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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 Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to provide shareholders and potential investors of the Company with an update on the financial performance of the Group.

Based on a preliminary assessment of the unaudited management accounts of the Group and information currently available, the Group expects to record an unaudited loss attributable to equity holders of the Company in a range from approximately RMB700 million to RMB900 million for the six months ended 30 June 2023 (the “**Relevant Period**”). For the corresponding period in 2022, the Group recorded an unaudited loss attributable to equity holders of the Company of approximately RMB74.7 million. Based on the information currently available, the loss for the Relevant Period was mainly attributable to the combined effect of the following:

- (i) The Group’s technology-driven new retail segment, which mainly generate its revenue through the operation of the ZOL.com.cn website, did not achieve the expected results.

ZOL has been focusing on the provision of online advertising and marketing services for 3C and living technology products in mainland China. As stated in the Company’s 2022 annual report, there are significant changes in user habits in recent years. Despite various measures implemented by the Group’s management to transform the ZOL’s business model, ZOL faced difficulties in capitalising the opportunities arising from the

recovery of economics following the release of various restrictions after the pandemic and in expanding its user base, which significantly impacted ZOL's business. The online advertising market has not resumed after the pandemic as expected in the Relevant Period. In light of the financial and business outlook of ZOL and the lack of certainty of ZOL's business to turn around in the foreseeable future, it is expected the valuation of the equity interest of ZOL as a whole will further decline and there will be impairment for the goodwill relating to this segment; and

- (ii) Impairment loss on financial assets, arising from certain significant overdue loans in the Relevant Period from the ordinary and usual course in the Group's micro-credit loan business under its platform and corporate services segment, is expected to be made for the Relevant Period.

The above impairment losses on goodwill and financial assets are non-cash items and are not expected to have an impact on the Group's cash flows.

The Company is still in the process of preparing the financial results for the Relevant Period. 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 based on applicable accounting principles. The information has not been finalized, audited or reviewed by the Company's auditor or the audit committee of the Company, and may be subject to changes.

Further information of the Group's unaudited financial results for the Relevant Period will be disclosed in the forthcoming interim results announcement of the Company, which is expected to be published in August 2023.

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 and Chief Executive Officer

Hong Kong, 18 July 2023

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

Mr. Liu Jun (*Executive Director, Chairman and Chief Executive Officer*)
Mr. Zhang Yonghong (*Executive Director*)
Mr. Liu Xiaodong (*Executive Director and President*)
Mr. Guo Fansheng (*Non-executive Director*)
Mr. 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*)