神州控股
DC Holdings

DIGITAL CHINA HOLDINGS LIMITED
(神 州 數 碼 控 股 有 限 公 司*)
(*Incorporated in Bermuda with limited liability*)
(Stock Code: 00861)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "**Director(s)**" or the "**Board**") of Digital China Holdings Limited (the "**Company**" or "**DC Holdings**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the corresponding period of the last financial year as follows:

2018 FINANCIAL HIGHLIGHTS

- The Group's revenue rose 15.16% on a year-on-year basis to approximately HK$15.25 billion and gross profit improved 9.16% on a year-on-year basis to approximately HK$2.91 billion, driven by sustained growth across all major business lines, including Smart Industry Chain, Sm@rt City and financial technology services.

- Profit attributable to equity holders of the Company substantially increased to approximately HK$149.59 million, compared to a loss of approximately HK$413.01 million for last year. This reflected remarkable earning improvement in Sm@rt City and Smart Industry Chain, as well as effective implementation of cost control measures.

- Basic earnings per share for the year was HK8.96 cents as compared with a basic loss per share of HK29.21 cents for last year.

- The Board proposed a final dividend of HK3.1 cents per share for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** **HK$'000**	2017 HK$'000 (Restated)
Revenue	4	**15,254,499**	13,246,571
Cost of sales and services		**(12,345,061)**	(10,581,271)
Gross profit		**2,909,438**	2,665,300
Other income and gains	4	**431,006**	425,545
Gain on deemed partial disposal of the equity interests in associates		**293,083**	42,046
Selling and distribution expenses		**(1,387,062)**	(1,233,956)
Administrative expenses		**(526,840)**	(763,065)
Other expenses, net		**(1,080,065)**	(1,064,160)
Finance costs		**(215,857)**	(230,542)
Impairment of goodwill		**(220,695)**	-
Share of profit of associates		**60,559**	45,855
Share of profit of joint ventures		**17,967**	65,160
Profit (loss) before tax	5	**281,534**	(47,817)
Income tax expense	6	**(61,064)**	(143,584)
Profit (loss) for the year		**220,470**	(191,401)
Attributable to:			
Equity holders of the parent		**149,587**	(413,006)
Non-controlling interests		**70,883**	221,605
		220,470	(191,401)
Earnings (Loss) per share attributable to equity holders of the parent	8		
Basic (HK cents)		**8.96**	(29.21)
Diluted (HK cents)		**8.96**	(29.21)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	HK$'000
Profit (loss) for the year	**220,470**	(191,401)
Other comprehensive (loss) income		
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**-**	(4,089)
Reclassification adjustments for the cumulative gains included in the consolidated statement of profit or loss upon disposal	**-**	(3,261)
	-	(7,350)
Exchange differences arising on translation of financial statements foreign operations	**(454,286)**	387,499
Share of other comprehensive income (loss) of associates	**42,887**	(31,715)
Net other comprehensive (loss) income may be reclassified to profit or loss in subsequent periods	**(411,399)**	348,434
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Net fair value changes in financial assets measured at fair value through other comprehensive income	**(772)**	-
Gain on property revaluation	**2,993**	32,065
Income tax effect	**(748)**	(8,017)
Net other comprehensive income will not be reclassified to profit or loss in subsequent periods	**1,473**	24,048
Other comprehensive (loss) income for the year, net of tax	**(409,926)**	372,482
Total comprehensive (loss) income for the year	**(189,456)**	181,081
Attributable to:		
Equity holders of the parent	**(124,240)**	(232,755)
Non-controlling interests	**(65,216)**	413,836
	(189,456)	181,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Notes	**2018**	2017
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**1,017,356**	1,167,160
Investment properties		**4,712,932**	4,102,327
Prepaid land premiums		**65,035**	69,279
Goodwill		**2,057,937**	2,346,218
Other intangible assets		**161,520**	181,387
Interests in joint ventures		**197,662**	228,639
Interests in associates		**3,427,004**	2,637,304
Available-for-sale investments		**-**	3,314,809
Financial assets at fair value through other comprehensive income		**427,293**	-
Finance lease receivables		**6,204**	113,493
Accounts receivable	9	**-**	23,428
Prepayments, deposits and other receivables		**924,635**	123,391
Deferred tax assets		**175,710**	102,354
		13,173,288	14,409,789
Current assets			
Inventories		**1,052,773**	1,221,410
Properties under development		**250,501**	260,504
Completed properties held for sale		**23,093**	45,006
Accounts and bills receivables	9	**4,889,158**	5,214,237
Prepayments, deposits and other receivables		**1,224,466**	1,944,876
Contract assets		**1,151,469**	-
Available-for-sale investments		**-**	585,719
Financial assets at fair value through profit or loss		**1,286,340**	-
Finance lease receivables		**162,597**	341,735
Restricted bank balances		**69,617**	107,989
Cash and cash equivalents		**2,204,872**	3,784,296
		12,314,886	13,505,772
Current liabilities			
Accounts and bills payables	10	**3,212,562**	3,217,547
Other payables and accruals		**1,656,352**	3,560,919
Contract liabilities		**1,612,372**	-
Tax payables		**43,625**	145,081
Interest-bearing bank and other borrowings		**3,592,314**	5,296,981
		10,117,225	12,220,528
Net current assets		**2,197,661**	1,285,244
Total assets less current liabilities		**15,370,949**	15,695,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 DECEMBER 2018

	2018	2017
	HK$'000	HK$'000
Non-current liabilities		
Interest-bearing bank and other borrowings	**2,606,352**	2,583,949
Deferred tax liabilities	**339,004**	273,112
Deferred income	**28,897**	43,098
	2,974,253	2,900,159
Net assets	**12,396,696**	12,794,874
Capital and reserves		
Share capital	**167,726**	167,726
Reserves	**8,682,617**	8,942,059
Equity attributable to equity holders of the parent	**8,850,343**	9,109,785
Non-controlling interests	**3,546,353**	3,685,089
Total equity	**12,396,696**	12,794,874

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS(s)**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments that are measured at fair values, at the end of each reporting period.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"). Other than the Group's subsidiaries established in the People's Republic of China (the "**PRC**") whose functional currencies are Renminbi ("**RMB**"), the functional currencies of the Company and other subsidiaries are HK$.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and Interpretations, issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on the consolidated financial statements for the adoption of the new accounting standards

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained below, HKFRS 15 and HKFRS 9 are adopted without restating comparative information. The related reclassifications and the adjustments are therefore not reflected in consolidated statement of financial position as at 31 December 2017, but are recognised in the opening balance on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	Carrying amount at 31 December 2017 (HKAS 39) HK$'000	Impact on adoption of HKFRS 9 HK$'000	Impact on adoption of HKFRS 15 HK$'000	Carrying amount as at 1 January 2018 HK$'000
Assets				
Accounts and bills receivables	5,237,665	(92,983)	-	5,144,682
Prepayment, deposits and other receivables	2,068,267	(138,113)	(1,017,881)	912,273
Contract assets	-	(1,747)	1,033,320	1,031,573
Available-for-sale investments	3,900,528	(3,900,528)	-	-
Financial assets at fair value through profit or loss	-	3,093,805	-	3,093,805
Financial assets at fair value through other comprehensive income	-	919,282	-	919,282
Total	11,206,460	(120,284)	15,439	11,101,615
Liabilities				
Other payables and accruals	3,560,919	-	(1,748,386)	1,812,533
Contract liabilities	-	-	1,759,490	1,759,490
Deferred tax liabilities	273,112	18,959	1,544	293,615
Total	3,834,031	18,959	12,648	3,865,638
Equity				
Retained earnings	1,355,554	(111,706)	(5,492)	1,238,356
Non-controlling interests	3,685,089	(49,325)	8,283	3,644,047
Available-for-sale investment revaluation reserve	(16,329)	16,329	-	-
Investment revaluation reserve	-	5,459	-	5,459
Total	5,024,314	(139,243)	2,791	4,887,862

Provision of services

Certain of the Group's contracts for provision of technical services contained an acceptance clause from customers and service revenue was previously recognised upon acceptance by customers under HKAS 18. Upon the adoption of HKFRS 15, the Group concluded that such service revenue should be recognised over time.

