HC GROUP INC.
慧聰集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 02280)

VOLUNTARY ANNOUNCEMENT

THE COOPERATION AGREEMENT IN RELATION TO THE COOPERATION ON THE NEW GENERATION OF INFORMATION TECHNOLOGY INDUSTRY PORT AND THE INDUSTRIAL DEVELOPMENT FUND IN HUIZHOU DAYA BAY ECONOMIC AND TECHNOLOGICAL DEVELOPMENT ZONE

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

The board of directors (the "**Board**") of the Company is pleased to announce that on 27 June 2019, the Company entered into the "Cooperation Agreement on the Introduction of the Headquarters of HC Group, the Investment, Construction and Operation of the New Generation of Information Technology Industry Port, and the Investment, Establishment and Operation of the Daya Bay Development Zone Industrial Development Fund" (the "**Cooperation Agreement**") with Huizhou Daya Bay Economic and Technological Development Zone ("**Daya Bay Development Zone**") Management Committee* (惠州大亞灣經濟技術開發區管理委員會) ("**Daya Bay Development Zone Management Committee**"), Logan Group (龍光集團) ("**Logan Group**") and Huizhou Dejie Transport Equipment Co., Ltd.* (惠州德捷運輸設備有限公司) ("**Huizhou Dejie Transport**"), in relation to the intention to jointly construct and operate a new generation of information technology industry port with a total gross floor area of approximately 1.8 million square metres on the land located at Zhang Shu Bu in the western district of Huizhou Daya Bay Economic and Technological Development Zone (adjacent to Pingshan District of Shenzhen) (the "**Project**"), to jointly work on the Daya Bay Development Zone Industrial Development Fund project and to establish the Company's headquarters in the zone.

* *For identification purposes only*

MAJOR TERMS OF THE COOPERATION AGREEMENT

According to the Cooperation Agreement, the parties intend to cooperate in the follow manners, amongst others:

I. Construction of the Project

Named Huizhou Smart Bay – New Generation of Information Technology Industry Port (惠州慧灣 — 新一代信息技術產業港) (tentative), the Project is located at Zhang Shu Bu in the western district of Huizhou Daya Bay Economic and Technological Development Zone (adjacent to Pingshan District of Shenzhen), covering an area of 310,000 square metres with the land use right owned by Huizhou Dejie Transport. The Project has a total gross floor area of approximately 1.8 million square metres where a 250-metre Huizhou Twin Tower (雙子座惠州雲塔) (the highest building in Huizhou), the building of HC's headquarters, China Industrial Internet Museum (中國產業互聯網博物館), Greater Bay Area Industrial Internet Planning Pavilion (大灣區產業互聯網規劃展示館), Double-Innovation Park (雙創園), incubators, etc. will be built. Investment partners of the Project will invest over RMB15 billion to construct and operate "Huizhou Smart Bay – New Generation of Information Technology Industry Port", establish the Industrial Internet Development Fund, and develop the Industrial Internet Center for Guangdong-Hong Kong-Macao Greater Bay Area based on a closed-loop model of "Headquarters + Fund + Ecosphere". The overall project will be completed in five years after receiving the approval for transforming "Old Towns, Plants and Villages" and obtaining the construction license. Logan Group and Huizhou Dejie Transport or any approved third-party market transformation entities legally introduced by them, are responsible for the entire investment and construction of the Project.

Establishing Presence in the Zone by the Group

Upon the execution of this Cooperation Agreement, the operations of the Group's domestic headquarters and personnel will relocate to Daya Bay Development Zone in phases. The Company will finish relocating its headquarters, associated enterprises and no less than 1,000 people to the Cluster of HC Industrial Internet Headquarters (慧聰產業互聯網總部集聚區) within one year after its completion.

