

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HC GROUP INC.

慧聪集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 02280)

**MAJOR TRANSACTION
PROPOSED DISPOSAL OF HUICONG HULIAN**

Financial Adviser to the Company



ZC Technology (an indirect wholly-owned subsidiary of the Company) entered into the conditional Disposal Agreement on 28 November 2023 regarding the sale of 100% equity interests in Huicong Hulian for a Consideration of RMB5 million in cash.

The Disposal constitutes a major transaction of the Company, and is subject to, among other things, the announcement and shareholders' approval requirements under the Listing Rules. A circular containing further information about the Disposal and the notice of the EGM is expected to be despatched to the Shareholders on or before 31 December 2023.

THE DISPOSAL

Set out below is a summary of the key terms of the Disposal Agreement:

Date:

28 November 2023

Parties:

- (1) ZC Technology (the transferor)
- (2) the Purchaser (the transferee)

- (3) the Guarantor (the Purchaser's guarantor)
- (4) Huicong Hulian (the target company)

Assets to be disposed of:

The Sale Interests (being 100% equity interests in the Target Company), free from encumbrance

Consideration:

Consideration of RMB5 million in cash.

Pursuant to the Disposal Agreement, the Purchaser shall pay the Consideration to ZC Technology in the following manners:

- (a) RMB1 million shall be paid within five business days after the date of the Disposal Agreement; and
- (b) RMB4 million shall be paid within five business days after the Disposal Agreement having been approved by the Board and (if required under applicable laws, rules and regulatory requirements applicable to the Company as a listed company on the Stock Exchange (including the Listing Rules)) by the Shareholders at a general meeting.

The Consideration was determined after arm's length negotiations between ZC Technology and the Purchaser. In determining the Consideration, the Group's consideration is primarily based on the results of an independent valuation of the Sale Interests. Other factors including the Target Group's financial performance and prospects, and the Group's business strategy have also been taken into account.

The Sale Interests was valued at approximately RMB4.85 million as at 31 October 2023 based on the preliminary valuation results of Asia-Pacific Consulting and Appraisal Limited, an independent valuer. In reaching the valuation results, key factors which have been taken into account by the independent valuer include (among other matters):

- (a) the financial status of the Target Group, including its assets and liabilities as at 31 October 2023;
- (b) the outlook for the members of the Target Group (including the expectation and limited outlook of entities who have decided not to taking new business);

- (c) the estimated market value for Jingu Bank, with reference to analysis of price to book (P/B) ratio taking into account ten comparable rural commercial banks operating in China (similar to Jingu Bank) and whose shares are publicly listed on the Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- (d) the estimated market value for Chongqing Micro-credit, with reference to analysis of P/B ratio taking into account three comparable companies engaged in microfinance business with over 90% of their revenues from China (similar to Chongqing Micro-credit) and whose shares are publicly listed on the Stock Exchange;
- (e) the discount for lack of marketability;
- (f) the financial and business risks of the Target Group;
- (g) the economic outlook in general; and
- (h) other general considerations including the micro and macro economy affecting the businesses in which the Target Group operates, and other operational and market information relating to such businesses.

In valuing the Target Group, the independent valuer applied the asset-based approach (with the equity value of Chongqing Micro-credit and Jingu Bank appraised under market approach). The asset-based approach was selected for the valuation of the Target Group primarily because Tianjin Leasing is not expected to conduct new business, and Huixiang Network and its subsidiaries do not have substantive business operations.

More information about the independent valuation will be set out in the circular with respect to the Disposal to be despatched in due course. Please also refer to the paragraphs headed “Information of the Target Group” and “Reasons for and the benefits of the Disposal” for more information about the Target Group’s financial performance, and the Group’s strategy in disposing the financing service business.

Completion and conditions precedent:

Completion is conditional upon:

- (a) the Company having obtained necessary or appropriate approval pursuant to the requirements of applicable laws, rules and regulations and comments from relevant regulatory authorities applicable to it as a company listed on the Stock Exchange (including the approval from the Board and from the Shareholders (if required)); and
- (b) there being no breach of the Disposal Agreement by the Purchaser and/or the Guarantor (including, the Purchaser having paid RMB5 million of the Consideration according to items (a) and (b) under the section headed “Consideration” above).

