2022, the directors assessed and reviewed the business performance of all CGUs and considered there were no impairment indicators in relation to their goodwill, intangible assets and other non-financial assets.

15 Trade receivables, contract related assets, deposits, prepayments and other receivables

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Trade receivables *(note a)*	**134,476**	198,258
Less: provision for impairment of trade receivables	**(21,331)**	(22,421)
Trade receivables, net	**113,145**	175,837
Deposits, prepayments and other receivables *(note b)*	**639,135**	671,097
Contract assets, net	**21,386**	3,878
	773,666	850,812
Less: Non-current deposits and prepayments *(note b)*	**(4,314)**	(3,990)
Current portion	**769,352**	846,822

(a) Trade receivables

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Current to 90 days	70,445	155,681
91 to 180 days	34,078	16,727
181 to 270 days	14,927	2,295
271 to 365 days	2,287	2,692
Over 1 year	12,739	20,863
	134,476	198,258

Note:

Movements in the provision for impairment of trade receivables are as follows:

	Unaudited six months ended 30 June	
	2022 *RMB'000*	2021 *RMB'000* (Restated) *(Note 1(a))*
At 1 January	22,421	52,286
Reversal of impairment of trade receivables		
– From continuing operations	(1,090)	(1,802)
– From discontinued operations	–	–
Write off of impaired trade receivables	–	(2,680)
At 30 June	21,331	47,804

The carrying amounts of trade receivables approximate their fair values.

Balances are denominated in RMB and there is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers nationally dispersed.

(b) Deposits, prepayments and other receivables

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Non-current portion:		
– Deposits	**1,174**	1,109
– Prepayment for development of an intangible asset	**3,140**	2,881
	4,314	3,990
Current portion:		
– Deposits	**29,745**	31,886
– Prepayments *(note i)*	**590,271**	613,434
– Other receivables	**14,805**	21,787
	634,821	667,107
	639,135	671,097
The fair values are as follows:		
– Deposits	**30,919**	32,995
– Prepayments	**593,411**	616,315
– Other receivables	**14,805**	21,787
	639,135	671,097
Denominated in:		
Hong Kong dollars ("HK$")	**3,000**	331
RMB	**636,135**	670,766
	639,135	671,097

The carrying amounts of deposits, prepayments and other receivables approximate their fair values.

Note:

(i) At 30 June 2022 and 31 December 2021, the amount mainly represented prepayment to suppliers for B2B trading platform business. The prepayment to suppliers for B2B trading platform business is utilised within 1-2 months.

16 Loans and interest receivables

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

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Loans to customers of financing services business *(notes (a),(b))*	**1,603,131**	1,584,571
Loans to employees	**3,600**	3,690
Loans to associates and a joint venture *(note (c))*	**84,553**	85,733
Interest receivables	**9,673**	11,482
Loans and interest receivables, gross	**1,700,957**	1,685,476
Less: impairment allowance		
– loans to customers of financing service business *(note (a),(b))*	**(187,315)**	(149,786)
– loans to employees	**(28)**	(20)
– loans to associates and a joint venture *(note (c))*	**(5,361)**	(5,986)
– interest receivables	**(74)**	(205)
Loans and interest receivables, net	**1,508,179**	1,529,479
Less: Non-current portion	**(341,258)**	(418,032)
Current portion	**1,166,921**	1,111,447

Note:

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

(a) *Analysed by nature*

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

(b) *Analysed by type of collateral*

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

(c) *Loans to associates*

The Group granted loans amounting to RMB80,000,000 to an associate (Zhejiang Huicong Investment Co. Limited* ("Zhejiang Huicong")) during the year ended 31 December 2020. The loans will mature in August 2023 and are interest bearing at rate of 6% per annum.