II. Operation of the Project

The yearly promotional period starts from 1 July 2019. To enhance the promotion for attracting the enterprises from both upstream and downstream of the industrial chain of industrial internet to enter the Daya Bay Development Zone so as to achieve industrial clustering development, the parties will negotiate and set the industry promotional projects for the next year before the commencement of the promotional period next year. To develop the Zone into an industrial internet eco-center, Logan Group agrees to contribute RMB5 million per year for five consecutive years from the execution of the Cooperation Agreement, and entrusts the zone operating companies wholly-owned and established in Daya Bay by the Company (the "**Zone Operating Company**") to apply the funds for the above promotion and business attraction activities. The entity designated by Daya Bay Development Zone Management Committee will provide capital contribution for five consecutive years from the execution of the Cooperation Agreement, and select the industry promoting and business attraction firm through open tender to complete the above promotional projects. Based on the principles of openness, fairness and impartiality, the Daya Bay Development Zone Management Committee welcomes the suppliers in the society (including the Company's Zone Operating Company) which possess the above capabilities of industry promotion and business attraction to proactively join the bid.

III. Establishment of the Daya Bay Industrial Internet Development Fund

For the purpose of attracting relevant industrial internet enterprises, the Company and Daya Bay Development Zone Management Committee will jointly establish the Daya Bay Development Zone Industrial Internet Development Fund (the "**Fund**"). The initial size of the Fund will be approximately RMB500 million. The Fund will invest no less than 50% of its capital on entities stationing at in Daya Bay Development Zone and the Project in respect of new industries and new trends, such as industrial internet and modern service industry, in order to introduce relevant industrial internet enterprises to enter the Zone, leading to clustering development.

A separate fund agreement will be entered into by the entities designated by Daya Bay Development Zone Management Committee, the Company and other partners to determine the specific terms of the Fund.

IV. Strategically Investment in zol.com.cn

Pursuant to the Cooperation Agreement, on condition that the Company publishes an announcement to disclose the relocation of the Group's domestic headquarters to Huizhou Daya Bay Development Zone and that Daya Bay Development Zone Management Committee issues a written document stating that the Group has started to generate operating revenue and pay tax in Daya Bay Development Zone, Logan Group or its designated companies shall complete the procedures for investing RMB250 million (or an equivalent amount in Hong Kong dollars) in Z.Tech Holdings Limited ("**Z.Tech**" or "**zol.com.cn**"), a subsidiary of the Company within 60 working days after the Project finishes its approval procedure for transforming "Old Towns, Plants and Villages" and obtains a construction license (the "**Potential Disposal**"). A separate legally binding formal agreement will be entered into Logan Group or its designated companies with Z.Tech and its shareholders to determine the specific terms.

V. Property Rights Acquired by the Company

After the completion and acceptance of the HC Group headquarters and on condition that the Group has strictly performed the relevant obligations pursuant to the Cooperation Agreement without breaching any terms thereof before the date of completion and acceptance, Logan Group and Huizhou Dejie Transport or designated third-party market transformation entities shall offer the Company the property rights of certain office buildings at nil consideration and the rights of use of certain office buildings for a period of 10 years at nil consideration; deliver such properties to the Company within a reasonable period of time after their completion and acceptance; transfer the property rights to the Company or its designated companies according to the terms agreed in a sale and purchase contract to be entered into at that time or by other legal means acceptable to the government; and complete the procedures in respect of the title certificate for office buildings (the relevant taxes and charges for the certificate shall be borne by the Company or its designated companies). In addition, after obtaining the pre-sale permit for ancillary residential properties, the Company or its employees shall be offered the purchase right of certain residential properties at a discount.

VI. Contribution and Incentives

The Group undertakes to generate operating revenue of no less than RMB76.5 billion and tax revenue of RMB730 million in aggregate for five consecutive years after its establishment in Huizhou Daya Bay Development Zone (till 31 December 2024). The local government will offer the Group major incentives after it completes its contribution targets for the five consecutive years since 2021.