Receipt in advance and amounts due to customers for contract work

As at 1 January 2018, receipt in advance previously included in other payables and accruals and amounts due to customers for contract work of approximately HK$1,493,221,000 and approximately HK$266,269,000 respectively were reclassified to contract liabilities.

Amounts due from customers for contract work

As at 1 January 2018, amounts due from customers for contract work of approximately HK$1,017,881,000 was reclassified to contract assets.

In respect of the Group's finance lease receivables, restricted bank balances and cash and cash equivalents that were previously classified as loans receivables and carried at amortised costs, they were reclassified to financial assets at amortised costs without any impact to the carrying value upon adoption of HKFRS 9. In respect of the Group's accounts and bills payable and interest bearing bank and other borrowings that were previously classified as financial liabilities at amortised costs, no impact to the carrying value upon adoption of HKFRS 9.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings, or other component of equity, as appropriate and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction contracts and the related interpretations.

The following table summarises the impact of transition to HKFRS15 on retained earnings at 1 January 2018:

	HK$'000
Balance at 31 December 2017, as originally stated	1,355,554
Revenue recognised overtime for providing technical services	(5,492)
Balance at 1 January 2018	1,350,062

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings or other components of equity as at 1 January 2018 as appropriate.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

(a) Equity investments previously classified as available-for-sale investments carried at fair value:

For certain available-for-sale equity investments amounting to HK$98,440,000 carried at fair value, the Group has not elected the option for designation at fair value through other comprehensive income ("**FVTOCI**") and reclassified them to financial assets at fair value through profit or loss ("**FVTPL**"). Upon initial application of HKFRS 9, available-for-sale investments revaluation reserve relating to these financial assets attributable to equity holders of parent amounting to HK$3,405,000 was transferred to retained earnings at 1 January 2018. In addition, amount of HK$19,734,000 representing the Group's share of cumulative revaluation loss of available-for-sale investments of associates was also transferred to investments revaluation reserve at 1 January 2018.

(b) *Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment:*

The Group had elected to present in other comprehensive income for the fair value changes in respect of certain of the Group's unlisted equity investments amounting to approximately HK$849,953,000, net of accumulated impairment of approximately HK$11,832,000, as they are held for medium or long term strategic purpose, and reclassified them to financial assets at FVTOCI upon initial application of HKFRS 9. The Group measures them at fair value at the end of the reporting period with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. On initial application of HKFRS 9, an amount of approximately HK$69,329,000 (related deferred tax of HK$18,959,000) representing the difference between the previous carrying amount and the fair value was adjusted to investments revaluation reserve at 1 January 2018. The accumulated impairment of approximately HK$11,832,000 was transferred from retained earnings to investment revaluation reserve at 1 January 2018.

For the remaining available-for-sale unlisted investments representing wealth management financial products carried at cost less impairment amounting to approximately HK$2,952,135,000 and the related interest receivables of approximately HK$123,391,000, as they were not equity investment and failed the contractual cash flow characteristics test, they were reclassified to financial assets at FVTPL under HKFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss. On initial application of HKFRS 9, an amount of approximately HK$80,161,000 representing the difference between the previous carrying amount and the fair value relating to these wealth management financial products was adjusted to retained earnings as at 1 January 2018.

Note (iii) below tabulates the change in classification and measurement of the Group's financial assets and financial liabilities upon application of HKFRS 9.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("**ECL**") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, contract assets and financial guarantee for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's accounts and other receivables of approximately HK$109,452,000 have been recognised, thereby reducing the opening retained earnings and non-controlling interests by approximately HK$46,782,000 and approximately HK$62,670,000, respectively.

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the impact of transition to HKFRS 9 on retained earnings and other component of equity at 1 January 2018.

	Investment revaluation reserve HK$'000	Available-for-sale in investment revaluation reserve HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000
Balance at 31 December 2017 as originally stated	-	(16,329)	1,355,554	3,685,089
Net fair value changes in financial assets at FVTOCI, net of tax	37,025	-	-	13,345
Net fair value changes in financial assets at FVTPL	-	-	(80,161)	-
Reversal of impairment loss	(11,832)	-	11,832	-
Loss allowance	-	-	(46,782)	(62,670)
Transferred from investments revaluation reserve relating to retained earnings as the financial assets now measured at FVTPL	(19,734)	16,329	3,405	-
Total change as a result of adoption of HKFRS 9 on 1 January 2018	5,459	16,329	(111,706)	(49,325)
Total change as a result of adoption of HKFRS 15 on 1 January 2018	-	-	(5,492)	8,283
Balance at 1 January 2018 as restated	5,459	-	1,238,356	3,644,047

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Materials[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that, except as described below, the application of the other new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$388,384,000. Out of this balance, an amount of approximately HK$210,470,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has four reportable operating segments as follows:

(a) "DCITS" segment: Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司) ("**DCITS**"), with core banking systems and enterprise service business as its key products, provides services for customers in the banking industry such as system development, maintenance, industry cloud services and infrastructure development, and also provides technical services, application software development and industry cloud construction and operation services for key industries including government, enterprises and agriculture.

(b) "Smart Industry Chain Business" segment: IT Logistics is China's leading industrial chain service brand, which is committed to providing customers with one-stop end-to-end services provider through the strategy of Warehouse + Big Data + Artificial Intelligence, and through the big data of the supply chain to coordinate the upstream and downstream enterprises, enhance the overall efficiency in the industry chain and create a new form of Smart Industry Chain under the overall ecosystem of the entire industry chain.

(c) "Sm@rt City Business" segment: "Sm@rt City Business", which is based on the big data deep application, and builds a comprehensive urban-level big data platform for the city to solve medical, transportation, energy supply and social security issues, etc.

(d) "Other Business" segment: including "Smart Finance Business", relies on its various financial licenses, integrates resources of financial institutions such as banking, insurance, securities and trusts, provides of financial services, such as financing, leasing, guarantee, etc. to internal and external customers; and assets operations, other innovative businesses and incubation and strategic investments.

During the year ended 31 December 2018, the CODM revisited the Group's operating segments and considered that the separation of Sm@rt City Business segment from "Other Business" segement can better reflect the Group's segment performance. In addition, the CODM considered it more appropriate to disclose certain gains and expenses in the segment results in order to better reflect the performance of each segment. Accordingly, the corresponding comparative amounts of the segment information have been revised to conform with the current year's presentation.

