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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO 2022 ANNUAL REPORT

Reference is made to the annual report for the year ended 31 December 2022 (the “**Report**”) of HC Group Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”). Unless the context otherwise requires, capitalized terms used in this announcement have the same meanings as defined in the Report.

As set out in the Report, in the year ended 31 December 2022 (the “**Reporting Period**”), the Group generated its revenue from three business segments, namely, the technology-driven new retail segment, the smart industries segment, and the platform and corporate services segment. The platform and corporate services segment contributed approximately 1.1% of the Group’s revenue during the Reporting Period. This segment mainly included online services, advance marketing services utilizing digital big data and tools, and provision of micro-credit loans and finance lease (the “**financing services business**”) in the Group’s ordinary and usual course of business during the Reporting Period.

The Company wishes to provide further information to the shareholders with respect to its financing services business.

The Group conducts its financing services business through its subsidiaries which hold the respective licenses conducting finance lease business and micro-credit financing business in mainland China. As disclosed in the Report, as of 31 December 2022, the Group’s gross balance of outstanding loans receivables to customers from financing services, and finance lease receivables amounted to approximately RMB1,636,035,000 and RMB337,191,000, respectively.

The Report sets forth procedures of the Group’s financing services business, including (among other things) pre-lending due diligence and evaluations, credit approval, contracting, post-lending management, and its loan classification system.

During the Reporting Period, the Group's customers in the financing services business were mainly small and medium enterprises and business owners in mainland China from industries related to home appliances, kitchen and bathroom, hardware, automobile etc., located principally in provinces and cities such as Beijing, Tianjin, Guangdong, Jiangsu, Zhejiang. Some of these customers have been B2B members of the Group for years. Products under financing services business include consumers credit loan, transaction loans (generally targeting at enterprises and business owners for working capital in their business operation), vertical industry loans (generally targeting at enterprises and business owners in the vertical industries and their upstream and downstream customers) and other products. As of 31 December 2022, the number of customers of the Group's financing services business was 173.

For the micro-credit loan business, the Group enters into loan agreements with its customers using its model loan contracts (and where applicable, model guarantee contracts) setting out the terms of each loan, including: identification of the parties and subject of the agreement (including the principal amount), applicable term and floating interest rate (comprising the base interest rate and the margin over the base rate, and adjustment mechanism), conditions to drawdown (including: submission of relevant supporting documents and duly complete necessary procedures as required by the Group; absence of adverse circumstances that would affect the repayment ability or guarantee capacity of borrower, the guarantor or the collateral), procedures for borrower to apply for early repayment, events of default (for examples, failure to fully repay any installment of the borrowings in time as agreed in the borrowing agreement or failure to use the borrowings for the purposes specified therein), arrangements on default and damages and associated rights (such as the lender's entitlement to recall loan before expiry upon stipulated circumstances, rights to damages, expenses and costs), and additional rights of the lender (such as right of inspection, right to information, circumstances where the lender may request for additional security/collateral). Micro-credit loans granted to the Group's customers and outstanding as of 31 December 2022 are interest bearing with interest rate ranged from 6% to 24%. Interests were generally payable periodically (by month, quarter or year); principal amount are generally payable upon maturity on a one-off basis, while some customers' loan agreements require repayment of principal amount and interests throughout the term of the loan.

For the finance leasing business, the Group enters into finance lease agreements with its customers using its model contracts setting out the terms of each finance lease, including: identification of the parties and subject of the agreement (including the relevant assets, amount subject to the finance lease), applicable term and floating interest rate (comprising the base interest rate and the margin over the base rate, and adjustment mechanism), conditions to payment of purchase price by the lender (including: provision of title, purchase contracts, payment proof and other supporting documents to the lender's satisfaction), arrangement on the title of subject assets (for example, that the lender becomes the sole owner of the assets upon commencement of the finance lease, restrictions on non-pre-approved transfer, pledge or other actions infringing the lender's ownership, borrower's right to use the assets, responsibilities on the borrower regarding expenses, taxes, third parties' damages arising out of usage of subject assets, arrangement of handling material events affecting performance of the borrower's obligations), arrangements on default and damages and associated rights (such as the lender's entitlement to recall loan before its expiry upon stipulated circumstances, right to take control and realise assets, applicable of proceeds from realization, rights to damages, expenses and costs), the borrower's option to re-purchase the assets, and additional rights of the lender (such as right of inspection, right to information, circumstances where the lender

may request for other assets of equivalent value to be subject of finance lease). Finance lease granted to the Group's customers and outstanding as of 31 December 2022 are interest bearing with interest rate ranged from 6% to 12%. Interests were generally payable periodically (by month, quarter or year), principal amount are generally payable upon maturity on a one-off basis.

Below sets out an ageing analysis of outstanding gross balance of loans receivables to customers from financing services as of 31 December 2022:

	Not overdue <i>RMB'000</i>	Overdue <90 days <i>RMB'000</i>	Overdue 91-365 <i>RMB'000</i>	Overdue >365 <i>RMB'000</i>	Total <i>RMB'000</i>
Unsecured loans	1,240,185	4,000	43,250	19,356	1,306,791
Guaranteed loans	–	–	5,000	114,124	119,124
Collateralised loans	150,000	–	–	60,120	210,120
	<u>1,390,185</u>	<u>4,000</u>	<u>48,250</u>	<u>193,600</u>	<u>1,636,035</u>

The Group applies general approach under HKFRS 9 Financial Instruments to measure expected credit losses for all loans and interest receivables and finance lease receivables. More information about impairment policies, assessments and movements relating to the Group's financing services business for the Reporting Period is set out on notes 3 and 21 of the consolidated financial statements included in the Report. Information relating to the Group's other principal businesses and the financing services business is also available in the Report.

This announcement is supplemental to, and should be read in conjunction with, the Report.

By order of the Board
HC GROUP INC.
Liu Jun
Chairman and Chief Executive Officer

Hong Kong, 31 October 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*)