INFORMATION ON DAYA BAY DEVELOPMENT ZONE MANAGEMENT COMMITTEE, LOGAN GROUP AND HUIZHOU DEJIE TRANSPORT

Daya Bay Development Zone Management Committee

Daya Bay Development Zone Management Committee represents Huizhou Municipal People's Government to conduct centralized leadership and management of the work in the Huizhou Daya Bay Economic and Technological Development Zone. Huizhou Daya Bay (National) Economic and Technological Development Zone was established with approval by the State Council in May 1993, covering a land area of 293 square kilometres, a maritime area of 1,319 square kilometres (including islands) and a coastline of 63.1 kilometres. The Daya Bay Development Zone has developed a basic "1+4" modern industrial system composed of petrochemical industry, electronic information, automotive parts and equipment manufacturing, port logistics and coastal tourism. It also serves as a national demonstration base for new industrialization. The petrochemical area of Daya Bay has attained a scale of 22 million tons in oil refinery and 2.2 million tons in ethylene production, boasting its surge to the largest scale of integrated refinery and petrochemical operation nationwide. The Zone has also been listed as a key national petrochemical industry base, the only one of its kind in Guangdong Province. The Zone ranked first among "Top-30 Chemical Zones in China" in 2019, and was among the first batch of national green demonstration zones for developing green manufacturing systems and a key national zone for transformation under circular economy in 2017.

Logan Group

Logan Group was founded in 1996 with its headquarter located in Shenzhen of China, and is a sizeable group of private enterprises integrated with development and operation of real estate, investment and construction of transport facilities and property management services. Logan Group indirectly holds part of the equity interest in Huizhou Dejie Transport.

Huizhou Dejie Transport

Huizhou Dejie Transport is a registered enterprise in Huizhou Daya Bay Economic and Technological Development Zone. Its operations encompass container design, manufacturing, maintenance and related services as well as property services. Huizhou Dejie Transport currently owns the land use right under the Project.

REASONS FOR AND BENEFITS OF ENTERING INTO THE COOPERATION AGREEMENT

As planned by Daya Bay Development Zone Management Committee, the Smart Bay–New Generation of Information Technology Industry Port Project (tentative) is a major project for implementing technological innovation strategies in Daya Bay Development Zone, optimizing the industrial structure, accelerating the cultivation and development of new industries and trends, and promoting Huizhou to grow a trillion-yuan electronic information industry cluster. The development strategy of Huizhou Daya Bay Development Zone, which centers on the petrochemical industry and electronic information as its pillars, highly aligns with the Group's development goals of industrial internet. Meanwhile, Logan Group and the designated companies, as the project partners, are optimistic about the development potential and prospects of zol.com.cn, a subsidiary of the Company, by strategically investing RMB250 million in zol.com.cn and holding 10% of its equity interest, which will lead to closer ties between the two parties.

The construction of the Project and the operation of the Zone are conducive to all the parties involved. It is expected that all the parties will work together to make full use of their respective advantages on resources and complete the construction and operation of the Project on schedule. The Group will also benefit from the cooperation under the Cooperation Agreement.

Bay economy stands as a key driving force for Chinese economic development and a leader in pioneering technological transformations. Committed to becoming a leading domestic industrial internet group, the Group is able to firmly grasp opportunities and actively respond to challenges, while focusing on combining the positioning of the industrial internet strategy with the advantages of the interconnection and exchanges within the Guangdong-Hong Kong-Macau Greater Bay Area, to help the Group to achieve high-quality and high-efficiency development. By establishing its presence in Huizhou Daya Bay Development Zone, the Group will strive to lead large-scale development with industrial internet projects and rapidly ramp up the scale and quality of the Company. It is believed that supported by the call for developing the Guangdong-Hong Kong-Macau Greater Bay Area by the Central Government and the favorable policies provided by Huizhou, the Group will make solid steps to become a leading industrial internet group based on the innovation and enhancement of industrial internet projects in sync with the development of the Guangdong-Hong Kong-Macau Greater Bay Area.

The cooperation under the Cooperation Agreement (including but not limited to the establishment of the Fund and the Potential Disposal (collectively, the "**Potential Transactions**") is subject to the conditions stated in the Cooperation Agreement, further negotiation and the entering into of formal agreements. As at the date of this announcement, the Company has not entered into any agreement with (for the Potential Disposal) other shareholders of Z.Tech and (for the formation of the Fund) other potential partners. Hence, there is no assurance that the cooperation (including but not limited to the Potential Transactions) under the Cooperation Agreement will materialize or ultimately be consummated. The Company will make further announcement(s) in compliance with the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited as appropriate or as required.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 27 June 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)*