Segment results are evaluated based on the reportable segment profit, which is a measure of adjusted profit (loss) before tax. The segment results is measured consistently with the Group's profit (loss) before tax except that interest income, finance costs, unallocated corporate income and gains and unallocated corporate expenses are excluded from such measurement. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following table presents revenue and results for the Group's operating segments for the years ended 31 December 2018 and 2017:

	DCITS		Smart Industry Chain Business		Sm@rt City Business		Other Business		Eliminations		Total	
	2018 **HK$'000**	2017 HK$'000 (Restated)	**2018** **HK$'000**	2017 HK$'000 (Restated)	**2018** **HK$'000**	2017 HK$'000 (Restated)	**2018** **HK$'000**	2017 HK$'000 (Restated)	**2018** **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000 (Restated)
Segment revenue:												
External	**10,522,367**	9,414,513	**3,777,386**	2,703,586	**320,770**	214,701	**633,976**	913,771	**-**	-	**15,254,499**	13,246,571
Inter-segment	**23,137**	3,823	**15,418**	20,455	**4,448**	5,119	**22,423**	34,281	**(65,426)**	(63,678)	**-**	-
	10,545,504	9,418,336	**3,792,804**	2,724,041	**325,218**	219,820	**656,399**	948,052	**(65,426)**	(63,678)	**15,254,499**	13,246,571
Segment gross profit	**1,938,841**	1,939,110	**551,082**	281,260	**128,511**	82,491	**291,004**	362,439			**2,909,438**	2,665,300
Segment results	**149,192**	453,215	**(6,031)**	(46,029)	**2,503**	(205,531)	**427,017**	150,939			**572,681**	352,594
Unallocated												
Interest income											**5,396**	6,670
Income and gains											**1,065**	61,715
Unallocated expenses											**(172,295)**	(334,086)
Profit from operating activities											**406,847**	86,893
Finance costs											**(125,313)**	(134,710)
Profit (loss) before tax											**281,534**	(47,817)

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods and properties sold, after allowances for returns and trade discounts; an appropriate of contract revenue; net rental income received and receivable from investment properties; and the value of services rendered to customers, net of value-added tax and government surcharges for the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2018	2017
	HK$'000	HK$'000
		(Restated)
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 December 2018		
Systems integration business	**5,755,094**	4,775,394
Software development and technical service business	**5,068,932**	4,495,289
Logistics business	**2,245,846**	1,380,844
E-commerce supply chain services business	**1,531,541**	1,322,742
Others	**223,819**	809,805
Total revenue from contracts with customers	**14,825,232**	12,784,074
Revenue from other sources		
Financial services business	**120,370**	257,391
Others	**308,897**	205,106
Total revenue from other sources	**429,267**	462,497
Total revenue	**15,254,499**	13,246,571*
Other income		
Government grants	**101,092**	74,245
Interest income	**16,786**	21,526
Income from wealth management financial products	**25,529**	33,621
Dividend income from financial assets at fair value through other comprehensive income	**3,840**	-
Dividend income from available-for-sale investments	**-**	17,289
Others	**7,852**	5,133
	155,099	151,814
Gains		
Fair value gains on investment properties	**50,141**	53,086
Gain on disposal of the equity interests in joint ventures	**4,158**	102,394
Gain on disposal of the equity interests in associates	**7,880**	2,795
Gain on partial disposal of the equity interest in a subsidiary	**199,917**	-
Gain on disposal of financial assets at fair value through profit or loss	**10,244**	-
Gain on disposal of available-for-sale investments	**-**	31,138
Foreign exchange differences, net	**-**	79,751
Others	**3,567**	4,567
	275,907	273,731
Total other income and gains	**431,006**	425,545

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18 and HKAS 11 and related interpretation.

Note: The government grants received by the Group are mainly for providing immediate financial assistance to the Group and there are no unfulfilled conditions.

Disaggregation of revenue by timing of recognition

	2018
	HK$'000
Timing of revenue recognition	
At a point in time	**7,767,916**
Over time	**7,057,316**
Total revenue from contracts with customers	**14,825,232**

5. PROFIT (LOSS) BEFORE TAX

The Group's profit (loss) before tax is arrived at after charging (crediting):

	2018	2017
	HK$'000	HK$'000
Cost of inventories sold	**7,140,468**	6,065,408
Depreciation	**149,186**	142,947
Amortisation of prepaid land premiums	**1,727**	1,755
Amortisation of other intangible assets	**49,340**	31,853
Minimum lease payments under operating leases in respect of land and buildings	**295,935**	146,656
Provisions for inventories	**125,630**	50,311
Impairment of interests in joint ventures	**10,156**	-
Impairment of available-for-sale investments	**-**	239,773
Loss on disposal of property, plant and equipment	**24,575**	2,742
Fair value loss on financial assets at fair value through profit or loss	**5,838**	-
Foreign exchange differences, net	**36,654**	-

6. INCOME TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
Current – PRC		
Enterprise income tax ("**EIT**")		
Charge for the year	**80,791**	162,415
(Over) Under provision in prior years	**(4,223)**	4,748
Land appreciation tax ("**LAT**")	**8,628**	3,484
	85,196	170,647
Current – Hong Kong		
Charge for the year	**52**	129
(Over) Under provision in prior years	**(200)**	165
	(148)	294
Deferred tax	**(23,984)**	(27,357)
Total tax charge for the year	**61,064**	143,584

(a) PRC EIT represents tax charged on the estimated assessable profits arising in Mainland China. In general, the Group's subsidiaries operating in Mainland China are subject to the PRC EIT rate of 25% except for certain subsidiaries which are entitled to preferential tax rates.

(b) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

(c) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 December 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

(d) The share of tax charge attributable to joint ventures of HK$9,935,000 (2017: HK$19,510,000) and the share of tax charge attributable to associates of HK$33,963,000 (2017: HK$35,087,000) are included in "Share of profit of joint ventures" and "Share of profit of associates", respectively, in the consolidated statement of profit or loss.

7. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK3.1 cents per ordinary share (2017: Nil) has been proposed by the Board and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as liabilities in the consolidated financial statements.

8. EARNINGS (LOSS) PER SHARE

The calculations of the basic earnings (loss) per share is based on the profit (loss) for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue less shares held under the restricted share award scheme ("**RSA Scheme**") of 1,669,145,464 (2017: 1,414,003,454) during the year.

The calculations of the diluted earnings (loss) per share is based on the profit (loss) for the year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue less shares held under the RSA Scheme during the year, as used in the basic earnings (loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares related to the Group's share-based incentive schemes into ordinary shares.

The calculations of basic and diluted earnings (loss) per share are based on the following data:

	2018	2017
	HK$'000	HK$'000
Earnings (Loss)		
Profit (loss) for the year attributable to equity holders of the parent, used in the basic and diluted earnings (loss) per share calculations	**149,587**	(413,006)

	Number of shares	
	2018	2017
Number of shares		
Weighted average number of ordinary shares in issue less shares held under the RSA Scheme during the year, used in the basic and diluted earnings (loss) per share calculations	**1,669,145,464**	1,414,003,454

9. ACCOUNTS AND BILLS RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Receivables at amrotised cost comprise:		
Accounts and bills receivables	**5,567,106**	5,688,512
Less: allowance for impairment	**(677,948)**	(450,847)
Total	**4,889,158**	5,237,665
Analysis for reporting purposes as :		
Current assets	**4,889,158**	5,214,237
Non-current assets	**-**	23,428
	4,889,158	5,237,665

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 to 720 days, in which the credit period of factoring and micro-credit loans in Other Business Segment is generally 90 to 720 days.

The following is an aged analysis of the accounts and bills receivables net of allowance for impairment of accounts and bills receivables presented based on the invoice date, which approximates the respective revenue recognition dates, as at the end of the reporting period.

	2018	2017
	HK$'000	HK$'000
Within 30 days	**2,480,586**	2,733,417
31 to 60 days	**409,358**	391,351
61 to 90 days	**107,517**	108,864
91 to 180 days	**459,011**	486,228
Over 180 days	**1,432,686**	1,517,805
	4,889,158	5,237,665

10. ACCOUNTS AND BILLS PAYABLES

The following is an aged analysis of the accounts and bills payables presented based on the invoice date as at the end of the reporting period.