* English names are translated for identification purpose only

17 Investments accounted for using equity method

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Associates	**291,635**	322,176
	291,635	322,176

Movements in the investments in associates are as follows:

	Unaudited six months ended 30 June	
	2022 ***RMB'000***	2021 *RMB'000*
At 1 January	**322,176**	896,087
Addition *(note 7)*	**13,604**	–
Disposal	**–**	(67,861)
Share of post-tax losses of associates	**(44,145)**	(52,376)
Share of other comprehensive loss of an associate	**–**	(4,288)
At 30 June	**291,635**	771,562

Movements in the investment in a joint venture are as follows:

	Unaudited six months ended 30 June	
	2022 ***RMB'000***	2021 *RMB'000*
At 1 January	**–**	303
Share of post-tax loss of a joint venture	**–**	(45)
At 30 June	**–**	258

Set out below are the summarised financial information of the associates which, in the opinion of directors, are material to the Group and are accounted for using equity method. 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 are also their principal place of business.

Name of entity	Place of business/ country of establishment	% of effective interest as at 30 June 2022	% of effective interest as at 31 December 2021	Nature of the relationship	Measurement method	Carrying amount Unaudited 30 June 2022	Carrying amount Audited 31 December 2021
Zhejiang Huicong Investment Co. Limited* (浙江慧聰投資有限公司)	PRC	29.6	29.6	Associate *(note i)*	Equity method	9,646	45,455
Zhongmo	PRC	22.5	23.7	Associate *(note ii)*	Equity method	239,029	231,697
Guangdong Home Electronic Appliances World E-Commerce Co., Ltd.* ("JDSJ Group") (廣東家電世界電子商務有限公司)	PRC	20.0	20.0	Associate *(note iii)*	Equity method	29,299	30,370
Other immaterial associates and a joint venture						13,661	14,654
						291,635	322,176

Note i As at 30 June 2022, the Group directly holds 20% equity shares of Zhejiang Huicong and indirectly holds 9.6% equity interests through another associate. Hence the Group effectively holds 29.6% equity interest in Zhejiang Huicong. Zhejiang Huicong engages in investment in real estate construction and management in PRC.

Note ii As at 30 June 2022, the Group directly holds 22.5% equity interests in Zhongmo, which is engaged in construction and formwork industry in the PRC.

Note iii As at 30 June 2022, the Group holds 20.0% 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.

* English names are translated for identification purpose only

18 Financial assets and liabilities at fair values

(a) Financial assets at fair value through profit or loss and other comprehensive income

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	
	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*	**Unaudited 30 June 2022** ***RMB'000***	Audited 31 December 2021 *RMB'000*
Trading securities – listed securities	**–**	–	**50,041**	61,772
Equity investment – unlisted securities	**18,079**	18,219	**419,426**	392,686
Financial assets	**18,079**	18,219	**469,467**	454,458

All financial assets measured at fair value through profit or loss and other comprehensive income are classified as non-current assets.

The change in the fair value of RMB140,000 for financial assets at fair value through profit or loss for the period was charged to "Other gains, net" in the condensed consolidated statement of comprehensive income.

The change in the fair value of RMB20,701,000 for financial assets at fair value through other comprehensive income for the period was credited to other comprehensive income in the condensed consolidated statement of comprehensive income.

For further details about the fair value estimate and movements of the financial assets at fair value, please refer to note 5.3.

(b) Financial liabilities at fair value through profit or loss

	Huizhou Union Cotton Cloud Technology Co., Limited ("Huizhou Union Cotton")		PanPass Information Technology Co., Limited ("PanPass Information")	
	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*	**Unaudited 30 June 2022** ***RMB'000***	Audited 31 December 2021 *RMB'000*
Current	**–**	–	**45,021**	46,946
Non-current	**6,681**	7,242	**–**	–
	6,681	7,242	**45,021**	46,946

The change in fair value amounting to RMB2,486,000 was credited to "Other gains, net" in the condensed consolidated statement of comprehensive income.

For further details about the fair value estimate and movements of the financial liabilities at fair value, please refer to note 5.3.

