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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 Part XIVA of the Securities and Futures Ordinance and Rule 13.09 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 consolidated management accounts of the Group and information currently available, it is expected that the Company will record a revenue of more than RMB6,500,000,000 for the six months ended 30 June 2019, representing a substantial increase of 70% as compared to the corresponding period in 2018; and a loss attributable to equity holders of the Company in a range from approximately RMB160,000,000 to RMB180,000,000 for the six months ended 30 June 2019 while a profit attributable to equity holders of the Company of approximately RMB190,958,000 was recorded for the corresponding period in 2018.

Based on information currently available, the Board is of the view that the loss attributable to equity holders of the Company is mainly attributable to, among other things: (i) the Group further contributing its resources to continue promoting the strategic iteration of industrial internet and the construction of transaction scenarios; (ii) a decrease in the high gross profit margin revenue of the Group as compared to the corresponding period last year, as well as a substantial increase in interest expense as some of the Group’s clients tended to be cautious in their investment in the market amidst the overall macroeconomy; (iii) the provisions for part of the asset and goodwill impairment proposed to be made by the Group; and (iv) a significant decrease in the income derived from investment as compared to the corresponding period last year. The increase in the Company’s revenue was mainly attributable to the substantial increase in the revenue from transaction services which was benefitted from the ecological layout of the Group’s industrial internet.

As disclosed in the Company's announcement dated 27 June 2019, the Group, which strives to becoming a leading industrial internet group, will seize the opportunities and proactively face the challenge. By concentrating on the vertical tracks of industrial internet and emphasizing the construction of ecology, the Group will focus on the strategic positioning of industrial internet, which, coupled with the advantage of the connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area, will promote a highly effective development of the Group. The Board believes that with the Central Government's calling on the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the support of the privilege policy of Huizhou City, the Group is founded on the innovation orientation and consolidated in the interaction between the industrial internet project and construction of the Guangdong-Hong Kong-Macao Greater Bay Area, thereby paving a solid step for the Group towards a leading industrial internet group.

As the Company is still in the process of preparing the interim results for the six months ended 30 June 2019, 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 performance for the six months ended 30 June 2019 will be disclosed in the forthcoming interim results announcement of the Company, which is expected to be published in late August 2019.

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, 2 August 2019

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. Li Jianguang (*Non-executive Director*)
Mr. Sun Yang (*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*)