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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)

**DISCLOSABLE TRANSACTION
SHARE SUBSCRIPTION AGREEMENT
DEEMED DISPOSAL OF EQUITY INTEREST
IN PANPASS INFORMATION**

SHARE SUBSCRIPTION AGREEMENT

On 1 December 2020 (after trading hours), PanPass Information, an indirect non-wholly owned subsidiary of the Company, and the Investors entered into the Share Subscription Agreement, pursuant to which, among other things, PanPass Information conditionally agreed to issue and the Investors conditionally agreed to subscribe for the Subscription Shares, representing 20% of the entire issued shares of PanPass Information as enlarged upon the Completion (assuming that no other shares of PanPass Information will be issued prior to the Completion), at an aggregate capital contribution of RMB87,416,100 in cash (equivalent to approximately RMB6.18 per share).

Upon the Completion, the registered capital of PanPass Information will be increased from RMB56,580,000 to RMB70,725,000 and held as to approximately 64.20% by Beijing HC Technology, an indirect wholly-owned subsidiary of the Company, 20% by the Investors, and approximately 15.80% by other shareholders. PanPass Information will continue to be regarded as a subsidiary of the Company and the financial results of the PanPass Information will continue to be accounted for and consolidated into the financial results of the Group.

SHAREHOLDERS AGREEMENT

In conjunction with the Share Subscription Agreement, on 1 December 2020 (after trading hours), Beijing HC Technology, the Management Shareholders, Tianjin Information Partnership and the Investors entered into the Shareholders Agreement which regulates their respective rights and obligations as the shareholders of PanPass Information. The Shareholders Agreement will become effective at the same time when the Share Subscription Agreement becomes effective.

The Repurchase Option

Pursuant to the Shareholders Agreement, the Investors shall have the right (but not obligation) to require the Initial Shareholders (one or more) to purchase all of the shares of PanPass Information held by the Investors at the Repurchase Price if any one of the events stipulated in the Shareholders Agreement occurs. For further details, please refer to the section headed “Shareholders’ Right – (3) Repurchase Option” below in this announcement.

LISTING RULES IMPLICATIONS

The Subscription

As the percentage of shareholding of Beijing HC Technology in PanPass Information will be reduced from 80.25% to 64.20% after the Completion, the Subscription will constitute a deemed disposal of equity interest in PanPass Information under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the entering into of the Share Subscription Agreement and the Subscription is more than 5% but less than 25%, the entering into of the Share Subscription Agreement and the Subscription constitutes a disclosable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements, but exempt from the circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The Repurchase Option

The exercise right of the Repurchase Option is vested with the Investors. The Repurchase Option will be treated as if exercised at the time of its grant pursuant to Rule 14.74(1) of the Listing Rules. Given that the maximum consideration payable for the shares of PanPass Information held by the Investors is expected to be approximately RMB121,961,170.45 in accordance with the formula set out for the Repurchase Option, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Repurchase Option thereunder is more than 5% but less than 25%. Therefore, the grant of the Repurchase Option constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements, but exempt from the circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Mr. Zhang Yonghong, an executive Director and the chief executive officer of the Company, who is an indirect shareholder (through his 40% equity interest held in Tianjin Information Partnership) of PanPass Information and a party to the Shareholders Agreement, is considered to have a material interest in the Agreements. Mr. Zhang Yonghong has abstained from voting on the resolutions in relation to the Agreements proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Agreements.

As the Completion is subject to the fulfillment of a number of conditions precedent as set out in the Share Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

The Board is pleased to announce that on 1 December 2020 (after trading hours), PanPass Information, an indirect non-wholly owned subsidiary of the Company, and the Investors entered into the Share Subscription Agreement, pursuant to which, among other things, PanPass Information conditionally agreed to issue and the Investors conditionally agreed to subscribe for the Subscription Shares, representing 20% of the entire issued shares of PanPass Information as enlarged upon the Completion (assuming that no other shares of PanPass Information will be issued prior to the Completion), at an aggregate capital contribution of RMB87,416,100 in cash (equivalent to approximately RMB6.18 per share).

In conjunction with the Share Subscription Agreement, on 1 December 2020 (after trading hours), Beijing HC Technology, the Management Shareholders, Tianjin Information Partnership and the Investors entered into the Shareholders Agreement which regulates their respective rights and obligations as the shareholders of PanPass Information. The Shareholders Agreement will become effective at the same time when the Share Subscription Agreement becomes effective.

