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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the previous year as below. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

FINANCIAL HIGHLIGHTS

	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)	Year-on-year change
Revenue	**17,727,429**	15,254,499	16.21%
Profit before tax	**546,700**	281,534	94.19%
Profit for the year attributable to equity holders of the parent	**301,844**	149,587	101.78%
Proposed final dividend (HK cents)	**6.4**	3.1	106.45%

The Group's revenue rose approximately 16.21% on a year-on-year basis to approximately HK$17.73 billion and profit attributable to equity holders of the Company substantially increased to approximately HK$301.84 million, driven by the accelerating growth in Smart Industry Chain segment and DCITS segment and the continuous improvement in the operational efficiency of the Group's different business segments.

The Board recommends the payment of a final dividend of HK6.4 cents per ordinary share for the year ended 31 December 2019 to the Shareholders, subject to (i) the audited annual results of the Group for the year ended 31 December 2019 upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein; and (ii) the approval of the Shareholders in the forthcoming annual general meeting.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	4	**17,727,429**	15,254,499
Cost of sales and services		**(14,572,646)**	(12,345,061)
Gross profit		**3,154,783**	2,909,438
Other income and gains	4	**187,720**	431,006
Gain on deemed partial disposal of equity interests in associates		**143,311**	293,083
Gain on partial disposal of the equity interests in associates		**223,739**	-
Selling and distribution expenses		**(1,315,401)**	(1,387,062)
Administrative expenses		**(527,781)**	(526,840)
Other expenses, net		**(810,709)**	(1,080,065)
Finance costs		**(227,506)**	(215,857)
Impairment of goodwill		**(201,787)**	(220,695)
Share of (loss) profit of associates		**(55,895)**	60,559
Share of (loss) profit of joint ventures		**(23,774)**	17,967
Profit before tax	5	**546,700**	281,534
Income tax expense	6	**(96,524)**	(61,064)
Profit for the year		**450,176**	220,470
Attributable to:			
Equity holders of the parent		**301,844**	149,587
Non-controlling interests		**148,332**	70,883
		450,176	220,470
Earnings per share attributable to equity holders of the parent	8		
Basic (HK cents)		**18.31**	8.96
Diluted (HK cents)		**18.31**	8.96

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the year	**450,176**	220,470
Other comprehensive (loss) income		
Other comprehensive(loss) income may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of financial statements of foreign operations	**(197,450)**	(454,286)
Share of other comprehensive income of associates	**11,269**	42,887
Net other comprehensive loss may be reclassified to profit or loss in subsequent periods	**(186,181)**	(411,399)
Other comprehensive income (loss) will not be reclassified to profit or loss in subsequent periods:		
Net fair value changes on financial assets measured at fair value through other comprehensive income	**(3,696)**	(772)
Gain on property revaluation	**20,597**	2,993
Income tax effect	**(10,814)**	(748)
Net other comprehensive income will not be reclassified to profit or loss in subsequent periods	**6,087**	1,473
Other comprehensive loss for the year, net of tax	**(180,094)**	(409,926)
Total comprehensive income (loss) for the year	**270,082**	(189,456)
Attributable to:		
Equity holders of the parent	**184,948**	(124,240)
Non-controlling interests	**85,134**	(65,216)
	270,082	(189,456)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	2019	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**1,027,562**	1,017,356
Right-of-use assets		**233,656**	-
Investment properties		**4,598,840**	4,712,932
Prepaid land premiums		**-**	65,035
Goodwill		**1,887,695**	2,057,937
Other intangible assets		**157,765**	161,520
Interests in joint ventures		**185,890**	197,662
Interests in associates		**3,150,086**	3,427,004
Financial assets at fair value through other comprehensive income		**408,572**	427,293
Finance lease receivables		**2,310**	6,204
Other receivables		**908,780**	924,635
Deferred tax assets		**173,125**	175,710
		12,734,281	13,173,288
Current assets			
Inventories		**1,848,844**	1,052,773
Properties under development		**-**	250,501
Completed properties held for sale		**24,722**	23,093
Accounts and bills receivables	9	**5,362,493**	4,889,158
Prepayments, deposits and other receivables		**1,499,292**	1,224,466
Contract assets		**527,073**	1,151,469
Financial assets at fair value through profit or loss		**929,091**	1,286,340
Finance lease receivables		**54,528**	162,597
Restricted bank balances		**115,488**	69,617
Cash and cash equivalents		**1,890,171**	2,204,872
		12,251,702	12,314,886
Assets classified as held for sale		**565,118**	-
		12,816,820	12,314,886
Current liabilities			
Accounts and bills payables	10	**3,832,793**	3,212,562
Other payables and accruals		**2,046,205**	1,656,352
Lease liabilities		**103,070**	-
Contract liabilities		**1,396,496**	1,612,372
Tax payables		**66,455**	43,625
Interest-bearing bank and other borrowings		**3,468,959**	3,592,314
		10,913,978	10,117,225
Net current assets		**1,902,842**	2,197,661
Total assets less current liabilities		**14,637,123**	15,370,949

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 DECEMBER 2019

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Interest-bearing bank and other borrowings	**1,625,741**	2,606,352
Deferred tax liabilities	**350,261**	339,004
Deferred income	**37,033**	28,897
Lease liabilities	**60,616**	-
	2,073,651	2,974,253
Net assets	**12,563,472**	12,396,696
Capital and reserves		
Share capital	**167,098**	167,726
Reserves	**8,769,325**	8,682,617
Equity attributable to equity holders of the parent	**8,936,423**	8,850,343
Non-controlling interests	**3,627,049**	3,546,353
Total equity	**12,563,472**	12,396,696

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 its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("**Int(s)**"), issued by the HKICPA.

HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarise 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.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC) - Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.46% to 6.18%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carry amount Previously reported at 31 December 2018 HK$'000	Impact on adoption of HKFRS 16 HK$'000	Carrying amount as restated at 1 January 2019 HK$'000
Right-of-use assets	(a)&(b)	-	270,506	270,506
Prepaid land premiums	(b)	65,035	(65,035)	-
Prepayment, deposits and other receivables - current	(b)	1,224,466	(11,509)	1,212,957
Lease liabilities - current	(a)	-	97,779	97,779
Lease liabilities - non-current	(a)	-	96,183	96,183

Notes:

(a) As at 1 January 2019, right-of-use assets relating to operating leases under HKAS 17 were measured at an amount equal to the lease liability and adjusted by prepaid rental as explained in (b).

(b) Prepaid land premiums of HK$69,230,000 which represent the upfront payments for leasehold lands in the PRC of which HK$4,195,000 was included in prepayment, deposits and other receivables and the prepaid rental of HK$7,314,000 as at 31 December 2018 were reclassified to right-of-use assets.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected. The adoption of HKFRS 16 has resulted in a change in presentation of cash flows within the cash flow statement.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	HK$'000
Operating lease commitment as at 31 December 2018	300,611
Less: Short-term leases and other leases ended on or before 31 December 2019	(93,067)
	207,544
Discounted using the incremental borrowing rate at 1 January 2019	(13,582)
Lease liabilities recognised as at 1 January 2019	193,962
Analysed as	
Current portion	97,779
Non-current portion	96,183
	193,962

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions 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 new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

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 CODM have been aggregated in arriving at the reportable segments of the Group.

Segment information of the four continuing business groups are summarised as follows:

(a) The "DCITS" segment: Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司) ("**DCITS**") mainly engaged in system integration and software development and technical service business, with core bank systems and enterprise service buses 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) The "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 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. The Group generated revenue from logistics business and e-commerce supply chain services business in this segment.

(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 by engaged in system integration, software development and technical services business.

(d) “Other Business” segment: including property investment, sales of properties and “Smart Finance Business” which rely on its various financial licenses, integrates resources of financial institutions such as banking, insurance, securities and trusts, provides of financial services, such as micro-credit loan, leasing, factoring, etc. to internal and external customers; and assets operations, other innovative businesses and incubation and strategic investments.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment results are evaluated based on the reportable segment profit, which is a measure of adjusted profit before tax. The segment results is measured consistently with the Group’s profit before tax except that certain interest income, certain 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 and reportable segments for the years ended 31 December 2019 and 2018:

	DCITS		Smart Industry Chain Business		Sm@rt City Business		Other Business		Elimination		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*
Segment revenue:												
External	**11,503,811**	10,522,367	**5,373,826**	3,777,386	**242,917**	320,770	**606,875**	633,976	**-**	-	**17,727,429**	15,254,499
Inter-segment	**1,768**	23,137	**8,485**	15,418	**83,776**	4,448	**27,609**	22,423	**(121,638)**	(65,426)	**-**	-
	11,505,579	10,545,504	**5,382,311**	3,792,804	**326,693**	325,218	**634,484**	656,399	**(121,638)**	(65,426)	**17,727,429**	15,254,499
Segment gross profit	**2,101,791**	1,938,841	**689,845**	551,082	**74,689**	128,511	**288,458**	291,004			**3,154,783**	2,909,438
Segment results	**301,344**	149,192	**105,635**	(6,031)	**11,492**	2,503	**391,369**	427,017			**809,840**	572,681
Unallocated												
Interest income											**2,994**	5,396
Income and gains											**4,956**	1,065
Unallocated expenses											**(143,191)**	(172,295)
Profit from operating activities											**674,599**	406,847
Finance costs											**(127,899)**	(125,313)
Profit before tax											**546,700**	281,534

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue arising on the sale of goods after allowances for returns and trade discounts; provision of services, net of value-added tax and government surcharges; and net rental income received and receivable from investment properties for the year.