	2018	2017
	HK$'000	HK$'000
Within 30 days	**1,807,988**	1,765,901
31 to 60 days	**265,480**	390,947
61 to 90 days	**59,317**	163,513
Over 90 days	**1,079,777**	897,186
	3,212,562	3,217,547

DIVIDENDS

The Board recommends the payment of a final dividend of HK3.1 cents per ordinary share for the year ended 31 December 2018 to the shareholders of the Company (the "**Shareholders**") (2017: Nil). The date of the forthcoming annual general meeting of the Company, the date of book closure and the date of dividend payment will be announced in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Adhering to the vision of "Digital China", DC Holdings has made substantial progress in the transformation from an integrated IT service provider to big data operation service group in 2018. Based on the long-term accumulation of data resources and experiences in the field of digital transformation and relying on core capabilities of big data, artificial intelligence and Internet of Things (hereinafter referred to as "IoT"), DC Holdings has achieved several major breakthroughs and earning growth in key usage models of core industries such as Sm@rt city, Smart Industry Chain, financial technology, Smart Health and Smart Manufacturing. In cooperation with Peking University (PKU), our subsidiary Beijing Internetware Company Limited (北京因特睿軟件有限公司*; "**Internetware**") has developed "Resource Reflection Mechanism and Efficient Interoperability Technology in Cloud-Client-Convergence Systems" and won the First Prize of National Technology Invention Award 2018. This is a major recognition to the Company's big data technology. Based on the abovementioned technologies, Yan Cloud DaaS, is developed as a product, which is widely used in the big data business and driving the Company's earning improvement.

<u>Business review: Sm@rt City, Smart Industry Chain and financial technology are driving revenue growth and the Company back to profitability</u>

The Group's overall revenue was approximately HK$15.25 billion in 2018, an increase of approximately HK$2 billion over the same period of the last financial year, representing a year-on-year increase of 15.16%. The revenue increase was mainly driven by the sustained growth of Sm@rt City, Smart Industry Chain and financial technology business during the period. The gross profit was approximately HK$2.91 billion, a 9.16% increase from the last financial year, and the gross profit margin was 19.07%. During the reporting period, the profit attributable to shareholders of the parent company of the Group was approximately HK$150 million, a substantial increase compared with a loss of approximately HK$413 million in the same period of the last financial year. Excluding the one-off impact of goodwill impairments of the Bank ATM business of DCITS and share compensation expenses, the core profit attributable to shareholders of the parent company of the Group was approximately HK$242 million.

1) **<u>Sm@rt City saw its revenue grow by 49.40%, with its technologies awarded the First Prize of National Technology Invention Award</u>**

The business of Sm@rt City currently covers more than 100 million population in China, practicing in 116 cities across the country. The Group is actively promoting Sm@rt City 3.0 model across the country that integrates the comprehensive governance of industry, city, and people according to the characteristics of each city. The overall revenue of the Sm@rt City business was approximately HK$321 million during the reporting period, a 49.40% increase over the same period of last financial year. The gross profit was approximately HK$129 million, representing a 55.79% increase from the last financial year, and gross profit margin was 40.06%.

DC Holdings is combining new technologies such as big data and IoT with Sm@rt City development strategy based on city's own characteristics to solve a series of problems including government management, medical treatment, transportation, and environmental protection, creating new momentum for the city's sustainable development at the same time. Looking forward, DC Holdings together with our ecosystem partners will cooperate and thoroughly work on Sm@rt City 3.0 by using Yan Cloud DaaS interoperability technology and the platform to eliminate the isolated information islands and using IoT to realize smart perception of the city, in order to achieve integration and sharing of data and connected objects. We will also construct smart usage models based on big data, covering the citizen services, smart environmental protection, smart water services, smart transportation, and smart industrial parks, providing full-cycle solutions from planning, design, construction, implementation and city big data operation by industries. DC Holdings is committed to becoming China's leading integrated operation service provider of Sm@rt City and big data, enabling the development of digital economy and improvement of citizen services.

At present, Sm@rt City 3.0 projects are launched across the country, including the city big data platform in Tongren, Guizhou, construction of internet concentrated area “New Smart CBD” and the smart water system in Pazhou in Guangzhou, the IoT project in Beijing’s secondary executive area, smart environmental protection projects for Winter Olympics in Yanqing in Beijing, the big data platform project of Cangzhou in Hebei, integrated services platform for citizens “E Longyan” in Longyan in Fujian, and the online comprehensive operating platform for housing rental services in Guangzhou, etc. These projects provide effective supports to municipal management and public services.

DC Holdings is promoting the Sm@rt City business in Guangdong-Hong Kong-Macao Greater Bay Area and countries along the “The Belt and Road”. We are actively responding to the “Smart City Blueprint for Hong Kong” released by the Hong Kong Government and participating in the Sm@rt City construction project in Hong Kong. During the reporting period, DC Holdings successfully acquired Wai On Services Limited (“**Wai On**”), an IT service provider that provides solutions for large projects of the Hong Kong Government and multinational corporations. Wai On has a mature and complete set of Microsoft cloud solution technology, and extensive experience in providing services to various industries, including financial institutions, government, manufacturing and transportation. The acquisition of Wai On has boosted the development of Sm@rt City business in Hong Kong and the “The Belt and Road” countries, realizing resource integration and optimal allocation, enabling it to make an important step in promoting Sm@rt City business in Hong Kong and Macao and the “The Belt and Road” countries.

In cooperation with Peking University (PKU), our subsidiary Internetware has developed “Resource Reflection Mechanism and Efficient Interoperability Technology in Cloud-Client-Convergence Systems” and won the First Prize of National Technology Invention Award. Based on the abovementioned technologies, “Yan Cloud DaaS” can realize the real-time flow of information and the seamless integration of functions, which solves the bottleneck of isolated information islands that restrict the development of “Internet+Government Services”, and can reduce user's project implementation cycle on average by 50%. “Yan Cloud DaaS” has launched more than 20 products and solutions, which are widely used in national government information system integration and sharing, national Internet+Government Service pilot projects, national security and national defense. The products are used in over ten ministries like the Ministry of Science and Technology, Ministry of Industry and Information Technology, Ministry of Agriculture and Rural Affairs etc, and more than 20 provincial regions like Beijing, Shanghai, Guizhou, Zhejiang etc, eliminating thousands of isolated government information islands. In May 2017, the State Council passed the “Notice of the General Office of the State Council on Printing and Distributing the Implementation Plan for the Integration and Sharing of Government Information Systems” (“Circular 39”) and in June 2018 issued the guideline “Intensifying Internet+Government Services and the reform initiative to simplify government service provisions with only One Internet Portal, One Government Unit and One Procedure” (《關於進一步深化「互聯網+政務服務」推進政府服務「一網、一門、一次」改革實施方案》). These policy documents clearly set a schedule for local governments to accelerate the pace of information integration and sharing of information systems, presenting a huge business opportunity for Yan Cloud DaaS due to its leading big data resource management technology. The solutions centered on “Yan Cloud DaaS” will be a key profit growth driver for Sm@rt City business.

