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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 the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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 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 a loss attributable to equity holders of the Company in a range from approximately RMB1,700 million to RMB2,000 million for the year ended 31 December 2023, compared to a loss attributable to equity holders of the Company of approximately RMB224 million for the year ended 31 December 2022. Such loss for the year ended 31 December 2023 was mainly attributable to, among other things, the following principal factors:

- (1) The expected impairment loss associated with the proposed disposal (the “**Proposed Disposal**”) of 100% equity interests in Beijing Huicong Hulian Information Technology Co., Ltd. (the “**Disposal Target**”, together with its subsidiaries, the “**Target Group**”). As set out in the announcement of the Company dated 28 November 2023, a subsidiary of the Group entered into a conditional equity transfer agreement regarding the Proposed Disposal. It is estimated that the Proposed Disposal will be completed in or around the first half of 2024. The Target Group therefore is classified as non-current assets held for sale as at 31 December 2023.

Pursuant to HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, a full impairment review is required when the Target Group and the 40% equity interests of Chongqing Digital China Huicong Micro-credit Co., Ltd. (“**Chongqing Micro-credit**”, being the remaining interests to be held by the Group upon completion of the Proposed Disposal, when Chongqing Micro-credit will cease to be a subsidiary of the Group), are classified as held for sale, and an impairment loss is recognized if the fair value less costs to sell is lower than the carrying value of the Target Group and Chongqing Micro-credit. Under this circumstance, the Group is expected to record a total one-off impairment loss of approximately RMB590 million.

For more information about the Proposed Disposal, please refer to the Company’s announcement dated 28 November 2023.

- (2) Impairment for goodwill and intangible assets relating to the technology-driven new retail segment cash generating unit. As stated in the Company’s 2023 interim report, the Company recognized an impairment for goodwill of approximately RMB719 million for this segment for the six months ended 30 June 2023. The Company proposes to recognize a further impairment for the goodwill and intangible assets relating to this segment for the year ended 31 December 2023, currently expected to be up to RMB260 million. Such recognition of impairment was proposed in light of the corresponding business (in particular, ZOL, which provides online advertising and marketing services for 3C and living technology products in mainland China) which could not achieve the financial results as expected at the time when the Company’s 2023 interim report was finalized (when it was expected that ZOL would be able to draw new customers to its advertising platform in the second half of 2023). The increment in advertising engagements however fell short of expectations in the second half of 2023, and the volume of advertising spending recorded a significant decline compared to that in the first half of 2023. A critical reassessment of the financial projections of ZOL was therefore performed in light of such decline, resulting in a revised future cashflow forecast projection, and thereby a further reassessment on ZOL’s business valuation. In light of the revised cashflow forecast, it is proposed that a further impairment provision for the goodwill and intangible assets be made for such segment; and
- (3) Impairment loss of approximately RMB240 million on loan and interest receivables is expected to be made for the year ended 31 December 2023 before the Proposed Disposal completes, arising from certain significant overdue loans during the year from the Group’s ordinary and usual course of its micro-credit business under its platform and corporate services segment.

As the Company is still in the process of preparing the financial results for the year ended 31 December 2023, 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 2023 will be disclosed in the forthcoming annual results announcement of the Company, which is expected to be published in March 2024.

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, 22 January 2024

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*)