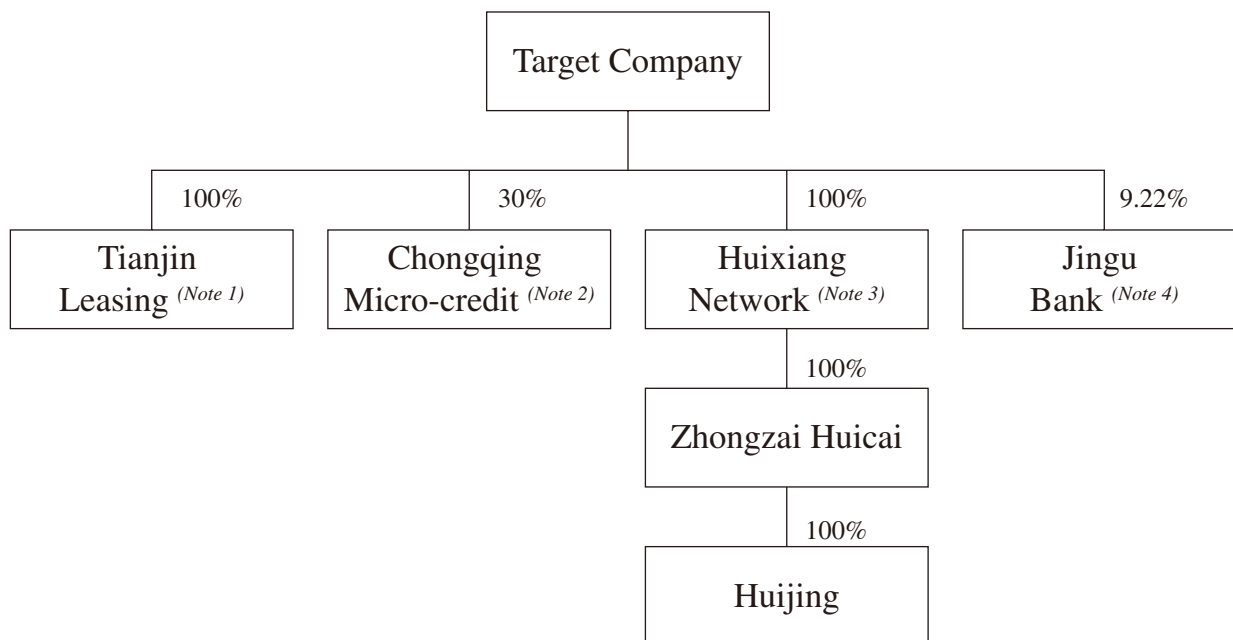
ZC Technology may, in whole or in part, waive condition (b) above at its absolute discretion. The Disposal Agreement will be discharged if the Company cannot obtain the approval from the Shareholders (if required) within six months from the date of the Disposal Agreement (or such later date as ZC Technology and the Purchaser may agree). Completion will take place when the Sale Interests are registered under the Purchaser's name by the relevant corporate registration authority in the PRC.

The Guarantor has guaranteed to ZC Technology that the Purchaser will duly perform its duties under the Disposal Agreement.

INFORMATION OF THE TARGET GROUP

The Target Company was established in the PRC. As of the date of this announcement, the Target Company has a registered capital of RMB800 million, and ZC Technology is its sole shareholder.

The Target Group mainly operates financial related business and holds the Group's investment in commercial bank and financial sector. Below sets out a structure chart showing the subsidiaries and equity shareholding of the Target Company as of the date of this announcement:



Notes:

1. Tianjin Leasing is principally engaged in the finance lease business in the PRC. It no longer develops new business as of the date of this announcement, with its current operation limited to existing finance leases.

2. Chongqing Micro-credit principally engages in the provision of loan in the PRC. Its remaining shareholders are Digital China Holdings Limited (a substantial shareholder of the Company interested in approximately 19.37% of the issued Shares) (as to 30%) and Hong Kong Huicong International Group Limited (a wholly-owned subsidiary of the Company) (as to 40%) as of the date of this announcement. Taking into account the Group's aggregate equity interests, Chongqing Micro-credit is a subsidiary of the Company prior to Completion. There is currently no immediate plan to dispose of the Group's remaining 40% shareholding in Chongqing Micro-credit after Completion.
3. Huixiang Network, Zhongzai Huicai and Huijing do not have any substantive business operations as of the date of this announcement. As of the date of this announcement, these entities owed interest-bearing borrowings in an aggregate amount of approximately RMB487.0 million.
4. Jingu Bank principally engages in the provision of products and services on bank deposits, loans and advances in the PRC and other business approved by the China Banking Regulatory Commission. The Group invested in Jingu Bank as a strategic investment in the past, and the Group's interests in Jingu Bank is classified as a financial asset at fair value in the Group's account.