2) Smart Industry Chain Business (IT Logistics): B2C daily average volume rose by 117%; debut of the world’s first Human + Robot 2.0 3D warehouse robot

IT Logistics is China’s leading industry chain service brand, which is committed to providing customers with one-stop end-to-end services through the strategy of Warehouse + Big Data + Artificial Intelligence, 231 nationwide warehouse network service points, logistics management system and supply chain big data application platform X-DATA with its own intellectual property rights. Under the overall ecosystem of the entire industry chain, the big data of the supply chain coordinates the upstream and downstream enterprises, enhancing the overall efficiency in the industry chain and creating a new form of Smart Industry Chain. IT Logistics is a leading player in the fields of IT, communication and e-commerce logistics. During the reporting period, the Smart Industry Chain business continued to focus on the developing businesses with major customers in the industry, resulting in rapid expansion in sales and market shares. The overall revenue of the Smart Industry Chain business recorded approximately HK$3.78 billion, an increase of 39.72% over the same period of the last financial year. The overall gross profit margin was 14.59% with an increase of 4.19 percentage points. In the Smart Industry Chain business, the e-commerce supply chain services and logistics accounted for 40.54% and 59.46% respectively of the revenue.

The logistics business benefited from B2C business growth, warehouse automation and other cost control measures, with its revenue and gross profit rising significantly. During the reporting period, the revenue increased significantly by 62.64% year-on-year, and the gross profit increased by 107.57%. X-DATA big data platform, independently developed by IT Logistics, relies on the massive industry big data depository accumulated in prior years to develop customized services to customers. IT Logistics continues to innovate in warehousing automation. Following the debut of the Human + Robot 1.0 work model in 2017, IT Logistics released “Human + Robot 2.0” Automated Guided Vehicle (AGV) with the world's first 3D automatic sorting model right before the Double Eleven Shopping Festival, resulting in substantial improvement in warehouse space utilization and efficiency of operation in the warehouse during the Double Eleven Shopping Festival. In B2B logistics, we have deep and comprehensive cooperation with customers like Xiaomi ecosystem in the management of Smart Industry Chain. At the same time, we try to promote the Huijietong’s Hundred-warehouse plan to build a logistics ecosystem chain. In B2C logistics, IT Logistics achieved a 117% increase in daily average volume growth. The comprehensive strategic cooperation between IT Logistics and Cainiao Network covers flagship stores of key brands on “Tmall.com”, cross-border business and Tmall supermarket business. Among all the partners with Cainiao Network, IT Logistics’ comprehensive service quality ranked first, with its warehouse in Wuqing awarded the “The No 1 Warehouse of Cainiao for Double Eleven Shopping Festival” by Cainiao Network. In terms of international logistics, IT Logistics is actively expanding its international warehousing business. Its warehouse in Myanmar is ranked “Top Five Best Warehouses of ZTE”. In 2018, the logistics business also won a number of industry awards and honors, including the "Technology Invention Award, the highest award by the Modern Logistics Innovation Conference, the “2018 China Logistics Internet Technology Innovation Award”, the “Leading Enterprise of Logistics of the 40th anniversary of the Reform and Opening of the China Federation of Logistics and Purchasing” and the “2018 China (Logistics Big Data) Most Valuable Enterprise”.

Thanks to scale effect and effective cost control measures, **the e-commerce supply chain** business recorded significant year-on-year increase. During the reporting period, the revenue rose by 15.79% and the gross profit increased by 64.04%. The middle office platform business of the e-commerce supply chain has been recognized by customers, with rapidly expanding business scale. Through the cooperation of online e-commerce and brick-and-mortar store operators, the multi-channel expansion of Huawei's business has been phenomenal, despite the weakness in the mobile phone market. Dell’s e-commerce business has been expanding steadily with diversified products and online stores. The operation of Panasonic Lighting (松下照明) has been launched, with substantial breakthrough in sales on “Day 6.18”.

Logistics software has become a new source of profit. Digital China Gold Storage logistics software set, composed of WMS\TMS\OMS\BMS\XDATA (Warehouse, Transportation, Order, Accounting Management, Big Data) is fully functional and has full independent intellectual property rights. IT Logistics has incorporated many years of operation experience and capabilities into the system, which is highly recognized by customers. In 2018, it set up a research and development center in Zhengzhou to supply talents and experience for the research and development in the later stage of big data business. It has signed up with external customers like Panasonic, Yangquan Coal Industry Group and other companies among the world top 500 enterprises to meet the needs of highly complex and multi-scenario supply chain software business.

3) DCITS: Strategic focus on financial technology with remarkable results; Promising prospect for quantum communication business

Under the framework of the big data strategy of DC Holdings in 2018, Digital China Information Service Company Limited (神州數信息碼服務股份有限公司; “**DCITS**”), through the application of new technology, continued to drive the upgrading of software and service products. By integrating usage models in finance, government & enterprise, telecommunications, agriculture and other industry sectors, DCITS enabled the industries to upgrade its value propositions and created a new ecosystem of industrial integration, with a focus on big data and financial technology. It realized revenue of approximately HK$10.52 billion in the reporting period, an increase of 11.77% over the same period of last financial year, and reached a gross margin of 18.43%. Affected by the one-off goodwill impairment of the bank ATM business, profit attributable to the shareholders of the parent company of DCITS was approximately HK$108 million, which was a HK$251 million reduction compared to HK$359 million profit attributable to the shareholders in the same period of the last financial year.

Financial technology strategy achieved remarkable results.
During the reporting period, DCITS's financial technology strategy has achieved remarkable results, with rapid revenue growth and further increase in the proportion of the Company's total revenue. It provides financial industry customers with fintech services covering the entire industry chain and has evolved into a leading financial technology service company in China's banking sector.

Core Banking System and Distributed Platform were awarded contracts from important customers such as The Export-Import Bank of China, Ping An One Connect, Sanxiang Bank, Ningxia Bank and Yingkou Coastal Bank, with the amount of signed contracts for distributed core banking system and distributed platforms increasing by 36% compared with that of last year. The first distributed core banking business system introduced by the Company not only separates the business core unit from the accounting core unit at the business level, but also introduces the product factory and accounting engine to ensure the improvement of performance and processing capacity while achieving cost-reductions, perfectly striking a balance between the integration and development of traditional banking business and internet-based business. As of today, distributed core banking business system of DCITS has been recognized by dozens of banks, which provide financial services to hundreds of millions of users, and its economic and social benefits are becoming increasingly prominent.

Enterprise Service Bus ("ESB") won multiple tenders and 20 financial institutions signed service contracts with us such as China Central Depository & Clearing, Bank of East Asia, Industrial Bank and so on. The amount of signed contracts increased by 21% compared with that of last year, maintaining its leading market position, with more than 100 existing clients. Its product is comparable to a "highway" connecting headquarters, branches and service networks, and is the main backbone of banking operations. Through the sophisticated system and service combinations, it significantly improves the data processing and analytical ability of commercial banks' IT systems, and helps banks to gain competitive advantages in the market.

The Internet Open Platform won multiple bids and 11 financial institutions signed contracts with us such as China Construction Bank. It becomes a new growth driver with observable advantages that stand out from the market competition. The Internet financial solution won the bid of six financial institution customers including Industrial and Commercial Bank of China. In order to enable customers to carry out various types of Internet financial business successfully, the Company takes the lead to meet the market demand to complete the upgrading of two major product versions.

DCITS always adheres to the principle of self-developed innovation and control, and its excellent performance in the field of financial technology has been highly recognized by the industry. At the 22nd China International Software Expo (CISE2018), DCITS's distributed core banking business system won the "Top Ten Excellent Products Award". In addition, its self-developed two major projects, namely "Fuxin Bank New Generation Core Business System" and "Sichuan XW Bank Internet Open Platform", won the "IDC 2018 China Financial Industry Best Innovation Award".