Set forth below are the principal terms of the Share Subscription Agreement and the Shareholders Agreement.

THE SHARE SUBSCRIPTION AGREEMENT

The principal terms of the Share Subscription Agreement are set out as follows:

Date

1 December 2020 (after trading hours)

Parties

1. PanPass Information, an indirect non-wholly owned subsidiary of the Company; and
2. the Investors.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Investors and their respective ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Share Subscription Agreement, among other things, PanPass Information conditionally agreed to issue and the Investors conditionally agreed to subscribe for the Subscription Shares, representing 20% of the entire issued ordinary shares of PanPass Information as enlarged upon the Completion (assuming that no other shares of PanPass Information will be issued prior to the Completion), at an aggregate capital contribution of RMB87,416,100 in cash (equivalent to RMB6.18 per share).

Among the Investors, Xingshi Investment, Mr. Shi and Ms. Sun conditionally agreed to subscribe for 14,001,128, 63,046 and 80,826 of the Subscription Shares at the capital contribution of RMB86,526,971.04, RMB389,624.28 and RMB499,504.68, in cash, respectively.

The Total Capital Contribution was arrived at after arm's length negotiations between PanPass Information and the Investors with reference to, among other things, (i) the Performance Targets; (ii) the average share price of PanPass Information on the NEEQ for the 20 working days prior to 1 December 2020, being RMB4.56 per share; and (iii) the historical cost weighted-average price of approximately RMB3.61 per share of PanPass Information held by Beijing HC Technology by taking into account of the original acquisition cost provided by Beijing HC Technology in 2014 and its subsequent increase in shareholdings in PanPass Information.

The equity holding structure of PanPass Information immediately before and after the Completion are as follows:

Shareholders	Immediately before the Completion		Immediately after the Completion	
	Number of shares held	Approximate percentage of shareholding	Number of shares held	Approximate percentage of shareholding
Beijing HC Technology	45,405,734	80.25%	45,405,734	64.20%
Tianjin Information Partnership	6,234,056	11.02%	6,234,056	8.81%
Mr. You	1,634,550	2.89%	1,634,550	2.31%
Mr. Zhang Huirong	558,900	0.99%	558,900	0.79%
Mr. Liu	90,640	0.16%	90,640	0.13%
Other shareholders	2,656,120	4.69%	2,656,120	3.76%
<i>Investors:</i>				
Xingshi Investment	—	—	14,001,128	19.80%
Mr. Shi	—	—	63,046	0.09%
Ms. Sun	—	—	80,826	0.11%
Total	56,580,000	100.00%	70,725,000	100.00%

Payment of the Total Capital Contribution

PanPass Information shall open a bank account specifically for the payment of the entire Total Capital Contribution and the Investors shall pay the entire Total Capital Contribution in one lump sum into such bank account within the period (to be agreed by the Parties) as specified in the announcement for the Subscription to be published by PanPass Information on the NEEQ.

PanPass Information and the Investors agree that, any taxes or fees as required by law or regulation to be borne by either party in relation to the performance of the Share Subscription Agreement, shall be solely borne by such party.

Use of the Total Capital Contribution

The Total Capital Contribution made by the Investors shall be used solely as the supplemental working capital for the principal businesses of PanPass Information, including but not limited to provision of anti-counterfeit tracing service, digitalisation of products service, software and system integration service, and intelligence hardware.

The Total Capital Contribution shall not be used to repay or set off the debts owed by PanPass Information to its shareholder(s), director(s), employee(s) or any other company(ies) or person(s) related to the aforementioned person(s) and shall not be used for any other purposes not specified in the Share Subscription Agreement.

Completion and conditions precedent

Completion shall take effect upon the satisfaction of the following conditions:

- (1) the Share Subscription Agreement having been duly signed and sealed by the legal representatives or authorised representatives of the Parties;
- (2) PanPass Information having obtained the approvals in relation to the Subscription from its board of directors and shareholders in accordance with the relevant legal procedures; and
- (3) PanPass Information having obtained the no comment letter in relation to the Subscription from NEEQ Ltd..

No Parties shall have the right to waive any of the above conditions.