19 Contract liabilities

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Contract liabilities related to online services and advertisement	**50,557**	45,598
Contract liabilities related to sales of goods on B2B trading platform	**322,094**	302,833
Contract liabilities	**372,651**	348,431

Note:

Contract liabilities mainly represent advance payments received from customers related to online services and advertisement and B2B trading platform.

20 Trade payables, accrued expenses and other payables

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Trade payables *(note a)*	**178,721**	194,368
Accrued salaries and staff benefits	**24,054**	28,939
Accrued agency commission	**7,544**	7,217
Accrued expenses	**17,141**	41,822
Deposits from customers	**9,015**	8,871
Other payables *(note b)*	**234,605**	229,158
	471,080	510,375

Note:

(a) *Trade payables*

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

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

(b) *Other deposits*

The amount represents the deposit received by the Group in respect of the equity interest in Tianjin Guokai. Please refer to note 11(a) for more details.

21 Borrowings

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

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

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

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

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

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

	Bank borrowings		Other borrowings	
	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*	**Unaudited 30 June 2022 *RMB'000***	Audited 31 December 2021 *RMB'000*
Within 1 year	**682,492**	171,114	**339,471**	319,416
Between 1 and 2 years	**–**	512,000	**–**	–
Between 2 and 5 years	**5,000**	–	**–**	–
	687,492	683,114	**339,471**	319,416

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

22 Share capital

	Number of ordinary shares	**Par value** *RMB'000*
At 1 January 2021, 30 June 2021, 1 January 2022 and at 30 June 2022	1,309,931,119	120,977

The total authorised number of ordinary shares is 2,000,000,000 shares (31 December 2021: 2,000,000,000 shares) with a par value of HK$0.1 per share (31 December 2021: HK$0.1 per share). All issued shares are fully paid.

The total number of issued shares of the Company were 1,309,931,119 shares as at 30 June 2022 (31 December 2021: same).

(a) Share options

During the period ended 30 June 2022, no share options were exercised (30 June 2021: Nil).

Movements in the number of share options outstanding and their exercise prices are as follows:

	2022 Exercise price in HK$ per share	**2022** Share options	2021 Exercise price in HK$ per share	2021 Share options
At 1 January	**0.82**	**–**	0.82	–
	1.108	**–**	1.108	100,000
	4.402	**1,500,000**	4.402	1,500,000
	9.84	**2,880,000**	9.84	2,880,000
	6.476	**29,331,400**	6.476	29,630,700
	4.6	**26,103,379**	4.6	29,409,094
Lapsed, forfeited or exercised	**0.82**	**–**	0.82	–
	1.108	**–**	1.108	(100,000)
	4.402	**–**	4.402	–
	9.84	**(420,000)**	9.84	–
	6.476	**–**	6.476	(299,300)
	4.6	**(167,000)**	4.6	(3,305,715)
At 30 June 2022 and 31 December 2021	**4.402**	**1,500,000**	4.402	1,500,000
	9.84	**2,460,000**	9.84	2,880,000
	6.476	**29,331,400**	6.476	29,331,400
	4.6	**25,936,379**	4.6	26,103,379

Expiry date	Share options Exercise price in HK$ per share	Unaudited 30 June 2022	Exercise price in HK$ per share	Audited 31 December 2021
7 April 2020	0.82	**–**	0.82	–
27 March 2021	1.108	**–**	1.108	–
3 April 2023	4.402	**1,500,000**	4.402	1,500,000
18 November 2023	9.84	**2,460,000**	9.84	2,880,000
13 October 2027	6.476	**29,331,400**	6.476	29,331,400
19 July 2028	4.6	**16,436,379**	4.6	16,436,379
20 June 2029	4.6	**9,500,000**	4.6	9,667,000

(b) Share Award Scheme

The following table represents the movements for number of shares under the Share Award Scheme for the periods ended 30 June 2022 and 2021.