Below summarises certain unaudited selected combined financial information of the Target Group for the periods/dates indicated:

	Year ended 31 December	
	2021 <i>(RMB'000, unaudited)</i>	2022 <i>(RMB'000, unaudited)</i>
Revenue	2,110,060	1,498,846
Net loss (before taxation and extraordinary items)	126,467	105,948
Net loss (after taxation and extraordinary items)	126,498	105,966
	As of 31 December	
	2021 <i>(RMB'000, unaudited)</i>	2022 <i>(RMB'000, unaudited)</i>
Total assets	1,206,316	1,109,313
Total liabilities	556,541	565,504
Net assets	649,775	543,809

As of 31 October 2023, the unaudited combined net assets of the Target Company was approximately RMB249.8 million, the unaudited combined total assets of the Target Company was approximately RMB776.2 million, and the unaudited combined total liabilities of the Target Company was approximately RMB526.3 million.

The Target Company (including Chongqing Micro-credit) will cease to be subsidiaries of the Company upon Completion. The Group is expected to record a loss of approximately RMB244.8 million from the Disposal, which is calculated based on the carrying amount of the net assets disposed of less the cash Consideration. In addition, as the Group's aggregate equity interests in Chongqing Micro-credit will fall from 70% to 40% after the Completion it is expected that approximately RMB341.7 million will be recognised as a deemed disposal loss arising from the Disposal, calculated by the fair value of the 40% retained equity interest in Chongqing Micro-credit and the book value of approximately RMB444.6 million as at 31 October 2023.

INFORMATION OF THE GROUP

As of the date of this announcement, the Group's business composed of three segments, namely (1) the technology-driven new retail segment, which mainly provides online advertising and marketing services for 3C and living technology products in mainland China through the operation of the ZOL website (zol.com.cn), (2) the smart industries segment, which mainly includes B2B trading platform, provision of anti-counterfeiting products and services, and supply chains management services, and (3) the platform and corporate services, which mainly includes the online services, advance marketing services utilising digital big data and tools and provision of financing and other services. ZC Technology is an indirect wholly-owned subsidiary of the Company, and it is principally engaged in investment holdings.

INFORMATION OF THE PURCHASER AND THE GUARANTOR

The Purchaser is a company established in the PRC with a register capital of RMB10 million. Its business scope includes, among other things, technology development and consultation, technology services, corporate management consultation, information consultation services, etc.

The Guarantor is the sole shareholder of the Purchaser. Established in the PRC, the Guarantor has a paid-up registered capital of RMB124 million as of the date of this announcement. Based on the information made available to the Company, the shareholders of the Guarantor are (1) Beijing Jiu Yuan Zhong Sheng Technology Co., Ltd. (北京玖源中盛科技有限公司) (as to approximately 60.2%; it is owned as to 70% by Lu Jin Hua (蘆金花) and 30% by Guo Bu Cai (郭補財)), (2) Beijing Zhong Cai Xin Yu Technology Co., Ltd. (北京中財新宇科技有限公司) (as to approximately 19.9%; it is owned as to 60% by Liu Er Zhu (劉二柱) and 40% by Wang Hai Zhen (王海珍)), and (3) Beijing Xi Xian Technology Co., Ltd. (北京西弦科技有限公司) (as to approximately 19.9%; it is owned as to 50% by each of Mao Shi Ping (毛士平) and Lu Da Ru (呂大如)). Based on the information made available to the Company, the Guarantor is principally engaged in the design and sales of handicrafts and gifts, and it participates in investment of assets and equity of entities in the financing service and investment business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, the Guarantor and their ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons.

REASONS FOR AND THE BENEFITS OF THE DISPOSAL

The Group has been actively reviewing its portfolios and development strategy in face of the recent challenging years. The Group aims to progressively enhance its corporate structure, shifts to a more focused approach in terms of using its resources, and a more sustainable operations in the long run. As part of these steps, the Group is striving to prioritize its core business components with a focus of businesses with better prospects and rate of return, to take a better balance of finance and other costs and risks associated with its operations.

The Group would substantively dispose its financing services business and assets through the Disposal. The Group participated in the micro-credit financing service business as an extension of, and supplemental to, its B2B e-business platform business historically. The regulatory and operating environment of micro-financing services business in the PRC has gone through huge changes throughout the years. Operating in such highly regulated business demands substantive operating resources, financing and compliance costs out of its market participants. On the other hand, based on the unaudited combined financial information of the Target Group, the Target Group's revenue represented less than 9.0% and 0.3% of the Group's revenue in the financial year 2022 and in the six months ended 30 June 2023, respectively, and continued loss was recorded. The Company considers the Disposal to be an opportunity for the Group to expediate its structural reform and to dispose of underperforming non-core business with low operating efficiency. This will be in line with the Company's business strategy of developing a more sustainable business operation focusing on "Industrial Internet" in China with better operating efficiency and profitability prospects. Upon the Completion, the total liabilities (mainly consisting of bank borrowings related to the Target Group) is expected to decrease by RMB526.3 million, which would substantially lower the Group's interest-bearing indebtedness in the short term.