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers		
Disaggregated by major products or services lines:		
Systems integration business	**5,442,136**	5,755,094
Software development and technical service business	**6,303,043**	5,068,932
Logistics business	**2,477,882**	2,245,846
E-commerce supply chain services business	**2,895,944**	1,531,541
Others	**215,788**	223,819
Total revenue from contracts with customers	**17,334,793**	14,825,232
Revenue from other sources		
Rental income for investment properties under operating lease	**348,736**	308,897
Financial services business	**43,900**	120,370
Total revenue from other sources	**392,636**	429,267
Total revenue	**17,727,429**	15,254,499
Other income		
Government grants (note 1)	**86,212**	101,092
Interest on bank deposits	**10,284**	16,786
Income from wealth management financial products	**32,209**	25,529
Dividend income from financial assets at fair value through other comprehensive income	**232**	3,840
Dividend income from financial assets at fair value through profit or loss	**475**	-
Others	**10,462**	7,852
	139,874	155,099
Gains		
Fair value gains on investment properties	**32,532**	50,141
Gain on disposal of the equity interests in joint ventures	**-**	4,158
Gain on disposal of the equity interests in associates	**9,619**	7,880
Gain on disposal/ partial disposal of the equity interests in subsidiaries (note 2)	**890**	199,917
Gain on disposal of financial assets at fair value through profit or loss, net	**4,371**	10,244
Others	**434**	3,567
	47,846	275,907
Total other income and gains	**187,720**	431,006

Note 1: The government grants received by the Group are mainly for providing immediate financial assistance to the Group and there are no unfulfilled conditions.

Note 2: Included in the balance was gain on disposal of certain insignificant subsidiaries of approximately HK$890,000 (2018: HK$426,000).

Disaggregation of revenue by timing of recognition

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
At a point in time	**9,053,238**	7,767,916
Over time	**8,281,555**	7,057,316
Total revenue from contracts with customers	**17,334,793**	14,825,232

5. PROFIT BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Amount of inventories recognised as an expense	**8,194,050**	7,140,468
Depreciation of property, plant and equipment	**135,754**	149,186
Depreciation of right-of-use assets	**108,278**	-
Amortisation of prepaid land premiums	**-**	1,727
Amortisation of other intangible assets	**47,050**	49,340
Provisions for and write-off of obsolete inventories	**87,554**	125,630
Impairment of accounts and bills receivables and other receivables	**94,635**	272,000
(Reversal of impairment) impairment of finance lease receivables	**(6,829)**	12,740
Impairment of interests in joint ventures	**-**	10,156
Impairment of interests in associates	**2,286**	-
Loss on disposal of property, plant and equipment	**4,022**	24,575
Loss on write-off of intangible assets	**4,882**	-
Interest on bank loans and other loans	**217,272**	215,857
Fair value loss on financial assets at fair value through profit or loss	**3,263**	5,838
Foreign exchange differences, net	**11,926**	36,654
Interest expenses on lease liabilities	**10,234**	-

6. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current – Mainland China		
Enterprise income tax ("**EIT**")		
Charge for the year	**96,845**	80,791
Over provision in prior years	**(6,393)**	(4,223)
Land appreciation tax ("**LAT**")	**187**	8,628
	90,639	85,196
Current – Hong Kong		
Charge for the year	**-**	52
Under (over) provision in prior years	**17**	(200)
	17	(148)
Deferred tax	**5,868**	(23,984)
Total tax charge for the year	**96,524**	61,064

(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 from sales 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 2019 and 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%.

(d) The share of tax charge attributable to joint ventures of approximately HK$665,000 (2018: HK$9,935,000) and the share of tax charge attributable to associates of approximately HK$39,050,000 (2018: HK$33,963,000) are included in "Share of (loss) profit of joint ventures" and "Share of (loss) profit of associates", respectively, in the consolidated statement of profit or loss.

7. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Final dividends	**105,202**	51,112

Subsequent to the end of the reporting period, the Board recommends the payment of a final dividend of HK6.4 cents per ordinary share for the year ended 31 December 2019 to the shareholders of the Company ("**Shareholders**"). Subject to (i) the audited annual results of the Group for the year ended 31 December 2019 upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein; and (ii) the approval of the Shareholders at the forthcoming annual general meeting of the Company ("**2020 AGM**"), the proposed final dividend is expected to be paid on or about 10 July 2020. The date of the 2020 AGM, the date of book closure, the record dates for qualifying to attend the 2020 AGM and receive final dividends will be announced in due course. The final dividend proposed after the reporting period has not been recognized as liabilities in the consolidated financial statements.

8. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share is based on the profit 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 1,648,397,272 (2018: 1,669,145,464) during the year.

The calculation of the diluted earnings per share is based on the profit 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 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 diluted earnings per share for the year ended 31 December 2019 and 2018 are the same as the basic earnings per share. The calculation of diluted earnings per share had not taken into account the outstanding share options as the exercise prices of those share options are higher than the average market price for the shares.

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the year attributable to equity holders of the parent, used in the basic and diluted earnings per share calculation	**301,844**	149,587

	Number of shares	
	2019	2018
	(Unaudited)	(Audited)
<u>Shares</u>		
Weighted average number of shares in issue less shares held under the RSA Scheme during the year, used in the basic and diluted earnings per share calculation	**1,648,397,272**	1,669,145,464

9. ACCOUNTS AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Receivables at amortised cost comprise:		
Accounts and bills receivables	**6,112,522**	5,567,106
Less: allowance for impairment	**(750,029)**	(677,948)
Total	**5,362,493**	4,889,158

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. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk.