	Number of shares (in thousand unit)
At 1 January 2022	**24,778**
Shares transferred during the period	**(4,619)**
At 30 June 2022	**20,159**
At 1 January 2021	28,234
Shares transferred during the period	(3,366)
At 30 June 2021	24,868

23 Deferred income tax

The net movements of the deferred income tax account is as follows:

	Unaudited six months ended 30 June **2022** ***RMB'000***	 2021 *RMB'000*
At 1 January	**(2,866)**	(22,889)
Credited/(charged) to profit or loss	**15,136**	(4,237)
Charged to other comprehensive income	**2,359**	2,534
Currency translation differences	**(422)**	143
At 30 June	**14,207**	(24,449)

24 Other reserves

	Share premium RMB'000	Others reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share and capital redemption reserve RMB'000	Exchange reserve RMB'000	Share held for share award scheme RMB'000	Financial assets at fair value through other comprehensive income reserve RMB'000	Total RMB'000
At 1 January 2022	2,804,519	218,110	109,817	313,639	2,686	10,093	(41,965)	(42,270)	3,374,629
Share-based compensation	–	–	–	418	–	–	–	–	418
Vesting of awarded shares	(2,190)	–	–	(9,047)	–	–	11,237	–	–
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	1,814	1,814
Fair value gain on financial assets at fair value through other comprehensive income, net of deferred tax	–	–	–	–	–	–	–	23,059	23,059
Transaction with non-controlling interests	–	3,829	–	–	–	–	–	–	3,829
Currency translation differences	–	–	–	–	–	1,771	–	–	1,771
At 30 June 2022	2,802,329	221,939	109,817	305,010	2,686	11,864	(30,728)	(17,397)	3,405,520

	Share premium RMB'000	Others reserve RMB'000	Merger reserve RMB'000	Share-based compensation reserves RMB'000	Share and capital redemption reserve RMB'000	Exchange reserve RMB'000	Share held for share award scheme RMB'000	Financial assets at fair value through other comprehensive income reserve RMB'000	Total RMB'000
At 1 January 2021	2,810,128	185,595	109,817	297,725	2,686	16,819	(54,343)	(1,986)	3,366,441
Share-based compensation	–	–	–	10,274	–	–	–	–	10,274
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	(2,418)	(2,418)
Fair value loss on financial assets at fair value through other comprehensive income, net of deferred tax	–	–	–	–	–	–	–	(7,599)	(7,599)
Transaction with non-controlling interests	–	19,112	–	–	–	–	–	–	19,112
Currency translation differences	–	–	–	–	–	(6,785)	–	–	(6,785)
At 30 June 2021	2,810,128	204,707	109,817	307,999	2,686	10,034	(54,343)	(12,003)	3,379,025

25 Related party transactions

(a) *Key management compensation*

The remuneration of directors and other members of key management during the period were as follows:

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**3,201**	2,968
Share-based payments	**418**	10,201
	3,619	13,169

(b) *Related party transaction*

Other than those disclosed elsewhere in the condensed consolidated interim financial statements, transactions were carried out with related parties in normal course of Group's business.

		Unaudited six months ended 30 June	
		2022	2021
	Nature of transactions	***RMB'000***	*RMB'000*
Associates *(note i and ii)*	Interest expense	**–**	19,662
	Interest income	**15,941**	9,066

Note:

(i) As at 30 June 2021, bank borrowings of RMB530,000,000 were provided by Jingu. These borrowings are charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.

(ii) As at 30 June 2022, the Group has granted loans and finance lease receivables to certain associates. These loans and finance lease receivables are charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.

(c) Related party balance

Saved as disclosed in the condensed consolidated interim financial statements, the Group has the following balances with related parties as at 30 June 2022 and 31 December 2021, respectively.