THE SHAREHOLDERS AGREEMENT

The principal terms of the Shareholders Agreement are set out as follows:

Date

1 December 2020 (after trading hours)

Parties

1. Beijing HC Technology;
2. the Management Shareholders;
3. Tianjin Information Partnership; and
4. the Investors.

Performance Targets

The Initial Shareholders undertake that the net profit of PanPass Information Group will be RMB8,000,000, RMB43,000,000 and RMB47,000,000 for the financial year of 2020, 2021 and 2022 (the “**Commitment Period**”), respectively.

In the event that PanPass Information Group is unable to achieve the Performance Target(s), the Investors shall be entitled to adjust the valuation of the Subscription based on the net profit of PanPass Information Group of the relevant Commitment Period. The Investors shall be entitled to require compensation in the form of cash or shares from the Initial Shareholders according to one of the following formulas:

- (1) Cash compensation = $(1 - \text{actual net profit of the relevant Commitment Period} / \text{Performance Target of the relevant Commitment Period}) \times \text{Total Capital Contribution} - \text{the accrued cash compensation already received by the Investors}$; or
- (2) Share compensation ratio = $(\text{Performance Target} / \text{actual net profit of the relevant Commitment Period} - 1) \times \text{the percentage of shareholding held by the Investors as at the end of the relevant Commitment Period (excluding the shares traded on the secondary market by the Investors after the Completion Date)} - \text{the accrued share compensation ratio already received by the Investors}$.

If the actual net profit of PanPass Information Group is less than 70% of the Performance Target, the Investors shall be entitled to exercise the Repurchase Option or to require the Initial Shareholders to compensate in accordance with one of the above formulas. However, if the Investors elect to be compensated in accordance with one of the above formulas, the actual net profit realised by PanPass Information Group shall be 70% of the Performance Target for the purpose of calculating the cash or share compensation.

Based on the formulas above, the Investors will be entitled to: (i) a maximum amount of approximately RMB26,250,000 if they elect for cash compensation; or (ii) a maximum of approximately 8.57% of shares in PanPass Information if they elect for share compensation calculated under the share compensation ratio formula.

Other undertakings by the Initial Shareholders

The Initial Shareholders shall ensure the completion of the following matters within the stipulated time:

- (1) PanPass Information will complete the registration of the Subscription Shares in accordance with the issuance procedures within 30 trading days from the Payment Date, and will convene the shareholders' meeting, board meeting and supervisory board meeting to complete the election and appointment of the directors and supervisors recommended by Xingshi Investment according to the Articles of Association within 60 days after the Completion Date;
- (2) Beijing HC Technology will pledge 20% of the entire issued ordinary shares of PanPass Information as enlarged upon the Completion to Xingshi Investment (the "**Pledge**"), which shall be not less than 14,145,000 shares of PanPass Information, to guarantee the performance of obligations of the Initial Shareholders under the Shareholders Agreement within two months after the Completion Date until three months prior to the Qualified Listing or the date of execution of an agreement relating to the Qualified M&A;
- (3) Beijing HC Technology will implement equity award for the Management Shareholders in a way as permitted by the Investors within 24 months after the Completion Date, subject to the compliance with the applicable requirements under the Listing Rules and the relevant rules of the NEEQ;

- (4) Beijing HC Technology and the Management Shareholders will use their best endeavours to procure PanPass Information and its agents to agree on their respective rights and obligations, and request all agents to use the trademark of PanPass Information when PanPass Information renews the agency agreements; and
- (5) Beijing HC Technology and the Management Shareholders will procure PanPass Information to convene a shareholders' meeting to extend the operating period of PanPass Information before expiration of such period as specified on its business licence. Beijing HC Technology and the Management Shareholders shall vote in favour of the relevant resolution in the shareholders' meeting.

Shareholders' Rights

(1) Tag-along rights

Subject to other provisions in the Shareholders Agreement, if the Initial Shareholders wish to transfer (the “**Proposed Transfer**”) its shares in PanPass Information (the “**Proposed Sale Shares**”) to any proposed transferee(s) (the “**Proposed Transferee(s)**”), and if the Investors have not purchased all of the Proposed Sale Shares, the Investors shall have the right to transfer its shares in PanPass Information (based on its pro rata shareholding in PanPass Information) to the Proposed Transferee(s) on the same terms and conditions as the Proposed Transfer according to the conditions as stipulated in the Shareholders Agreement.