The following is an aged analysis of 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, at the end of the reporting period.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**3,249,133**	2,480,586
31 to 60 days	**318,493**	409,358
61 to 90 days	**89,379**	107,517
91 to 180 days	**441,465**	459,011
Over 180 days	**1,264,023**	1,432,686
	5,362,493	4,889,158

10. ACCOUNTS AND BILLS PAYABLES

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**1,974,814**	1,807,988
31 to 60 days	**442,991**	265,480
61 to 90 days	**120,659**	59,317
Over 90 days	**1,294,329**	1,079,777
	3,832,793	3,212,562

DIVIDENDS

The Board recommends the payment of a final dividend of HK6.4 cents per ordinary share, totaling approximately HK$105,202,000, based on the number of ordinary shares in issue less shares held under RSA Scheme as at the date of this announcement for the year ended 31 December 2019 to the Shareholders (2018: HK3.1 cents per ordinary share) subject to (i) the audited annual results of the Group for the year ended 31 December 2019 upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein; and (ii) the approval of the Shareholders at the 2020 AGM. The proposed final dividend is expected to be paid on or about 10 July 2020. The date of the 2020 AGM, the date of book closure, the record dates for qualifying to attend the 2020 AGM and receive final dividends will be announced in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, the Group achieved a remarkable growth in the key usage models within the ecosystem of big data technologies, with its overall revenue and profits rising rapidly. The "Resource Reflection Mechanism and Efficient Interoperability Technology in Cloud-Client-Convergence Systems" developed by Beijing Internetware Company Limited ("Internetware", a subsidiary of the Company) in cooperation with Peking University won the First Prize of the National Technology Invention Award in January 2019, which is an honorable acknowledgement of our big data technology. The Yan Cloud DaaS series products derived from the abovementioned technologies have been widely used in the construction of the big data infrastructure and successful in bidding for a number of high-value projects. The operating efficiency of our intelligent warehousing solutions and big data platform in the smart industry chain continued to improve and lifted our profitability significantly. During the reporting period, the Group's overall revenue was approximately HK$17,727 million, representing an increase of approximately HK$2,473 million or approximately 16.21% over the same period of the last financial year, of which the revenue contributed by big data services amounted to approximately HK$78.39 million; the gross profit was approximately HK$3,155 million, representing an increase of approximately 8.43% over the same period of the last financial year, with a gross profit margin of approximately 17.80%. The profit attributable to the shareholders of the parent company of the Group was approximately HK$302 million, representing an increase of approximately HK$152 million or approximately 101.78% over the same period of the last financial year.

1) Smart Industry Chain: revenue rose significantly by approximately 42.26%, with its segment profit turning around to a profit of more than HK$100 million

IT Logistics, the operating entity of our smart industry chain business, is a leader in the field of supply chain big data, which applies its strategy of "Supply Chain + Big Data + Artificial Intelligence Internet of Things (AIoT)" in continuous optimization of its big data applications and intelligent warehousing solutions, aiming to provide its customers with end-to-end one-stop supply chain services and help them achieve industrial chain integration. During the reporting period, our Smart Industry Chain business recorded an overall turnover of approximately HK$5,374 million, a substantial increase of approximately 42.26% over the same period of the last financial year; the gross profit was approximately HK$690 million and the gross profit margin was approximately 12.84%. Business growth and improving efficiency significantly boosted the earnings of IT Logistics, driving it back to profitability with a segment profit of approximately HK$106 million, as compared with a loss of approximately HK$6.03 million for the same financial period last year.

During the reporting period, IT Logistics set another new record of 3 million orders per warehouse in the industry during the Double Eleven Shopping Festival, playing a leading role among all smart warehouse logistics players. IT Logistics aggressively tapped the potentials of such industries as IT digital, communication, auto parts, fast moving consumer goods, shoes and clothing, cosmetics and home furnishing to deepen its cooperation with the core customers, as a result of which, it's business with BYD, ZTE, China Mobile, Songlian, HIKVISION and other B2B customers maintained its growth momentum, while the number of newly signed online education key customers also underwent a rapid growth. Our business with Huawei Honor series mobile phones and Dell Technologies-related business accelerated, with the revenue from the related e-commerce supply chain business rising by 96% year-on-year. IT Logistics aggressively exploited the opportunities arising from the development of the Belt and Road Initiative to rapidly expand its presence in the overseas logistics sector. During the reporting period, it successfully won the bid for ZTE's projects in Malaysia, and contracted to build warehouses in Hong Kong, Kuala Lumpur, Kuching and Kota Kinabalu, as well as a new NVG central warehouse in Jarkata, Indonesia.

