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**HC GROUP INC.**

**慧聪集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 02280)**

## **PROFIT WARNING**

This announcement is made by HC Group Inc. (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance and Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on a preliminary assessment of the unaudited management accounts of the Group and information currently available, the Group expects to record a loss attributable to equity holders of the Company ranging from approximately RMB600 million to RMB700 million for the year ended 31 December 2021, compared to a loss attributable to equity holders of the Company of approximately RMB745,537,000 for the year ended 31 December 2020. The loss for the year ended 31 December 2020 was mainly attributable to, among other things, the Company recognised an impairment for the goodwill and intangible assets of the business units that could not attain the expected results, which amounted to approximately RMB625,523,000 with further information set forth in the Company’s annual report 2020.

Based on information currently available, the loss attributable to equity holders of the Company for the year ended 31 December 2021 is primarily due to, among other things: (i) the Company proposes to recognise impairment for the goodwill and intangible assets relating to new technology retails solutions cash generation unit of approximately RMB480 million to RMB520 million; (ii) the amortization of intangible assets from acquisitions in prior financial periods; and (iii) the increase in the share of loss of associate companies recognised under equity method, all the aforementioned loss are non cash in nature.

The aforesaid impairment for the goodwill and intangible assets relating to new technology retails solutions cash generation unit proposed to be recognized arose from the acquisition of Zale Inc. and its subsidiaries in 2018. Zale Inc and its subsidiaries are principally engaged in SaaS (Software as a Service) services in 3C industrial internet and new technology retails in the PRC. Due to the challenging market competition in the e-commerce industry and the continuing impact brought by the unexpected prolonged COVID-19 pandemic, the Group's SaaS business recorded a loss during the year ended 31 December 2021, and the business performance did not achieve the expected results. The management of the Company considers that the future growth of the Group's SaaS business will be subject to various uncertainties, including but not limited to the growth prospects in the lower-tier retail market, the Group's ability to upgrade its merchandise and services, and competition within the industry. The evolving regulatory requirements and fast-changing market environment on operating e-commerce and service platforms in the PRC also bring uncertainties over the business and operation in the Internet industry and online transactions sectors in which the Group operates, leading to a downward adjustment of the equity valuation of the Group's SaaS business and the adverse impacts further expanded towards the end of 2021, which indicates impairment provision might be required. The expected amount of impairment provision is assessed on a prudent basis taking into account, among other things, the uncertainties in regulatory requirement, fast-changing market environment and intense competition currently faced by the Group in such industry.

As the Company is still in the process of preparing the financial results for the year ended 31 December 2021, the information contained in this announcement is only based on a preliminary assessment of the unaudited management accounts of the Group and information currently available. It is not based on any data or information being audited or reviewed by the auditors or audit committee of the Company.

Further information and other details of the Group's financial results for the year ended 31 December 2021 will be disclosed in the forthcoming annual results announcement of the Company, which is expected to be published in March 2022.

**Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 13 February 2022

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

Mr. Liu Jun (*Executive Director and Chairman*)  
Mr. Zhang Yonghong (*Executive Director and Chief Executive Officer*)  
Mr. Liu Xiaodong (*Executive Director and President*)  
Mr. Guo Fansheng (*Non-executive Director*)  
Mr. Sun Yang (*Non-executive Director*)  
Mr. Lin Dewei (*Non-executive Director*)  
Mr. Zhang Ke (*Independent non-executive Director*)  
Mr. Zhang Tim Tianwei (*Independent non-executive Director*)  
Ms. Qi Yan (*Independent non-executive Director*)