	Unaudited 30 June 2022 *RMB'000*	Audited 31 December 2021 *RMB'000*
Loans and interest receivables from associates and a joint venture	**80,694**	79,969
Deposits received from:		
– Associates *(note i)*	**570**	570
– Key management personnel *(note i)*	**2,440**	2,440
Finance lease receivables from associates *(note ii)*	**170,400**	180,400

Note:

(i) The balance includes deposits received by a financing services company of the Group from an associate and key management personnel of the Company as guarantee for the loan granted to their customers.

(ii) As at 30 June 2022, the balance represents finance lease receivables of RMB127,400,000 (31 December 2021: RMB137,400,000) from Zhongmo, which will mature from 2021 to 2022 and are interest bearing at rate of 10% per annum. Another finance lease receivable of RMB43,000,000 (31 December 2021: RMB43,000,000) from Zhejiang Huicong, which will mature on 2022 and are interest bearing at rate of 6% per annum (2021: 6% per annum).

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26 Contingent liabilities

(i) Lease agreement with an independent third party

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

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

(ii) ***Disposal of Tianjin Guokai***

On 5 January 2021, the Group entered into the equity transfer agreement to transfer 100% of the equity interest in Tianjin Guokai to an independent third party. Tianjin Guokai Group is principally engaged in the provision of properties leasing in PRC. On 21 March 2022, the Group received a written notice of arbitration ("Arbitration"), claiming for damages in the sum of RMB100,655,000 in relation to certain breaches of the above-mentioned agreements.

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

27 Commitments under operating lease – As a lessor

At 30 June 2022, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of buildings which expire as follows:

	Unaudited 30 June 2022 ***RMB'000***	Audited 31 December 2021 *RMB'000*
Within one year	**1,705**	1,705
In the second to fifth year inclusive	**1,705**	2,415
	3,410	4,120

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Directors' and chief executive's long positions in the shares of the Company ("Shares")

Name of Director	Class of Shares	Capacity	Personal interests	Family interests	Corporate interests	Other interests	Total number of Shares	Percentage of shareholding (approximate)
Liu Jun	Ordinary	Beneficial owner	79,551,400	–	–	–	79,551,400 *(Note 1)*	6.07%
Zhang Yonghong	Ordinary	Beneficial owner	13,600,000	–	–	–	13,600,000 *(Note 2)*	1.04%
Liu Xiaodong	Ordinary	Beneficial owner and interest of controlled corporation	5,168,085	–	62,273,794	–	67,441,879 *(Note 3)*	5.15%
Guo Fansheng	Ordinary	Beneficial owner	2,088,000	–	–	55,661,015	57,749,015 *(Note 4)*	4.41%

Notes:

1. Such interests in the Company comprise: (i) 50,220,000 Shares and (ii) 29,331,400 underlying Shares derived from the Options held by Mr. Liu Jun.

2. Such interests in the Company comprise: (i) 100,000 Shares; (ii) 4,000,000 underlying Shares derived from the awarded shares granted to Mr. Zhang Yonghong under the employees' share award scheme adopted on 17 November 2011 and (iii) 9,500,000 underlying Shares derived from the Options held by Mr. Zhang Yonghong.

3. Such interests in the Company comprise: (i) 3,168,085 underlying Shares from the Options held by Mr. Liu Xiaodong; (ii) 2,000,000 underlying Shares derived from the awarded shares granted to Mr. Liu Xiaodong under the employees' share award scheme adopted on 17 November 2011 and (iii) 62,273,794 Shares held by Wisdom Limited (a company wholly and beneficially owned by Mr. Liu Xiaodong). Mr. Liu Xiaodong is deemed, or taken to have, interested in all the Shares held by Wisdom Limited pursuant to the SFO.

4. Such interests in the Company comprise: (i) 2,088,000 Shares held by Mr. Guo Fansheng; and (ii) 55,661,015 Shares held by a trustee of a trust of which Mr. Guo Fansheng is a founder of a discretionary trust who can influence how the trustee exercises his discretion.