In line with its core strategy of "Supply Chain + Big Data + Artificial Intelligence Internet of Things (AIoT)", IT Logistics has been continuously increasing its R&D investment for the development of the Digital China Gold Storage Logistics Software set, "KINGKOO DATA" big data products, and the Human + Robot artificial intelligence solutions based on its Cloud Service Platform. With the successful launch of the electronic signature service "Jieyun Express (捷雲快簽)" and a new IoT product "Jieyunbao (捷運寶)" at the end of 2019, its service competitiveness has been improved. IT Logistics is now able to provide its customers with end-to-end one-stop supply chain service. Being the first B2B and B2C integrated intelligent sorting solution in China, the Human + Robot 3.0 model that is well suited for dual businesses scenarios and adopts key features including high density storage and Goods-to-Person format. This could significantly reduce labor and robot involvement, increasing warehouse capacity utilization by 30% and saving labor Cost by 50%. The Human + Robot 3.0 has been put into operation in IT Logistics' Chongqing warehouse during the reporting period. IT Logistics combined the automated operation of warehouse robots with streamlined management, which has effectively improved the warehouse utilization and per capita efficiency, significantly improving its B2C business performance, leading to a 31% increase in the output value per hour during the reporting period as compared with the previous year.

The KINGKOO DATA big data platform integrates the demand for big data services in the supply chain, providing intelligent research and real-time visualized information for assisting decision making, helping the industry chain decision makers to make more accurate decisions based on market changes, and thereby improving the overall operating efficiency of the industry chain. At the 2019 China Finance Summit Winter Forum, IT Logistics' KINGKOO DATA Supply Chain Big Data System won two major awards – the "2019 Technology Leadership Award" and "2019 Intelligent Innovation Award".

2) <u>Sm@rt City: "Yan Cloud DaaS" played a key role in the fight against COVID-19 Pandemic in various provincial regions, with major contract awards in Changchun New District and Tangshan</u>

DC Holdings constantly engages in smart development of city and digital transformation of industries with self-developed innovative technologies, based on Sm@rt City 3.0 model. The model is designed to be a comprehensive management of industry, city and citizen, based on the unique characteristics of each city and constructs Sm@rt City top-level design by assuming the role of the "City CTO". During the reporting period, Sm@rt City recorded overall turnover of approximately HK$327 million; the gross profit was approximately HK$74.69 million and the segment profit was approximately HK$11.49 million. In cooperation with Peking University (PKU), Internetware, a subsidiary of DC Holdings, 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 software and data integration, quickly break down the isolated information islands, rapidly recreate business process and can reduce user's project implementation cycle on average by 50%. "Yan Cloud DaaS" is highly recognized by the market and brings lots of high value projects for the Group. On March 2019, the Group entered into a service agreement with Changchun New District Management Committee for the Phase I of "Digital New District" project, pursuant to which the Group will team up with our ecosystem partners for the Phase I construction of the "Digital New District" project in Changchun New District under a contract of approximately RMB174 million. On July 2019, the Group and Tangshan Municipal Government signed a contract in relation to the "Smart Tangshan" construction project in an amount of RMB140 million. The Group will fully support the construction of Tangshan into a new Sm@rt City as the general operator of Sm@rt City and make great efforts to develop digital industry with Tangshan Municipal Government. On December 2019, the Group and the People's Government of Qujing signed a strategic corporation agreement, pursuant to which, the Group will participate in the comprehensive planning and project construction of "Digital Qujing", focusing on the applications including construction of middle office platform, citizen services platform and municipal operation and administration.

The recent outbreak of the COVID-19 Pandemic is accelerating the digitalization of municipal governance and “Yan Cloud DaaS” will play a key role in applying big data technology for pandemic prevention and control. Leveraging the “Yan Cloud DaaS” big data technology, Sm@rt City launched big data services such as “COVID-19 Pandemic Prevention and Control System”, “Personal Data Registration System for Persons Involved in COVID-19 Pandemic”, “Key Daily Consumer Product Prices Monitoring Platform” and “COVID-19 Pandemic Prevention and Control Information Service Platform” in various regions such as Sanming, Weihai and Longyan. Compared with the traditional top-down management model of the government, DC Holdings makes efforts to include citizens to the city governance system, safeguards the quality and efficiency of services by adding feedback mechanism and connects citizens, city and government through big data technology. With the continuously upgrading of platforms and products of “Yan Cloud DaaS” and introducing them to more cities and enterprises, the operation results of Sm@rt City is expected to experience a significant growth in future.

3) <u>With a strategic focus on financial technology, DCITS is ranked the first in the core banking business and channel management solution market for seven consecutive years</u>

Under the framework of the big data strategy of DC Holdings, DCITS, with the focus placed on big data, empowered industry value upgrading using financial technology. In 2019, DCITS ranked the 38th of the “IDC FINTECH RANKINGS” Top 100 financial technology firm and ranked the first in the core bank system business and channel management solution market for seven consecutive years. During the reporting period, DCITS realized revenue of approximately HK$11,504 million, representing an increase of approximately 9.33% over the same period of last financial year. Gross profit was approximately HK$ 2,102 million, an increase of 8.4% year-on-year, and gross profit margin was approximately 18.27%. Segment profit was approximately HK$301 million, an increase of 101.98% year-on-year.