Driving the Development of the Quantum Communications Industry

During the reporting period, DCITS, QuantumCTek and Guoxiang Chenrui Technology Co., Ltd. jointly established Shenzhou Guoxin (Beijing) Quantum Technology Co., Ltd. ("**Shenzhou Guoxin**"), providing quantum communication equipment for quantum communication network. During the reporting period, the Shenzhou Guoxin has successfully installed quantum network access equipment and provided complete quantum key services to financial industry customers such as the People's Bank of China, Bank of Shanghai and Shanghai Rural Commercial Bank. In the same period, the construction of the total integration of quantum communication metropolitan area network (MAN) in Guiyang, Suzhou and other places has been successfully completed, and the MAN project has been further expanded. In the further deepening strategic cooperation agreement with CAS Quantum Communication Network Co., Ltd., it is proposed that we should jointly promote the construction of quantum network, technical services and industrial applications, promote the development of quantum communication technology and ensure national information security.

4) Strategic Investment: Major Breakthroughs in the Application in the Healthcare and Manufacturing Industries

Smart Health Business: Digital China Health Technologies Co., Ltd., ("**Digital China Health**"), a subsidiary of DC Holdings, has achieved breakthroughs in cooperation with pharmaceutical companies. As the sole contractor, Digital China Health jointly promotes the construction of cardiovascular information research platform and the optimization project of clinical diagnosis and treatment decision support system ("**iHeart Project**") with China Cardiovascular Health Alliance and Sanofi (China) Investment Co., Ltd.. Digital China Health will rely on its strength in scientific research and the implementation experience of many national clinical medical data centers to drive the improvement of the ability of Chinese cardiologists to perform standardized clinical diagnosis and treatment. In June, 2018, Digital China Health signed a cooperation agreement with China National Cancer Center (CNCC) and The National Cancer Registration and Analysis Service (NCRAS) in the United Kingdom in order to leverage the experience of the construction of oncology information platform in foreign countries to build a large oncological information platform in China. At the annual meeting of the American Medical Informatics Association in 2018, Digital China Health led the establishment of the Sino-US Joint Center for Medical Information and Big Data Sciences, and joined the Joint Center as the sole corporate board member. It will actively promote the deepening of exchanges and cooperation between the Chinese and American academic community and industry, and promote the development of Chinese medical and clinical informatics. During the reporting period, Digital China Health received investment from internationally renowned investment funds and successfully completed the series A Round financing with a post-investment valuation of approximately HK$3.8 billion.

Smart Manufacturing Business: the number of connected industrial machines of iSESOL Industrial Internet Platform increased by 137% to 25,300 as compared to that of last year

iSESOL, a joint venture jointly established by DC Holdings, Shenyang Machine Tool Co., Ltd. and Everbright Financial Holding Asset Management Co., Ltd., launched iSESOL Industrial Internet Platform, which generates industrial data service based on manufacturing process through the interconnection with smart equipment. During the reporting period, iSESOL Industrial Internet Platform became one of the first five platforms in China providing reliable cloud services on industrial Internet through the "Certification of Evaluation of Reliable Services for the First Batch of Industrial Internet Platforms" awarded by the Ministry of Industry and Information Technology. Visited by Premier Li Keqiang, iSESOL was also the only industrial internet platform, with vertical focus in the field of mechanical processing. ISESOL Industrial Internet Platform has rapidly expanded in the market during the reporting period. It has connected more than 25,300 industrial machines, representing an increase of 137% as compared to last year. Its service scope has covered 26 provinces and 161 cities, serving more than 3,000 corporate customers with cumulated service hours of more than 5,800 thousand hours.

5) Smart Finance Business: building a comprehensive financial service platform to enable DC Holdings' business ecosystem

Smart Finance Business covers supply chain finance, industrial finance, industrial funds, etc. Currently, it has licenses to provide services in fund management, internet micro credit, commercial factoring and financial leasing. Through the four core capabilities, namely resources integration, product design, risk control and platform operation, supply chain finance and industrial finance services are provided to Smart Industry Chain and Sm@rt City partners on the asset side, and various financial institutions' resources are integrated on the funding side to realize the interconnection of assets and funds.

In 2018, we coordinated with the business sector of the Smart Industry Chain to provide supply chain financial services such as asset-pledged financing in warehouses, factoring financing and financial leasing to upstream and downstream partners and distributors who serve the business sector of the Smart Industry Chain. We also worked with Sm@rt City and the Smart Industry Chain to create a "industry-city integration" service model to provide comprehensive industrial financial services to the industrial park.

6) Business outlook: Adhering to the smart development of city and digital transformation of industries with self-developed innovative technology, with a focus on improving shareholder returns

In the 5G era where everything is inter-connected, DC Holdings, as a leading Big Data operation service group, will continue to adhere to "Digital China" as its mission, rely on big data, artificial intelligence and IoT, positively build the business in key areas of Sm@rt City, Smart Industry Chain, Financial Technology, Smart Health and Smart Manufacturing, and actively explore the ecosystem model of urban organic smart development as well as the sustainable development of the integration of industry and city. Going forward, Sm@rt City Business will rely on the world's leading core technologies such as "Yan Cloud DaaS" and IoT, and promote the development of Sm@rt City through the deployment of scientific and technological resources and big data operation services. Smart Industry Chain business will be driven by digital transformation, with big data technology as the core capability, to create a ecosystem with industry integration to achieve earning growth. We expect 2019 to be a fruitful year for DC Holdings and its shareholders.

7) Update on the settlement plans regarding certain wealth management financial products purchased by the group (the "WMP")

Further to the announcement made by the Company on 28 June 2018, the Group received a repayment of an amount of approximately HK$651 million (RMB550 million) worth of the principal of the WMP from the issuer of the WMP on 6 July 2018. Thereafter, the Group received a further repayment of an amount of approximately HK$18 million (RMB16 million) from the issuer of the WMP on 5 November 2018. As at the end of this financial year, the outstanding unpaid principal of the WMP was approximately HK$1,862 million (RMB1,634 million).

The Group has made specific action plans with relevant asset disposal experience on the planning for the sale of the ultimate underlying assets involved in the WMP of approximately HK$1,862 million (RMB1,634 million) mentioned above. In accordance with the action plans, the Company and its partners have dispatched personnel to the ultimate underlying assets of the WMP in 2018 to directly engage in asset management and disposal processes. In particular, after The Group's efforts, the real estate residential projects in the ultimate underlying assets (involving principal and interest of approximately HK$220 million (RMB193 million)) have now entered into the asset restructuring and disposal procedure. Based on the current progress of the restructuring party, it has become clear that the Group, in accordance with relevant laws and regulations, will recover the amounts involved in the real estate residential projects, which are parts of the relevant assets, according to the realisation and repayment plans, totaling approximately HK$220 million (RMB193 million).

The realisation and repayment plans of the remaining ultimate underlying assets (involving approximately HK$1,642 million (RMB1,441 million)) is achieving positive progress. The Group will continue to pursue its execution according to the action plans, In the event of significant progress in the action plans, the Company will issue an announcement in due course.

Capital Expenditure, Liquidity and Financial Resources

The Group mainly finances its operations with internally generated cash flows, bank borrowings and banking facilities.

The Group had total assets of HK$25,488 million at 31 December 2018 which were financed by total liabilities of HK$13,091 million, non-controlling interests of HK$3,547 million and equity attributable to equity holders of the parent of HK$8,850 million. The Group's current ratio at 31 December 2018 was 1.22 as compared to 1.11 at 31 December 2017.

During the year ended 31 December 2018, capital expenditure of HK$833 million was mainly incurred for the acquisition of properties, office equipment and IT infrastructure facilities.

As at 31 December 2018, the Group had cash and bank balances of HK$2,274 million, of which about HK$2,168 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.70 at 31 December 2018 as compared to 0.87 at 31 December 2017. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of HK$6,199 million (31 December 2017: HK$7,881 million) and equity attributable to equity holders of the parent of HK$8,850 million (31 December 2017: HK$9,110 million).