The Group intends to apply the net proceeds from the Disposal (currently estimated to be approximately RMB3.4 million after deducting related expenses) for general working capital of the Group.

Having considered the benefits of the Disposal, the Board believes that the terms of the Disposal Agreement to be fair and reasonable, and the Disposal and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is higher than 25% but less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. It is proposed that the EGM will be convened and held for the purpose of seeking Shareholders' approval on the Disposal.

So far as the Directors are aware of, none of the Shareholders has a material interest in the Disposal which is different from those of other Shareholders. As such, no Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Disposal at the EGM.

To the best of the Directors' knowledge, information and belief, none of the Directors have a material interest in the Disposal, and none of them are required to abstain, or has abstained, from voting on the relevant board resolutions to approve the same.

GENERAL

A circular containing information on the Disposal, the valuation report of the Sale Interests, information as required under the Listing Rules, and a notice of the EGM will be despatched to the Shareholders. As additional time will be required to prepare and finalise the content of the circular, including the financial and other information of the Group, and in light of the public holidays in Hong Kong in December, it is expected that the circular will be despatched on or before 31 December 2023.

Shareholders and potential investors should note that the financial effects of the Disposal set out in this announcement are for reference purpose only. The actual financial figures and effects resulted from the Disposal will be assessed based on the Group's financial position at the time of the Completion, and eventually be recognised in the consolidated financial statements of the Company upon the Completion.

The Disposal is conditional upon satisfaction of conditions precedent under the Disposal Agreement. There is no assurance that Completion will take place. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Chongqing Micro-credit”	Chongqing Digital China Huicong Micro-credit Co., Ltd. (重慶神州數碼慧聰小額貸款有限公司), a company established in the PRC with limited liability
“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 Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the proposed sale of the Sale Interests pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the equity transfer agreement regarding Huicong Hulian dated 28 November 2023 entered into among ZC Technology, the Purchaser, the Guarantor and Huicong Hulian
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Disposal
“Group”	the Company and its subsidiaries
“Guarantor”	Beijing Huajianyu Trading Co., Ltd. (北京花間語商貿有限公司), a company incorporated in the PRC with limited liability
“Huicong Hulian” or the “Target Company”	Beijing Huicong Hulian Information Technology Co., Ltd. (北京慧聰互聯信息技術有限公司), a company incorporated in the PRC with limited liability

“Huijing”	Huijing (Huizhou) E-commerce Co., Ltd. (慧旌(惠州)電子商務有限公司), a company established in the PRC with limited liability
“Huixiang Network”	Beijing Huixiang Network Technology Co., Ltd. (北京慧翔網絡技術有限公司), a company established in the PRC with limited liability
“Jingu Bank”	Inner Mongolia Hohhot Jingu Rural Commercial Bank Co., Ltd. (內蒙古呼和浩特金谷農村商業銀行股份有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Beijing Zhongli Jinyuan Technology Co., Ltd. (北京中利金源科技有限公司), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	100% equity interests in Huicong Hulian
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Huicong Hulian and its subsidiaries
“Tianjin Leasing”	Tianjin Huicong Leasing Co. Ltd. (天津慧聰租賃有限公司), a company established in the PRC with limited liability

“ZC Technology”	Beijing Huicong Zaichuang Technology Co., Ltd. (北京慧聰再創科技有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Zhongzai Huicai”	Inner Mongolia Zhongzai Huicai E-commerce Co., Ltd.(內蒙古中在慧採電子商務有限公司), a company established in the PRC with limited liability
“%”	per cent.

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

Hong Kong, 28 November 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*)

Certain Chinese names of institutions or other entities have been translated into English and included in this announcement as unofficial translations for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

Certain figures included in this announcement have been subject to rounding.

This announcement contains forward-looking statements that reflect the Company’s plans or expectations for the future. These statements are based on a number of assumptions, current estimates and projections and are therefore subject to risks, uncertainties or other factors that may or may not be beyond the Company’s control. The actual results may differ materially and/or adversely. These statements shall not be relied upon as any assurance or representation as to the future or as a representation or warranty otherwise. Neither the Company nor its directors, officers, agents, advisers or representatives assume any responsibility to update, modify or correct these statements or to provide supplemental information in relation thereto.