According to the relevant IDC report, the core business system, as the largest sub-market in the IT solution market of the Chinese banking industry, will maintain a stable growth outlook in the next 3 to 5 years. During the reporting period, the products and solutions of DCITS maintained rapid growth in terms of the number of customers including large state-owned banks, joint-stock banks, urban commercial banks with increasing product penetration rate. The Chinese banking industry is in the process of transformation from a traditional centralized IT structure to a new structure featuring in decentralization and micro-services. Benefiting from the substantial investments in technology research and development, the new-generation distributed core application platform independently developed by DCITS has been highly recognized in the market, and the core application products have also completed its integration with various cloud environments and database environments such as Huawei, Ant Financial, JD Digits and others. The bank core system business achieved a record high in the number of project wins and contracts signed during the year. The newly added projects include those projects from 16 financial institutions including Postal Savings Bank Of China, Bank of Beijing, Bank of Tianjin, Yingkou Coastal Bank, Guangxi Beibu Gulf Bank, Rui Li (Cambodia) Bank, etc.. The corporate service buses and micro-service products of DCITS has maintained its leading position in the industry, winning bids from and entering into contracts with 19 banks including Bank of Guangzhou, Guangxi Beibu Gulf Bank, Guiyang Rural Commercial Bank, The Macau Chinese Bank Ltd., etc.. Our Internet open platform and Internet financial platform also have won bids, and entered into contracts with 13 banks including Bank of Beijing, Bank of Lanzhou, Bank of Guangzhou, Jiujiang Bank, Bank of Qinhuangdao, Bank of Ningbo and Bank of Fuxin, maintaining its leading position in the industry.

In support of the state's "new infrastructure" investment plan, in the field of quantum communication, DCITS has successfully won the bids for "Beijing-Hangzhou Trunk Route", "Wuhan-Guangzhou Trunk Route", "Guangdong-Hong Kong-Macao Greater Bay Area Trunk Route" and the quantum-secured metro network projects such as various extension along the truck routes in key cities, expanding its leading position in the field of quantum communication.

4) iSESOL's strong support for manufacturers to fight against the COVID-19 pandemic

iSESOL, an affiliate of the Company, is a leading industrial Internet platform operator. It has developed the iSESOL industrial Internet platform to offer the data-driven one-stop industrial services. During the reporting period, iSESOL BOX was launched as an industrial IoT terminal which, thanks to its edge computing capability, together with its collaboration capability with the edge cloud of the iSESOL industrial Internet platform, has realized the real-time interaction of data between devices and cloud platforms, helping enterprises improve their production efficiency. During the COVID-19 pandemic period, iSESOL provided various industrial apps to the manufacturers which have resumed production. In combination with iSESOL BOX, an industrial IoT terminal, it can provide enterprises with equipment operating status monitoring, remote machine checkups, and remote time-sharing leasing of equipment, remote visualization of workshop production, transparent management of the entire process of the production supply chain and other services. Users can understand the production progress, equipment status, inventory information, quality information, logistics and distribution of their workshops without leaving home. The iSESOL industrial Internet platform have covered 26 provinces and 161 cities, serving more than 3,000 corporate customers, and connecting nearly 30,000 smart devices, representing an increase of 20% as compared with the corresponding period of the previous year. The interconnection project between the processing equipment and industrial big data of iSESOL has been successfully enlisted into the "Public List of 2020 Big Data Industry Development Pilot Demonstration Projects" released by the Ministry of Industry and Information Technology. This is another special honour of iSESOL in 2020, in addition to being selected in the "List of 2019 Industrial Internet Pilot Demonstration Projects" released by the Ministry of Industry and Information Technology.

5) Business Outlook: Fulfilling our "Digital China" mission with self-innovated core technologies to enhance shareholders' returns

Stepping into 2020, the global economy will face with the risk of slowdown under the COVID-19 pandemic. The Chinese economy is still in a critical period of adapting to the new environment, and the benefits of the big data technology empowering various industries will become more pronounced in special times. While facing with the challenges, the Group has also seen huge market opportunities and will constantly seek breakthroughs in innovation on the backdrop of technological changes. Looking forward, the Group will adhere to its original aspirations and keep its mission in mind. Relying on its self-innovated core technologies such as "Yan Cloud DaaS", the Internet of Things ("IoT"), biometrics and security technology, and through the introduction of technology industry resources and the big data operation services empowering cities' intelligent development and industries' digital transformation, it will achieve profit growth and increase shareholders' returns while striving to realize the dream of "Digital China".

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

As at 31 December 2019, the outstanding unpaid principal of the WMP was approximately HK$1,830 million (RMB1,634 million). The Group has made specific action plans on the planning for the sale of the ultimate underlying assets involved in the WMP. In accordance with the action plans, the Company will prioritize the disposal of the real estate residential projects in the ultimate underlying assets (involving principal and interest of approximately HK$216 million (RMB193 million)).