(2) Preferential right to sale

Subject to other provisions in the Shareholders Agreement, after the Completion, if any third party proposes to purchase all or part of the shares of PanPass Information held by the Initial Shareholders, the Investors shall have the right to sell all or part of its shares in PanPass Information on the same terms and conditions to such third party, in preference to the Initial Shareholders.

(3) Repurchase Option

If any one of the following events occurs, the Investors shall have the right (but not obligation) to require the Initial Shareholders (one or more) to purchase all of the shares of PanPass Information held by the Investors at the Repurchase Price:

- (a) PanPass Information fails to: (i) file the application material for Qualified Listing with the securities regulatory authority or the stock exchange of the PRC; (ii) obtain the relevant approvals for the Qualified Listing from the securities regulatory authority or the stock exchange of the PRC; or (iii) execute agreement for Qualified M&A with a listed company, within the stipulated time;

- (b) PanPass Information fails to complete, or it is apparent that it is unable to complete the Qualified Listing or the Qualified M&A by mid of 2024;
- (c) PanPass Information is unable to publish its audited reports for any one of its financial years without qualified opinion within the time stipulated by the NEEQ, or is unable to achieve 70% of any one of the Performance Targets during the Commitment Period;
- (d) PanPass Information, Beijing HC Technology and/or the Management Shareholders breach the obligations under the Agreements and any other supplemental documents;
- (e) serious violations of the law or material wrongdoings by PanPass Information Group and/or the Initial Shareholders;
- (f) Beijing HC Technology has lost or will lose the actual control of PanPass Information Group for reasons as stipulated in the Shareholders Agreement;
- (g) dispute occurs over the ownership of intellectual property owned or used by PanPass Information, or where a third party initiates legal proceedings against PanPass Information for infringement of intellectual property rights, which will result in material adverse impact on the production and operation or the listing of PanPass Information; or
- (h) other investors (including new investors who become shareholders of PanPass Information after the Completion) requiring PanPass Information, Beijing HC Technology or the Management Shareholders to repurchase their shares in PanPass Information.

The Repurchase Price shall be the actual costs of investment by the Investors plus the return on investment calculated at a rate of 10% per annum (compounded) of the actual costs of investment, less dividends paid (if any) and any cash compensation paid calculated in accordance with the formula as mentioned in the section headed “The Shareholders Agreement – Performance Targets” above in this announcement.

Based on the above formula and on the basis of the Total Capital Contribution of RMB87,416,100, the maximum Repurchase Price that may be payable if the Repurchase Option is exercised by 30 June 2024, being the deadline for PanPass Information to complete the Qualified Listing or the Qualified M&A, will be approximately RMB121,961,170.45. The Repurchase Price shall be payable within 15 days from the date of receipt of the notice for the exercise of the Repurchase Option.

If the Initial Shareholders and the Investors are unable to reach a share transfer agreement or if the Initial Shareholders are unable to pay the Repurchase Price within the time stipulated above, the Investors shall be entitled to exercise the Drag-along Rights as mentioned in the paragraph headed “Shareholders’ Rights – (4) Drag-along Rights” below in this announcement.

(4) Drag-along Rights

In the event that the Initial Shareholders breach the repurchase obligations as stated above or PanPass Information is unable to realise Qualified Listing or other specified conditions, and if the Investors propose to sell its shares in PanPass Information together with the shares held by the Initial Shareholders to an intended purchaser (the “**Intended Sale**”), the Initial Shareholders shall procure the completion of the Intended Sale. If the consideration of the Intended Sale received by the Investors is less than the amount calculated based on the Repurchase Price, such shortfall shall be compensated by the Initial Shareholders.

The Investors will cease to enjoy the rights as stipulated under the Shareholders Agreement that is contrary to the special protection rights under the relevant listing rules of the PRC when PanPass Information files the formal application material for Qualified Listing with the securities regulatory authority or the stock exchange of the PRC. If PanPass Information withdraws its listing application or fails to obtain approval for its listing application, the Initial Shareholders and the Investors shall negotiate to settle the matter. If the securities regulatory authority or the stock exchange of the PRC has handed down rulings on such matter, the Initial Shareholders and the Investors shall follow such rulings.

The Company will further comply with the applicable requirements under the Listing Rules in the event that the exercise of any rights in the Shareholders Agreement as disclosed above would trigger an obligation under the Listing Rules.