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO) or required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

Pursuant to written resolutions of the shareholders of the Company dated 30 November 2003, among others, a share option scheme (the "2003 Share Option Scheme") was adopted by the Company. The principal terms of the 2003 Share Option Scheme were summarised in the paragraph headed "Share Options" under the section headed "Statutory and General Information" in Appendix V of the prospectus of the Company dated 8 December 2003. Following the listing of the Shares being transferred from the Growth Enterprise Market to the Main Board of the Stock Exchange, the 2003 Share Option Scheme adopted by the Company was terminated on 10 October 2014. Notwithstanding the termination of the 2003 Share Option Scheme, the outstanding options under the 2003 Share Option Scheme remains valid and exercisable in accordance with the 2003 Share Option Scheme.

On 22 May 2015, a new share option scheme were approved by the shareholders of the Company (the "2015 Share Option Scheme"). The principal terms of the 2015 Share Option Scheme were summarized in the circular of the Company dated 5 May 2015.

OUTSTANDING SHARE OPTIONS

As at 30 June 2022, 59,227,779 options to subscribe for an aggregate of 59,227,779 Shares granted, which comprise 3,960,000 options granted under the 2003 Share Option Scheme and 55,267,779 options granted under the 2015 Share Option Scheme, were outstanding, details of which were as follows:

			Number of share options				
Name of grantee	**Date of grant**	**Exercise price per Share** *HK$*	**As at 1 January 2022**	**Granted during the Period**	**Exercised during the Period**	**Lapsed during the Period**	**As at 30 June 2022** *(Note 1)*
Directors							
Liu Jun *(Note 11)*	13 October 2017	6.476	29,331,400	–	–	–	29,331,400
Zhang Yonghong *(Note 11)*	20 June 2019	4.6	9,667,000	–	–	(167,000)	9,500,000
Liu Xiaodong *(Note 11)*	19 July 2018	4.6	3,168,085	–	–	–	3,168,085
Senior management							
Wu Lei *(Note 11)*	19 July 2018	4.6	2,911,813	–	–	–	2,911,813
Song Bingchen *(Note 11)*	19 July 2018	4.6	2,095,040	–	–	–	2,095,040
Zhao Hong *(Note 11)*	19 July 2018	4.6	1,289,517	–	–	–	1,289,517
Other employees							
In aggregate *(Note 10)*	3 April 2013	4.402	1,500,000	–	–	–	1,500,000
In aggregate *(Note 2, 10)*	18 November 2013	9.84	2,880,000	–	–	(420,000)	2,460,000
In aggregate *(Note 3, 11)*	19 July 2018	4.6	6,971,924	–	–	–	6,971,924
Total			59,814,779	–	–	(587,000)	59,227,779

Notes:

1. Each Option granted and accepted shall be valid for a period of 10 years from the date of the grant of Options. Each Option has a vesting period from its date of grant up to the date immediately before the commencement of its exercise period.

   For the Options exercisable at HK$4.402 granted on 3 April 2013, the relevant grantee may exercise options up to 20%, 40%, 60%, 80% and 100%, of the Shares comprised in his Options (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of Options.

   For the Options exercisable at HK$9.84 granted on 18 November 2013, the relevant grantees may exercise Options up to 10%, 20%, 40%, 70% and 100%, respectively, of the Shares comprised in his or her Options (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of Options.

   For the Options exercisable at HK$6.476 granted on 13 October 2017, the relevant grantees may exercise Options up to 20%, 40%, 60%, 80% and 100%, respectively, of the Shares comprised in his or her Options (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second, third, fourth and fifth anniversaries of the date of the grant of Options.

   For the Options exercisable at HK$4.60 granted on 19 July 2018, the relevant grantees may exercise Options up to 33.3%, 66.6% and 100%, respectively, of the Shares comprised in his or her Options (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second and third anniversaries of the date of the grant of Options.