The real estate residential projects have entered into the asset restructuring and disposal procedure. The construction works on the projects were substantially completed and the sales have been launched with good progress. The real estate projects have already commenced the delivery process. Due to the impact of the COVID-19 pandemic, the completion and acceptance procedures and the property rights certificates will be processed successively. In accordance with the relevant laws and regulations, the Group will recover the amount involved in the real estate residential projects, according to the realisation and repayment plans, totaling approximately HK$216 million (RMB193 million).

The realisation and repayment plans of the remaining ultimate underlying assets (involving approximately HK$1,614 million (RMB1,441 million) are still being pushed forward with 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.

The carrying amount of WMP, as disclosed in the financial statements of the Group in 2019, was determined with reference to the valuation report by an independent valuer. Based on the management's judgment on the assets and the disposal process of the assets, no adjustment is required to be made in 2019 to the provision for the WMP.

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 approximately HK$25,551 million at 31 December 2019 which were financed by total liabilities of approximately HK$12,988 million, non-controlling interests of approximately HK$3,627 million and equity attributable to equity holders of the parent of approximately HK$8,936 million. The Group's current ratio at 31 December 2019 was 1.17 as compared to 1.22 at 31 December 2018.

During the year ended 31 December 2019, capital expenditure of approximately HK$332 million was mainly incurred for the acquisition of properties, office equipment and IT infrastructure facilities.

As at 31 December 2019, the Group had cash and bank balances of approximately HK$2,006 million, of which about approximately HK$1,720 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.57 at 31 December 2019 as compared to 0.70 at 31 December 2018. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately HK$5,095 million (31 December 2018: approximately HK$6,199 million) and equity attributable to equity holders of the parent of approximately HK$8,936 million (31 December 2018: approximately HK$8,850 million).

At 31 December 2019, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in United States dollars *HK$'000*	**Denominated in Renminbi** *HK$'000*	**Denominated in Hong Kong dollars** *HK$'000*	**Total** *HK$'000*
Current				
Interest-bearing bank borrowings, unsecured	79,733	1,156,158	150,000	1,385,891
Interest-bearing bank borrowings, secured	-	1,968,048	63,500	2,031,548
Other borrowings	-	51,520	-	51,520
	79,733	3,175,726	213,500	3,468,959
Non-current				
Interest-bearing bank borrowings, secured	-	1,571,970	46,832	1,618,802
Corporate bond	-	6,939	-	6,939
	-	1,578,909	46,832	1,625,741
Total	79,733	4,754,635	260,332	5,094,700

Certain of the Group's bank borrowings of:

1. Approximately HK$2,274 million extended by financial institutions to certain subsidiaries of the Group were secured by mortgages over the Group's buildings, investment properties and land use rights with an aggregate carrying amount of approximately HK$3,733 million at 31 December 2019; and

2. Approximately HK$1,376 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 247,869,570 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 approximately HK$4,111 million at 31 December 2019.

Included in the Group's current and non-current bank borrowings of approximately HK$643 million and HK$1,619 million respectively represented the long-term loans which are repayable from the year 2020 to year 2034. All of the Group's bank borrowings were charged at floating interest rates except for the loan balances with an aggregate amount of approximately HK$2,225 million which were charged at fixed interest rates as at 31 December 2019.

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$36.96 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**"). During the year ended 31 December 2019, the investors provided convertible bond loans in the amount of RMB1.74 million (2018: RMB14.85 million) (equivalent to approximately HK$1.95 million (2018: approximately HK$16.90 million)), comprising RMB nil (2018: RMB13.60 million) (equivalent to HK$ nil (2018: approximately HK$15.50 million) provided by DCITS and RMB 1.74 million (2018: RMB1.25 million) (equivalent to approximately HK$1.95 million (2018: approximately HK$1.40 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 2019 amounted to approximately HK$12,546 million, of which approximately HK$2,317 million were in long-term loan facilities, approximately HK$3,797 million were in trade lines and approximately HK$6,432 million were in short-term and revolving money market facilities. At 31 December 2019, the facility drawn down from the Group was approximately HK$2,261 million in long-term loan facilities, approximately HK$679 million in trade lines and approximately HK$2,775 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

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 Shenzhen Shengwugang Investment Co., Ltd. （深圳市生物港投资有限公司）("**Shengwugnag 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 jurisdiction objection litigation with Beijing's Second Intermediate People's Court, which has been rejected by Beijing's Second Intermediate People's Court. DCITS filed litigation with Beijing Municipal High People's Court against the ruling rejecting the jurisdiction objection, which has been rejected by Beijing Municipal High People's Court in May 2019. On 29 October 2019, Beijing Second Intermediate People's Court issued the civil judgment (2018) Jing 02 Min Chu No. 344, which stated that: DCITS shall undertake the supplementary liability for the unsettled part of the debt Shengwugang Company owned to China Potevio Co., Ltd. under Guangdong Shenzhen Intermediate People's Court (2007) Shen Zhong Fa Wei Zhi Zi No.