Corporate governance

Xingshi Investment is entitled to nominate one director and one supervisor of PanPass Information, and such nominee(s) shall be elected and appointed as the director or supervisor of PanPass Information in accordance to the Articles of Association and other relevant regulations.

The Initial Shareholders undertake that they shall not nominate person(s) resigned or will soon resign from Xingshi Investment or its connected persons as senior management of PanPass Information.

Restrictions on transfer of shares

From the Payment Date to the date of completion of the Qualified Listing or the Qualified M&A of PanPass Information, Beijing HC Technology and the Management Shareholders shall continue to maintain the actual control of PanPass Information. Without the written consent of the Investors and save for the purpose of provision of guarantee by way of pledging of shares of PanPass Information to secure loans for production and operation needs of PanPass Information, Beijing HC Technology shall not sell, grant, pledge, mortgage, encumber, delegate voting rights or otherwise dispose of its shares in any way that may lead to change of the actual control of PanPass Information, and the Management Shareholders shall not sell, grant, pledge, mortgage, encumber or otherwise dispose of their shares in Tianjin Information Partnership.

Any disposal by Beijing HC Technology or the Management Shareholders which contravenes the above undertaking shall be invalid.

REASONS AND BENEFITS FOR THE SUBSCRIPTION AND THE REPURCHASE OPTION

The Subscription

In the first batch of market-level regular adjustment decisions for the year of 2020 announced by NEEQ Ltd. in July 2020, a total of 502 listed companies were admitted to the innovation level. As the leading listed company in the area of anti-counterfeit tracing in the PRC, PanPass Information is admitted to the innovation level of NEEQ. PanPass Information will enter into a new starting point, and will continue to actively develop its business so as to create favourable conditions to be admitted into the select level of NEEQ.

The further clarification by the national “14th Five-Year Plan” on the development of life and health, consumption upgrades, agricultural construction and digitalisation development has provided PanPass Information, as the leading company in the area of anti-counterfeit tracing in the PRC, with greater development opportunities. In order to cope with these opportunities, PanPass Information will need to increase its investment in areas such as technology enhancement, research and development iteration, intellectual property rights application and protection.

The proceeds from the Subscription will be used as supplemental working capital for the principal business of PanPass Information, in order to match the development of the principal businesses of PanPass Information, such as provision of anti-counterfeit tracing service, digitalisation of products service, software and system integration service, and intelligence hardware, which will allow PanPass Information to maintain its growth in scale of operation. Besides, the introduction of industrial strategic investors will create a synergy on the development of PanPass Information and PanPass Information’s ability to maintain its leading position in the industry. At the same time, the capital from the Subscription can also alleviate the financial pressure brought by the business development of PanPass Information, which enhances PanPass Information’s anti-risk ability and market competitiveness, and promotes the long-term stable development of PanPass Information. In light of the business development, capital demand and future capital market planning of PanPass Information, the Directors are of the view that the Subscription is in the interest of PanPass Information.

The Repurchase Option

Pursuant to the Shareholders Agreement, the Group will undertake the shares repurchase obligations. After the Subscription, PanPass Information will continue to be a subsidiary of the Group and the Group will continue to control and lead the development of PanPass Information. The Investors will provide support for the future development of PanPass Information, and assist PanPass Information to develop in the capital market, which will generate greater return for the Group in the future.

Considering: (i) the maximum Repurchase Price of approximately RMB121,961,170.45 based on the formula as stipulated in the Shareholders Agreement and the amount of Total Capital Contribution; and (ii) the benefits of the Subscription and the Investors brought to PanPass Information as illustrated above, the Directors are of the view that the risk associated with the Repurchase Option is within its capacity and such risk is fair and reasonable in light of the potential benefits and the future development opportunities.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the Agreements and the transactions contemplated thereunder (including the Subscription and the Repurchase Option) were entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiations, and that the terms of the Agreements and the transactions contemplated thereunder (including the Subscription and the Repurchase Option) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF PANPASS INFORMATION

PanPass Information is an indirect non-wholly owned subsidiary of the Company established in the PRC with limited liability. As at the date of this announcement, shares of PanPass Information are quoted on the NEEQ (stock code: 430073).