   For the Options exercisable at HK$4.60 granted on 20 June 2019, the relevant grantees may exercise Options up to 33.3%, 66.6% and 100%, respectively, of the Shares comprised in his Options (less any number of Shares in respect of which the Option has been previously exercised), commencing from the first, second and third anniversaries of the date of the grant of Options.

2. 10 employees have been granted Options to subscribe Shares at HK$9.84 per Share.

3. 8 employees have been granted Options to subscribe Shares at HK$4.60 per Share.

4. The fair value of Options granted under the Share Option Scheme on 3 April 2013, determined using the Binomial Model valuation model, was approximately RMB3,754,000. The significant inputs into the model were exercise price of HK$4.402 standard deviation of expected share price returns of 75%, expected life of Options ranging from 9.1 to 9.6 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.111%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

5. The fair value of Options granted under the Share Option Scheme on 18 November 2013, determined using the Binomial Model valuation model, was approximately RMB50,125,000. The significant inputs into the model were exercise price of HK$9.84 standard deviation of expected share price returns of 71.5%, expected life of Options ranging from 4.7 to 7.9 years expected dividend paid out rate of 0% and annual risk-free interest rate 1.915%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

6. The fair value of Options granted under the Share Option Scheme on 13 October 2017, determined using the Binomial Model valuation model, was approximately RMB100,356,000. The significant inputs into the model were exercise price of HK$6.476 standard deviation of expected share price returns of 62%, expected life of Options 4.9 years expected dividend paid out rate of 0.9% and annual risk-free interest rate 1.745%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

7. The fair value of Options granted under the 2015 Share Option Scheme on 19 July 2018, determined using the Binomial Model valuation model, was approximately RMB70,258,000. The significant inputs into the model were exercise price of HK$4.6 standard deviation of expected share price returns of 70%, expected life of Options 10 years expected dividend paid out rate of 0% and annual risk-free interest rate 2.13%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical price movement of the Company and other comparable companies with similar business nature.

8. In respect of employees resigned during the Period whose Options have not been vested, such Options are lapsed, and the share compensation costs recognised previously are credited to condensed consolidated final statement of comprehensive income.

9. The values of Options recognised in share-based compensation reserves are subject to a number of assumptions and with regard to the limitation of the valuation model.

10. The Options were granted under the 2003 Share Option Scheme.

11. The Options were granted under the 2015 Share Option Scheme.

Save as disclosed, no options were granted, lapsed or cancelled during the Period.

EMPLOYEES' SHARE AWARD SCHEME

On 17 November 2011, the Board adopted an employees' share award scheme pursuant to which existing Shares would be acquired by the trustee from the market at the cost of the Company and be held in trust for the selected employees until such Shares are vested with the relevant selected employees in accordance with the provision of the scheme. The scheme had lapsed as of the date of this report and therefore no award was granted during the Period. For principal terms of the employees' share award scheme, please refer to the announcement of the Company dated 17 November 2011.

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

Since the adoption date, a total of 74,981,000 Shares were granted, representing approximately 5.72% of the issued share capital of the Company as at the date of this report. The awarded shares remain outstanding as at 30 June 2022 are set out below:

Name of Grantee	Date of grant	As at 1 January 2022	Transferred during the Period	As at 30 June 2022
Director				
Zhang Yonghong	8 July 2019	4,000,000	–	4,000,000
Liu Xiaodong	8 July 2019	2,000,000	–	2,000,000
Senior management				
Wu Lei	8 July 2019	1,080,000	(1,080,000)	–
Song Bingchen	8 July 2019	1,800,000	–	1,800,000
Zhao Hong	8 July 2019	900,000	(900,000)	–
Other employees				
In aggregate	23 November 2011	785,444	(785,444)	–
	20 August 2012	8,351,000	–	8,351,000
	8 July 2019	8,681,930	(1,853,556)	6,828,374
Total		27,598,374	(4,619,000)	22,979,374