At 31 December 2018, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in Renminbi	**Denominated in Hong Kong dollars**	**Total**
	HK$'000	HK$'000	HK$'000
Current			
Interest-bearing bank borrowings, unsecured	1,760,432	169,525	1,929,957
Interest-bearing bank borrowings, secured	1,609,938	-	1,609,938
Other borrowings	52,419	-	52,419
	3,422,789	169,525	3,592,314
Non-current			
Interest-bearing bank borrowings, unsecured	51,279	-	51,279
Interest-bearing bank borrowings, secured	1,980,229	-	1,980,229
Corporate bond	574,844	-	574,844
	2,606,352	-	2,606,352
Total	6,029,141	169,525	6,198,666

Certain of the Group's bank borrowings of:

1. HK$2,570 million extended by financial institutions to certain subsidiaries of the Group were secured by mortgages over the Group's buildings, investment properties, land use rights and properties under development with an aggregate carrying amount of HK$3,977 million at 31 December 2018;
2. HK$1,014 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 228,500,000 issued shares of DCITS, a non-wholly-owned subsidiary of the Company, directly held by a wholly-owned subsidiary of the Company, with an aggregate carrying amount of HK$2,432 million at 31 December 2018; and
3. HK$6 million extended by financial institutions to a non-wholly-owned subsidiary of the Group were secured by mortgages over a building of a non-controlling shareholder at 31 December 2018.

Included in the Group's current and non-current bank borrowings of HK$157 million and HK$2,032 million respectively represented the long-term loans which are repayable from the year 2019 to year 2027. All of the Group's bank borrowings were charged at floating interest rates except for the loan balances with an aggregate amount of HK$3,077 million which were charged at fixed interest rates as at 31 December 2018.

In May 2016, Digital China Software Limited* (神州數碼軟件有限公司) ("**DC Software**"), a wholly-owned subsidiary of the Company, obtained the relevant approval for issuing the medium-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB700 million (equivalent to approximately HK$798 million). In September 2016, DC Software issued the first tranche of the medium-term notes of 2016 with a total principal amount of RMB500 million (equivalent to approximately HK$570 million) with a maturity period of 5 years (with the investors' option to sell back the notes after the end of the third year from the issuance date) and at an interest rate of 4.9% per annum. The proceeds thereof were to be used for repaying the bank loans of the Group.

Pursuant to the "Capital Contribution and Shareholders' Agreement of Shenzhou Lingyun (Beijing) Technology Co., Ltd.", upon fulfillment of the condition pertaining to an undertaking regarding business results, investors subscribing for shares with new capital contributions shall provide, according to their capital contribution ratios, loans with a total amount of RMB33 million (equivalent to approximately HK$37.60 million) in the form of convertible bonds to Shenzhou Lingyun (Beijing) Technology Co., Ltd.* (神州靈雲（北京）科技有限公司) (a subsidiary of DCITS, which is in turn a non-wholly-owned subsidiary of the Company) ("**Shenzhou Lingyun**"). In the year 2017, the investors provided the first tranche of convertible bond loans in the amount of RMB16 million (equivalent to approximately HK$18.2 million), comprising RMB12.80 million (equivalent to approximately HK$14.60 million) provided by DCITS and RMB3.20 million (equivalent to approximately HK$3.6 million) provided by the remaining investors. In the year 2018, the investors provided the second tranche of convertible bond loans in the amount of RMB14.85 million (equivalent to approximately HK$16.9 million), comprising RMB13.60 million (equivalent to approximately HK$15.5 million) provided by DCITS and RMB1.25 million (equivalent to approximately HK$1.4 million) provided by the remaining investors. Subject to the fulfillment of the undertaking regarding Shenzhou Lingyun's business results for the years 2016 to 2020 in full, the investors have agreed to convert the full amount of the convertible bond loans into investments in Shenzhou Lingyun, which shall be credited, upon conversion, to Shenzhou Lingyun's capital reserve. In the event that the business result undertaking is not fulfilled, Shenzhou Lingyun shall repay the aforesaid convertible bond loans within 30 days upon receipt of notices from the investors.

The total available bank credit facilities for the Group at 31 December 2018 amounted to HK$9,764 million, of which HK$3,209 million were in long-term loan facilities, HK$2,054 million were in trade lines and HK$4,501 million were in short-term and revolving money market facilities. At 31 December 2018, the facility drawn down from the Group was HK$2,485 million in long-term loan facilities, HK$550 million in trade lines and HK$2,517 million in short-term and revolving money market facilities.

Under the normal course of business, the Group has issued performance bonds to some customers for potential claims of non-performance in order to satisfy the specific requirements of these customers. As no material claims had been made by the customers under such performance bonds in the past, the management considers that the possibility of realisation of any actual material liabilities arising from such performance bonds is remote.

Contingent Liabilities

(a) The Group provided guarantee in favour of one financial institution for certain asset-backed securities issued by an associate, Chongqing Digital China HC Microfinance Co. Ltd.* (重慶神州數碼慧聰小額貸款有限公司), with an aggregate amount of approximately HK$198,279,000 as at 31 December 2018.

(b) On 7 November 2018, China Potevio Co., Ltd. filed a litigation with Beijing's Second Intermediate People's Court on the grounds that DCITS assisted Shengwugang Company in capital withdrawal, requiring DCITS to bear joint and several liability for compensation in relation to the assistance given to Shengwugang Company for capital withdrawal of RMB25,000,000 together with interests. At the end of December 2018, DCITS filed a jurisdiction objection litigation with Beijing's Second Intermediate People's Court which has been rejected. DCITS filed a litigation with Beijing Municipal High People's Court against the ruling rejecting the jurisdiction objection, which is being processed.

Capital Commitment

At 31 December 2018, the Group had the following capital commitments:

	HK$'000
Land and buildings	158,324
Capital contributions payable to joint ventures	35,417
Capital contributions payable to an associate	6,837
Capital contributions payable to financial assets at fair value through other comprehensive income	120,140
	320,718

Events after the reporting period

Subsequent to the reporting period, the Company repurchased an aggregate of 5,911,000 ordinary shares at the consideration of the highest and lowest purchase prices of HK$3.60 and HK$3.37 per share respectively on The Stock Exchange of Hong Kong Limited and the aggregate consideration paid (including transaction costs) was approximately HK$20,539,000.

Human Resources

At 31 December 2018, the Group had approximately 11,000 (31 December 2017: approximately 12,000) full-time employees. The majority of these employees work in the PRC. The Group offers remuneration packages in line with industry practice. Employees' remuneration includes basic salaries and bonuses. The Group has recorded a 1.76% decrease in staff costs to approximately HK$2,569 million for the year ended 31 December 2018 as compared to approximately HK$2,615 million for the corresponding period of the last financial year. In order to attract and retain a high caliber of capable and motivated workforce, the Company offers share-based incentive schemes to staff based on the individual performance and the achievements of the Company's targets. The Group is committed to providing its staff with various in-house and external training and development programs.