Before the Completion, PanPass Information has a registered capital of RMB56,580,000 divided into 56,580,000 shares of RMB1 each. Upon the Completion, the registered capital of PanPass Information will be increased to RMB70,725,000 divided into 70,725,000 shares of RMB1 each.

The current principal business of PanPass Information is the provision of anti-counterfeit tracing service, digitalisation of products service, software and system integration services, and intelligence hardware.

The details of the shareholding structure of PanPass Information is set out in the section headed "The Share Subscription Agreement – Subject Matter" above in this announcement.

FINANCIAL INFORMATION OF PANPASS INFORMATION

Set out below are the audited and unaudited consolidated financial results, prepared in accordance with the PRC accounting standards, for the financial years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 of PanPass Information.

	As at 31 December		As at 30 September
	2018	2019	2020
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	106,063	132,250	130,907
Net assets	71,960	85,622	88,954
	For the year ended		For the nine months
	31 December		ended 30 September
	2018	2019	2020
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	13,659	13,606	1,272
Profit after tax	12,806	13,103	1,361

Upon the Completion, PanPass Information will continue to be regarded as a subsidiary of the Company and the financial results of the PanPass Information will continue to be accounted for and consolidated into the financial results of the Group. It is expected that the transaction contemplated under the Agreements would not have significant impact on the Group's consolidated financial results.

INFORMATION OF THE GROUP

The Group endeavors to become the leading industrial internet groups in the PRC. By focusing on and integrating advantageous resources, the Group has upgraded its organisational structure, with its business composed of three segments, namely the business groups of technology-driven new retail, smart industries, and platform and corporate services.

INFORMATION OF THE INITIAL SHAREHOLDERS

Beijing HC Technology is an indirect wholly owned subsidiary of the Company and is principally engaged in innovative technology development, software development and providing business consultation services.

The Management Shareholders are Mr. Zhang Yonghong, Mr. Liu, Mr. Zhang Huirong and Mr. You. Mr. Zhang Yonghong is an executive Director and the chief executive officer of the Company. Mr. Liu, Mr. Zhang Huirong and Mr. You are currently vice general managers of PanPass Information. As at the date of this announcement, Mr. Zhang Yonghong is indirectly interested in PanPass Information through his 40% equity interest held in Tianjin Information Partnership while Mr. Liu, Mr. Zhang Huirong and Mr. You are shareholders of PanPass Information who directly held as to 0.16%, 0.99% and 2.89% of equity interest in PanPass Information, respectively and indirectly interested in PanPass Information through their respective equity interests held in Tianjin Information Partnership. Save and except as the shareholders of PanPass Information, Mr. Liu, Mr. Zhang Huirong and Mr. You are independent of the Company and its connected persons.

Tianjin Information Partnership is a limited partnership established in the PRC with Tianjin Juxin as the general partner, which is principally engaged in information consulting business and is 100% wholly owned by Ms. Huang Liya (黃麗雅), a merchant and an Independent Third Party, and with the Management Shareholders as limited partners. Tianjin Juxin, Mr. Zhang Yonghong, Mr. Liu, Mr. Zhang Huirong and Mr. You each contributed RMB150,000, RMB6,000,000, RMB3,750,000, RMB900,000 and RMB450,000, respectively into Tianjin Information Partnership, accounting for approximately 1%, 40%, 25%, 6% and 3% of the shares of Tianjin Information Partnership, respectively.

INFORMATION OF THE INVESTORS

Xingshi Investment

Xingshi Investment is a limited partnership established in the PRC and is principally engaged in project investment, equity interest investment management, investment management and asset management. The general partner of Xingshi Investment is Beijing Xingyuan Chuangxin Equity Investment Fund Management Company Limited (北京星元創新股權投資基金管理有限公司) (“**Beijing Xingyuan**”), which owns approximately 1.00% of Xingshi

