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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)**

## **VOLUNTARY ANNOUNCEMENT**

### **INCREASING SHAREHOLDING IN PANPASS INFORMATION TECHNOLOGY CO., LTD., A SUBSIDIARY**

This announcement is made by HC Group Inc. (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis.

The Group has recently completed acquiring a total of approximately 10.11% shares of PanPass Information Technology Co., Ltd. (北京兆信信息技術股份有限公司) (“**PanPass Information**”), a non-wholly owned subsidiary of the Group, from independent third parties (the “**Acquisition**”). Following the completion of the Acquisition, the Group holds approximately 65% shares of PanPass Information.

The Acquisition does not constitute a discloseable or connected transaction under Chapter 14 or Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Group plans to continue its increase in shareholding in PanPass Information with an aim of increasing its aggregate shareholding to 80% or above (subject to the final transaction outcome of the shareholding increase). The Company will make further announcement(s) pursuant to the Listing Rules when necessary or as appropriate.

#### **ABOUT PANPASS INFORMATION**

Panpass Information (stock code: 430073) is an enterprise listed on the National Equities Exchange and Quotations (the “**New Third Board**”). PanPass information is a high-new technology enterprise in Beijing\* (北京市高新技術企業), also being a deputy managing director unit of China Trade Association for Anti-counterfeiting\* (中國防偽協會). The Group completed the acquisition of the shares of PanPass Information in October 2014, which led to the Group then holding approximately 56% shares in PanPass Information. Since the date of acquisition completion, the financial results of PanPass Information have been consolidated into the combined financial statements of the Group.

PanPass Information uses its self-operated supply chain management system for intellectual property rights Z-SCM as the core platform to provide its customers with product traceability and management services that cover the whole life cycle of a product, on the basis of such technologies as the Internet of Things (IoT), blockchain, big data and mobile internet and through such identification carriers as numerical code, QR code and RFID.

In respect of strategic positioning, PanPass Information started to focus on services for major clients in 2017, with continuous efforts to deepen its collaboration with the existing clientele while proactively developing new major clients. In 2018, PanPass Information's major-customers services has made a milestone progress. PanPass Information established collaborative ties with the lubricants branch of China National Petroleum Corporation, a Fortune 500 company, for provision of construction services of a QR code system platform and installation of integration project, constructing a data asset system for the CNPC lubricants branch. PanPass Information has also entered into a strategic cooperation agreement with Haier Digital Technology (Shanghai) Co., Ltd. (海爾數字科技(上海)有限公司), a subsidiary of Haier Group, leveraging the sharing development capability of Haier's COSMOPlat to develop a cloud traceability platform application named SaaS. So far, the company has provided product traceability service for such agricultural products as garlic from Jinxiang County, and plans to promote the application of blockchain technology step by step. In respect of service upgrade, PanPass Information has made progress with clients that have years of collaborative ties, including its further collaboration on food safety with the food court subsidiary and overseas holiday inn of Shandong Dezhou Braised Chicken Co., Ltd. (山東德州扒雞股份有限公司) as well as intensive blockchain-based construction of new factories with Shijiazhuang Junlebao Dairy Co., Ltd. (石家莊君樂寶乳業有限公司). Deeper and diverse services for regular clients have forged closer ties between both parties, further enhancing customer loyalty, playing a positive role for unit price with corporate clients and improvement of corporate profitability.

In respect of blockchain application, PanPass Information serves as the operator of the Group's projects, engaging itself in collaborations with such companies such as Shandong Dezhou Braised Chicken Co., Ltd., Shandong Hongjitang Pharmaceutical Group Co., Ltd. (山東宏濟堂製藥集團股份有限公司) and Beijing Tong Ren Tang Commercial Investment Group Co., Ltd. (北京同仁堂商業投資集團有限公司) etc. The Group utilises its blockchain technology and integrates it with scenario application to build an innovative and integrated platform for industrial chain application and build credit systems based on, among others, whole-industry-chain quality traceability, big data analysis and supply chain management. The Group will make use of its blockchain technology to build "H-Chain" (慧鏈) into the world's most valuable public blockchain for industrial traceability, to bolster the traceability ecosystem for the industries.

## REASONS FOR AND BENEFITS OF SHAREHOLDING INCREASE

With its strategic vision of becoming a leading industrial internet group, the Group aims to empower traditional industries with the internet and data. As the Group is fast evolving towards an industrial internet group, PanPass Information serves as one of the crucial operating entities in the Group's data service segment and possesses a first-mover advantage in blockchain application, which makes increasing shareholding in PanPass Information an important move for the Group. The move will benefit the Group in subsequently optimizing the shareholder structure of PanPass Information, effectively incentivizing the firm's management team and bringing about higher value for the Group and in the interest of its shareholders as a whole.

By Order of the Board  
**HC GROUP INC.**

**Liu Jun**

*Chairman and Chief Executive Officer*

Beijing, the People's Republic of China, 26 June 2018

\* *For identification purpose only*

As at the date of this announcement, the Board comprises:

Mr. Liu Jun (*Executive Director, Chairman and Chief Executive Officer*)

Mr. Lee Wee Ong (*Executive Director and Chief Financial Officer*)

Mr. Liu Xiaodong (*Executive Director and President*)

Mr. Guo Fansheng (*Non-executive Director*)

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

Mr. Wong Chi Keung (*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*)