Update on the use of proceeds from the Rights Issue

In September 2017, the Company completed a rights issue (the "**Rights Issue**") and raised funds of approximately HK$1.34 billion. The table below set out the use of net proceeds (the "**Net Proceeds**") from the Rights Issue:

Intended use of the net proceeds from the Rights Issue	**Net proceeds** HK$'million	**Actual application as at 31 December 2017** HK$'million	**Un-utilised amount as at 31 December 2017** HK$'million	**Actual application for the year ended 31 December 2018** HK$'million	**Un-utilised amount as at 31 December 2018** HK$'million
(i) financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified	782	(54)[1]	728	(157)[1]	571
(ii) repayment of debt and interest expenses					
(a) repayment of principal and interest expenses to Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) due in October 2017	183	(183)	-	-	-
(b) repayment of principal and interest expenses to Western Securities Co., Ltd. (西部證券股份有限公司) due in October 2017	286	(286)	-	-	-
(iii) general working capital purposes	84	(84)	-	-	-
Total	**1,335**	**(607)**	**728**	**(157)**	**571**

Note 1: As at the date of this announcement, the Healthcare Big Data Investment is still at its preliminary discussion stage and no legally binding agreement has been entered into by the Group. As at 31 December 2018, an aggregate of HK$211 million has been used as investments and acquisitions in relation to the Sm@rt City and other innovation related business.

The Company does not have any intention to change the purposes of the Net Proceeds as set out in the Rights Issue prospectus dated 23 August 2017, and will gradually utilize the un-utilised amount of the Net Proceeds in accordance with the intended purposes mentioned above.

For further details of the Rights Issue, please refer to the announcements dated 21 July 2017, 24 August 2017 and 15 September 2017, the rights issue prospectus dated 23 August 2017 and the annual report for the year ended 31 December 2017 of the Company.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three Independent Non-executive Directors, namely Mr. WONG Man Chung, Francis (who is the Chairman of the Audit Committee), Ms. NI Hong (Hope) and Ms. YAN Xiaoyan. The Audit Committee has reviewed with the senior management and the auditors of the Company their respective audit findings, the half-yearly and annual financial results before recommending them to the Board for consideration and approval, the accounting principles and practices adopted by the Group, legal and regulatory compliance and discussed auditing, internal control, risk management and financial reporting matters including the review of the annual results of the Company for the year ended 31 December 2018.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

Our independent auditor, SHINEWING (HK) CPA Limited had audited the Group's consolidated financial statements of the Group for the year ended 31 December 2018, as a result of the qualified opinion issued by the predecessor auditor in last year, the financial information for the current year and the comparative information disclosed are not comparable. Except for such, our auditors issued unqualified opinion as to the Group's consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended.

The following is an extract of the independent auditor's report of SHINEWING (HK) CPA Limited, the auditor of the Company, on the Group's annual audited financial statements for the year ended 31 December 2018:

Qualified Opinion - Corresponding figures

We have audited the consolidated financial statements of Digital China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in the annual report of the Company, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion below, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion - Corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor (the "Predecessor Auditor") who expressed a qualified opinion (the "2017 report") on those consolidated financial statements on 28 March 2018 due to the scope limitations (the "Scope Limitation"). As at 31 December 2017, the Group had certain wealth management financial products of approximately HK$2,603,057,000 (before impairment), with accumulated impairment provision of approximately HK$227,941,000 and the related interest receivables of approximately HK$123,391,000. The impairment provision of approximately HK$227,941,000 was recognised by the Group during the year ended 31 December 2017 and included in "other expenses" in the Group's consolidated statement of profit or loss. As stated in the 2017 Report, the Predecessor Auditor had not been able to obtain sufficient audit evidence to assess the recoverability of the wealth management financial products and the related interest receivables as well as the adequacy of the impairment provision made during the year ended 31 December 2017. As such, any adjustments found to be necessary to the figures as described above would have consequential impact on the consolidated net assets of the Group as at 31 December 2017 and the Group's loss for the year ended 31 December 2017 and the related note disclosures.

As explained in note 2 to the consolidated financial statements, upon adoption of HKFRS 9 on 1 January 2018, such wealth management financial products and the related receivables were reclassified to financial assets at fair value through profit or loss and was restated to its fair value as at that date based on a valuation performed by an independent valuer not connected to the Group. Therefore, the Scope Limitation did not have impact on consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended. As a result, the comparative information disclosed for the corresponding period may not be comparable to that of the current year. Our opinion on the current year's consolidated financial statements is modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") throughout the year ended 31 December 2018, except for the following deviations from certain code provisions with considered reasons as given below:

Code Provision A.2.1 *stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.*

Mr. GUO Wei, the Chairman of the Board, has been taking up the dual role as Chairman and Chief Executive Officer of the Company since 8 June 2018. Mr. GUO Wei has extensive experience in business strategic development and management and is responsible for overseeing the whole business, strategic development and management of the Group. The Board believes that the dual roles of Mr. GUO Wei will enable the consistency between the setting up and the implementation of the business strategy and benefit the Group and the Shareholders as a whole.

***Code Provision A.4.1** stipulates that non-executive directors should be appointed for a specific term, subject to re-election.*

All of the Non-executive Directors of the Company were not appointed for any specific term. Since all Directors (save for the Chairman of the Board or the Managing Director) are subject to retirement by rotation at each annual general meeting in accordance with the new bye-laws of the Company (the "**New Bye-Laws**") and shall be eligible for re-election. The Board considers that the retirement of Directors by rotation at each annual general meeting in accordance with the New Bye-Laws has given the Shareholders the right to approve the continuation of the service of the Directors.

***Code Provision A.4.2** stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.*

Under the New Bye-Laws, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, the Chairman of the Board or the Managing Director shall not, whilst holding such office, be subject to retirement by rotation. Therefore, Mr. GUO Wei, the Chairman of the Board, shall not be subject to retirement by rotation. Given the existing number of Directors of the Company, not less than one-third of the Directors are subject to retirement by rotation at each annual general meeting, by which each Director (other than the Chairman of the Board) will retire by rotation once every three years at the minimum.

***Code Provision A.5.1** stipulates that listed company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.*

The Company does not establish a nomination committee at present. The Company considers that the setting up of a nomination committee may not be necessary as the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as addition to the Board according to the New Bye-Laws, therefore, the Board has been able to assume the responsibilities of a nomination committee. The Board will identify and assess whether the candidate has the balanced composition of skills and experience appropriate for the requirements of the businesses of the Company and suitably qualified to become board members.

***Code Provision D.1.4** stipulates that directors should clearly understand delegation arrangements in place. Listed company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.*

The Company has not entered into any written letters of appointment with its any Non-executive Directors or any Independent Non-executive Directors. However, the Board recognizes that (i) the relevant Directors have already been subject to the laws and regulations applicable to directors of a company listed on the Stock Exchange, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its Shareholders; (ii) all of them are well established in their professions and have held directorships in other listed companies; and (iii) the current arrangement has been adopted by the Company for years and has proved to be effective. Therefore, the Board considers that the relevant Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules (the "**Model Code**") as its code of conduct for Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2018, the Company purchased an aggregate of 373,000 ordinary shares, represented 0.02% of the total shares in issue. The purchase was effected by the Directors pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Details of those transactions are as follows:

Month of repurchase	No. of ordinary shares repurchased	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
December 2018	373,000	3.58	3.45	1,326

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2018.

By Order of the Board
Digital China Holdings Limited
(神州數碼控股有限公司*)
GUO Wei
Chairman and Chief Executive Officer

Hong Kong, 27 March 2019

At the publication of this announcement, the Board comprises nine Directors namely:

Executive Directors: Mr. GUO Wei (Chairman and Chief Executive Officer) and Mr. LIN Yang (Vice Chairman)

Non-executive Directors: Mr. YU Ziping and Mr. PENG Jing

Independent Non-executive Directors: Mr. WONG Man Chung, Francis, Ms. NI Hong (Hope), Dr. LIU Yun, John, Ms. YAN Xiaoyan and Mr. KING William

Website: www.dcholdings.com.hk

** For identification purpose only*