Investment. To the best of the Directors' information and belief,

- (1) Beijing Xingyuan is principally engaged equity investment management and is owned as to 70% by Shanghai Fosun Health Industry Holding Company Limited (上海復星健康產業控股有限公司, “**Shanghai Fosun**”) and as to 30% by Beijing Capital Agribusiness Company Limited (北京首農股份有限公司, “**Beijing Agribusiness**”);
- (2) Shanghai Fosun, a limited partner of Xingshi Investment, is established in the PRC and principally engaged in health industry investment management, which is directly wholly-owned by Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司) (“**Fosun High Tech**”), another limited partner of Xingshi Investment. Fosun High Tech is an investment holding company established in the PRC and wholly-owned by Fosun International Ltd. (復星國際有限公司), a company incorporated in Hong Kong and listed on the main board of the Stock Exchange (stock code: 00656), an innovation-driven family consumer industry group that deeply promotes the construction of the three businesses of health, happiness and wealth (Shanghai Fosun and Fosun High Tech, collectively, “**Fosun Group**”);
- (3) Fosun Group directly and indirectly through Beijing Xingyuan holds an aggregate of approximately 13.22% interest in Xingshi Investment;
- (4) The other limited partners of Xingshi Investment which holds more than 10% interest in Xingshi Investment include:
 - (i) Yueying Shidai (Shenzhen) Investment Management Company Limited (悅贏時代(深圳)投資管理有限公司) (“**Yueying Shidai**”) owns approximately 24.44% interest in Xingshi Investment. Based on publicly available information, Yueying Shidai is ultimately controlled by Mr. Zhou Jianqiang (周建強) and Ms. Yu Hongmei (于紅梅) and its scope of business is investment management;
 - (ii) Beijing Capital Agribusiness & Foods Group (北京首農食品集團有限公司, previously 北京首都農業集團有限公司), a state-owned enterprise ultimately controlled by the State-owned Assets Supervision and Administration Commission of Beijing Municipality (北京市人民政府國有資產監督管理委員會), together with its directly non wholly-owned subsidiary, Beijing Agribusiness, own an aggregate of approximately 21.51% interest in Xingshi Investment. Based on publicly available information, the aforesaid two companies hold a group of companies mainly engaged in agricultural and food related industry; and
 - (iii) Beijing Economic and Informatisation Committee Economic Technology Market Development Center (北京市經濟和信息化委員會經濟技術市場發展中心) owns approximately 18.33% interest in Xingshi Investment and is a public institution governed under the Beijing Municipal Bureau of Economy and Information Technology (北京市經濟和信息化局).

Other Investors

The other Investors are Mr. Shi and Ms. Sun. Mr. Shi is the general manager and appointed representative of Beijing Xingyuan, while Ms. Sun is the investment executive general manager of Beijing Xingyuan.

LISTING RULES IMPLICATIONS

The Subscription

As the percentage of shareholding of Beijing HC Technology in PanPass Information will be reduced from 80.25% to 64.20% after the Completion, the Subscription will constitute a deemed disposal of equity interest in PanPass Information under Rule 14.29 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the entering into of the Share Subscription Agreement and the Subscription is more than 5% but less than 25%, the entering into of the Share Subscription Agreement and the Subscription constitutes a disclosable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements, but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Repurchase Option

The exercise right of the Repurchase Option is vested with the Investors. The Repurchase Option will be treated as if exercised at the time of its grant pursuant to Rule 14.74(1) of the Listing Rules. Given that the maximum consideration payable for the shares of PanPass Information held by the Investors is expected to be approximately RMB121,961,170.45 in accordance with the formula set out for the Repurchase Option, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Repurchase Option thereunder is more than 5% but less than 25%. Therefore, the grant of the Repurchase Option constitutes a disclosable transaction for the Company and is subject to the reporting and announcement requirements, but exempt from the circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Zhang Yonghong, an executive Director and the chief executive officer of the Company, who is an indirect shareholder (through his 40% equity interest held in Tianjin Information Partnership) of PanPass Information and a party to the Shareholders Agreement, is considered to have a material interest in the Agreements. Mr. Zhang Yonghong has abstained from voting on the resolutions in relation to the Agreements proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Agreements.

As the Completion is subject to the fulfillment of a number of conditions precedent as set out in the Share Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Agreements”	the Share Subscription Agreement and the Shareholders Agreement
“Articles of Association”	the articles of association of PanPass Information as amended from time to time
“Beijing HC Technology”	北京慧聰再創科技有限公司 (Beijing Huicong Zaichuang Technology Co., Ltd), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company
“Company”	HC Group Inc., a company incorporated with limited liability under the laws of the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription in accordance with the Share Subscription Agreement
“Completion Date”	the date of completion of the registration of the Subscription Shares in CSDC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限公司)
“Director(s)”	the directors of the Company
“Drag-along Rights”	the drag-along rights given to the Investors pursuant to the Shareholders Agreement
“Group”	the Company and its subsidiaries as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third parties independent of and not connected with the Company and its connected persons