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, the interests and short positions of substantial shareholders (not being Directors and the chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Class of Shares	Long position	Short position	Capacity	Approximate percentage of shareholding as at 30 June 2022
Substantial shareholder					
Talent Gain Developments Limited	Ordinary	253,671,964 *(Note 1)*		Beneficial owner and interest in controlled corporation	19.37%
Digital China (BVI) Limited	Ordinary	253,671,964 *(Note 1)*		Interest in controlled corporation	19.37%
Digital China Holdings Limited	Ordinary	253,671,964 *(Note 1)*		Interest in controlled corporation	19.37%
Other persons					
Ideal South Limited	Ordinary	80,000,000 *(Note 2)*		Beneficial owner	6.11%
Wong Luen Hei	Ordinary	129,705,000 *(Note 2)*		Interest in controlled corporation and founder of a discretionary trust who can influence how the trustee exercises his discretion	9.90%
Fortune Value Investment Holdings Limited	Ordinary	104,562,000 *(Note 3)*		Beneficial owner	7.98%
Zhu Lemin	Ordinary	104,562,000 *(Note 3)*		Interest in controlled corporation	7.98%

Notes:

1. Such interests in the Company comprise: (i) 230,263,964 Shares held by Talent Gain Developments Limited and (ii) 23,408,000 Shares held by Unique Golden Limited. Unique Golden Limited is wholly and beneficially owned by Talent Gain Developments Limited, which in turn is wholly and beneficially owned by Digital China (BVI) Limited and indirectly wholly and beneficially owned by Digital China Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 861). Therefore, Talent Gain Developments Limited is deemed to be interested in the Shares held by Unique Golden Limited, and each of Digital China (BVI) Limited and Digital China Holdings Limited is deemed to be interested in the Shares held by Talent Gain Developments Limited and Unique Golden Limited.

2. Ideal South Limited is wholly held by Mr. Wong Luen Hei.

3. Fortune Value Investment Holdings Limited is 100% controlled by Mr. Zhu Lemin.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any interests or short positions of substantial shareholders or other persons in the shares and underlying shares of the Company which are required to be kept under Section 336 of the SFO.

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 the Model Code. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard of dealings and the said guidelines regarding Directors' securities transactions during the Period.

AUDIT COMMITTEE

The Audit Committee currently comprises Mr. Zhang Ke (chairman of the Audit Committee), Ms. Qi Yan (both of them being independent non-executive Directors) and Mr. Guo Fansheng (a non-executive Director). The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control procedures of the Group, and to perform other duties under the Corporate Governance Code.

The Audit Committee has reviewed with management of the Company the accounting principles and practices adopted by the Group, and the unaudited interim results of the Group for the Period and this report.

AUDITOR

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

RECONCILIATION OF NON-HKFRS MEASURES TO THE NEAREST HKFRS MEASURES

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

The following tables set forth the reconciliations of our non-HKFRS financial measures for the six months ended 30 June 2022 and 2021, to the nearest measures prepared in accordance with HKFRS.

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

PRE-EMPTIVE RIGHTS

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board had reviewed the Company's corporate governance practices and was satisfied that the Company had been in compliance with the applicable code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules during the Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

Hong Kong, 19 August 2022

As at the date of this report, the Board comprises:
Mr. Liu Jun *(Chairman and Executive Director)*
Mr. Zhang Yonghong *(Executive Director and Chief Executive Officer)*
Mr. Liu Xiaodong *(Executive Director and President)*
Mr. Guo Fansheng *(Non-executive Director)*
Mr. Sun Yang *(Non-executive Director)*
Mr. Lin Dewei *(Non-executive Director)*
Mr. Zhang Ke *(Independent non-executive Director)*
Mr. Zhang Tim Tianwei *(Independent non-executive Director)*
Ms. Qi Yan *(Independent non-executive Director)*

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