539 Enforcement Case after the enforcement (with the amount limited to RMB68,125,000), which is limited to the extent of the principal and interest of the advance totaling RMB35,120,000; Beijing Xinfu Investment (Group) Co., Ltd. (北京新富投資有限公司) and Kunshan Shenchang Technology Co., Ltd. (昆山市申昌科技有限公司), being other third-party defendants, shall bear their supplementary liabilities to the extent of the capital withdrawal amounting to RMB58,380,000 and the principal and interest of the advance totaling RMB60,250,000, respectively. DCITS has appealed to the court, but it is necessary to make a provision of RMB21,382,000 for the judgement above.

Capital Commitment

At 31 December 2019, the Group had the following capital commitments:

	HK$'000
Contracted, but not provided in the consolidated financial statements:	
Land and buildings	30,209
Capital contributions payable to joint ventures	33,969
Capital contributions payable to associates	23,520
Capital contributions payable to financial assets at fair value through other comprehensive income	480
	88,178

Events after reporting period

On 14 January 2020, the Group entered into a sale and purchase agreement with SK China Company Limited (the "**Transferee**") pursuant to which the Group has agreed to sell the entire equity interest in Beijing Lizhi Weixin Technology Co., Ltd ("**BLW**"), being an indirect non-wholly owned subsidiary of the Company, which in turn holds 32,720,636 shares in Digital China Health Technologies Co., Ltd*(神州數碼醫療科技股份有限公司) ("**Digital China Health**") , representing approximately 14.05% of the entire issued share capital of Digital China Health. Under the agreement, the total consideration for the disposal payable by the Transferee shall be the U.S. dollar equivalent of RMB500,000,000 (equivalent to approximately HK$559,998,000). After completion of the disposal, the total issued shares of the Group in Digital China Health decreased from 20.04% to 5.99%, and Digital China Health ceased to be an associate of the Company. The related interest will be accounted for a financial asset at fair value through other comprehensive income. The Group also ceased to have any equity interest in BLW, and BLW will cease to be a subsidiary of the Company.

Since the outbreak of COVID-19 pandemic in the PRC in January 2020, the Group has closely monitored the development of such outbreak, assessed and actively responded to its impact on the financial status and operating results of the Group. The Group expects that the COVID-19 pandemic outbreak will have a temporary impact on the Group's operating activities but it will also bring new business opportunities to the Group, including in the Smart City and e-commerce areas. No material adverse impact has been noted as at the date of this announcement. The Group will also continue to monitor other potential risks to our operations and manage such risks as they arise.

Human Resources

At 31 December 2019, the Group had approximately 11,800 full-time employees (31 December 2018: approximately 11,000). 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 0.23% increase in staff costs to approximately HK$2,575 million for the year ended 31 December 2019 as compared to approximately HK$2,569 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$1,335 million. 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	**Un-utilised amount as at 1 January 2018** *HK$'million*	**Actual application as at 31 December 2018** *HK$'million*	**Un-utilised amount as at 31 December 2018** *HK$'million*	**Actual application for the year ended 31 December 2019** *HK$'million*	**Un-utilised amount as at 31 December 2019** *HK$'million*	**Expected to be utilised for the year ended 31 December 2020** *HK$'million*
Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified	728	(157)	571	**(198)**	**373**	**373**

Note: 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.

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 utilise the un-utilised amount of the Net Proceeds in accordance with the intended purposes mentioned above. As at 31 December 2019, an aggregate of HK$962 million has been utilised from the Net Proceeds.

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 and 31 December 2018 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 (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 the progress and status of the annual audit, 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 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditor as required under Rule 13.49(2) of the Rules Governing the Listing ("**Listing Rules**") of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). An announcement relating to the audited results will be made when the auditing process has been completed by the Company's auditors in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the Audit Committee.

PUBLICATION OF FURTHER ANNOUNCEMENT, THE FINAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (www.dcholdings.com).

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein; (ii) the confirmed final dividend recommended for the year ended 31 December 2019; (iii) the payment date, book closure period and record date of such proposed final dividend; and (iv) the book closure period and record date of the 2020 AGM. In addition, the Company will issue further announcement(s) as and when necessary if there is other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before end of April 2020.

The annual report of the Company for the year ended 31 December 2019 will be published on the websites of the Stock Exchange and the Company and also be dispatched to the Shareholders in due course.

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 Listing Rules throughout the year ended 31 December 2019, except for the following deviations from certain code provisions with considered reasons as give 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 of directors of the Company (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 role 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 the 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 letter of appointment with its any Non-executive Directors or Independent Non-executive Directors. However, the Board recognises 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 2019.

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

During the year ended 31 December 2019, the Company purchased an aggregate of 5,911,000 ordinary shares, represented 0.35% of the total shares of in issue. The purchase was effected by the Directors pursuant to the mandate from shareholders received at the 2018 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. All of the repurchased shares had been cancelled.

Details of those transactions are as follows:

Month of repurchase	**No. of ordinary shares repurchased**	**Price per share**		**Aggregate consideration paid (including transaction costs)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
January 2019	5,911,000	3.60	3.37	20,539

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 2019.

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 2019.

The financial information contained in this announcement in respect of the annual results of the Group has not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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, 30 March 2020

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

* *For identification purpose only*