“Initial Shareholders”	Beijing HC Technology, the Management Shareholders and Tianjin Information Partnership
“Investors”	Xingshi Investment, Mr. Shi and Ms. Sun
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Shareholders”	Mr. Zhang Yonghong, Mr. Liu, Mr. Zhang Huirong and Mr. You
“Ms. Sun”	Ms. Sun Dongxia (孫東霞), one of the Investors
“Mr. Liu”	Mr. Liu Shan (劉杉), one of the Management Shareholders
“Mr. Shi”	Mr. Shi Zhenyi (石振毅), one of the Investors
“Mr. You”	Mr. You Shengwei (尤勝偉), one of the Management Shareholders
“Mr. Zhang Huirong”	Mr. Zhang Huirong (張惠榮), one of the Management Shareholders
“Mr. Zhang Yonghong”	Mr. Zhang Yonghong (張永紅), one of the Management Shareholders, an executive Director and the chief executive officer of the Company
“NEEQ”	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NEEQ Ltd.”	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
“Parties”	PanPass Information and the Investors
“PanPass Information”	北京兆信信息技術股份有限公司 (PanPass Information Technology Co., Ltd.), a company established in the PRC with its shares listed on the NEEQ (stock code: 430073), and a non-wholly owned subsidiary of the Company
“PanPass Information Group”	PanPass Information and its subsidiaries and branch offices from time to time
“Payment Date”	the date on which the Investors pay the entire Total Capital Contribution

“Performance Target(s)”	the expected net profit(s) of PanPass Information Group, being RMB8,000,000, RMB43,000,000 and RMB47,000,000 in the financial year of 2020, 2021 and 2022 respectively, pursuant to the Shareholders Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Qualified Listing”	the initial public offering of the shares of PanPass Information on an approved stock exchange (including main board, small-and-medium-enterprise board, ChiNext market and STAR market but excluding NEEQ) in the PRC
“Qualified M&A”	the merger and/or acquisition by a company listed in the PRC with a valuation of not less than RMB600 million if the merger and acquisition takes place in 2021, or RMB800 million, if the merger and acquisition takes place after 2022
“Repurchase Price”	the repurchase price to be paid by the Initial Shareholders to the Investors upon the exercise of the Repurchase Option by the Investors pursuant to the Shareholders Agreement
“Repurchase Option”	the rights of the Investors to require the Initial Shareholders to repurchase all of the shares of PanPass Information held by the Investors at the Repurchase Price pursuant to the Shareholders Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders Agreement”	the shareholders agreement dated 1 December 2020 entered into between Beijing HC Technology, the Management Shareholders, Tianjin Information Partnership and the Investors in relation to the Share Subscription Agreement
“Share(s)”	the share(s) of the Company
“Share Subscription Agreement”	the share subscription agreement dated 1 December 2020 entered into between PanPass Information and the Investors in relation to the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	the shareholders of the Company

“Subscription”	the subscription by the Investors of the Subscription Shares to be issued by PanPass Information pursuant to the Share Subscription Agreement
“Subscription Shares”	14,145,000 new ordinary shares of PanPass Information, representing 20% of the entire issued ordinary shares of PanPass Information as enlarged upon the Completion (assuming that no other shares of PanPass Information will be issued prior to the Completion)
“Tianjin Information Partnership”	天津聚信眾誠信息諮詢合夥企業(有限合夥) (Tianjin Juxin Zhongcheng Information Consultation Partnership (Limited Partnership)), a limited partnership established in the PRC with Tianjin Juxin as the general partner, and with the Management Shareholders as limited partners
“Tianjin Juxin”	天津聚信睿誠管理諮詢有限公司 (Tianjin Juxin Ruicheng Management Consultation Company Limited), a company established in the PRC with limited liability
“Total Capital Contribution”	the aggregate capital contribution of RMB87,416,100 in cash by the Investors to PanPass Information pursuant to the Share Subscription Agreement
“Xingshi Investment”	北京星實投資管理中心(有限合夥) (Beijing Xingshi Investment Management Center (Limited Partnership)), a limited partnership established in the PRC
“%”	per cent

In this announcement, if there is any inconsistency between the Chinese names of the persons or entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

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

Hong Kong, 1 December 2020

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*)