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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 2020

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 audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 together with the comparative figures for the corresponding period of the last financial year as follows.

FINANCIAL HIGHLIGHTS

	2020	2019	Year-on-year
	HK$'000	*HK$'000*	change
Revenue	**19,819,527**	17,727,429	11.8%
Profit before tax	**1,146,870**	546,700	109.8%
Profit for the year attributable to equity holders of the parent	**612,970**	301,844	103.1%
Proposed final dividend (HK cents)	**10**	6.4	56.3%

The Board recommends the payment of a final dividend of HK10 cents per ordinary share for the year ended 31 December 2020 to the Shareholders, subject to the approval of the Shareholders in the forthcoming annual general meeting. This together with the interim dividend of HK 3.6 cents (paid during the year 2020) per ordinary share gives a total of HK13.6 cents per ordinary share for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Revenue	4	**19,819,527**	17,727,429
Cost of sales and services		**(16,460,691)**	(14,572,646)
Gross profit		**3,358,836**	3,154,783
Other income and gains	4	**235,050**	178,101
(Loss) gain on deemed partial disposal of equity interests in associates		**(142,941)**	143,311
Gain on disposal/partial disposal of equity interests in associates		**982,080**	233,358
Gain on disposal of equity interests in joint ventures		**106,961**	-
Selling and distribution expenses		**(1,348,040)**	(1,315,401)
Administrative expenses		**(573,842)**	(527,781)
Other expenses, net		**(1,056,187)**	(810,709)
Finance costs		**(148,456)**	(227,506)
Impairment of goodwill		**(141,324)**	(201,787)
Share of loss of associates		**(113,866)**	(55,895)
Share of loss of joint ventures		**(11,401)**	(23,774)
Profit before tax	5	**1,146,870**	546,700
Income tax expense	6	**(181,518)**	(96,524)
Profit for the year		**965,352**	450,176
Attributable to:			
Equity holders of the parent		**612,970**	301,844
Non-controlling interests		**352,382**	148,332
		965,352	450,176
Earnings per share attributable to equity holders of the parent	8		
Basic (HK cents)		**37.74**	18.31
Diluted (HK cents)		**37.59**	18.31

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**965,352**	450,176
Other comprehensive income (expense)		
Other comprehensive income (expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of financial statements of foreign operations	**715,512**	(197,450)
Share of other comprehensive income of associates	**2,361**	11,269
Net other comprehensive income (expense) that may be reclassified to profit or loss in subsequent periods	**717,873**	(186,181)
Other comprehensive income (expense) that 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	**114,406**	(3,696)
Gain on property revaluation	**6,379**	20,597
Income tax effect	**(17,334)**	(10,814)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**103,451**	6,087
Other comprehensive income (expense) for the year, net of tax	**821,324**	(180,094)
Total comprehensive income for the year	**1,786,676**	270,082
Attributable to:		
Equity holders of the parent	**1,206,660**	184,948
Non-controlling interests	**580,016**	85,134
	1,786,676	270,082

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Notes	2020	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**992,378**	1,027,562
Right-of-use assets		**202,970**	233,656
Investment properties		**5,126,601**	4,598,840
Goodwill		**1,877,561**	1,887,695
Other intangible assets		**195,700**	157,765
Interests in joint ventures		**73,725**	185,890
Interests in associates		**2,430,714**	3,150,086
Financial assets at fair value through other comprehensive income		**714,300**	408,572
Finance lease receivables		**788**	2,310
Accounts receivables	9	**130,513**	-
Other receivables		**883,936**	908,780
Deferred tax assets		**225,211**	173,125
		12,854,397	12,734,281
Current assets			
Inventories		**2,614,291**	1,848,844
Completed properties held for sale		**694,716**	24,722
Accounts and bills receivables	9	**3,631,843**	5,362,493
Prepayments, deposits and other receivables		**1,339,906**	1,499,292
Contract assets		**2,405,241**	527,073
Financial assets at fair value through profit or loss		**1,122,414**	929,091
Finance lease receivables		**53,154**	54,528
Restricted bank balances		**228,286**	115,488
Cash and cash equivalents		**3,076,717**	1,890,171
		15,166,568	12,251,702
Assets classified as held for sale		**-**	565,118
		15,166,568	12,816,820
Current liabilities			
Accounts and bills payables	10	**3,620,499**	3,832,793
Other payables and accruals		**2,517,610**	2,046,205
Lease liabilities		**83,215**	103,070
Contract liabilities		**2,407,732**	1,396,496
Tax payables		**120,216**	66,455
Interest-bearing bank and other borrowings		**2,077,309**	3,468,959
		10,826,581	10,913,978
Net current assets		**4,339,987**	1,902,842
Total assets less current liabilities		**17,194,384**	14,637,123

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 DECEMBER 2020

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Interest-bearing bank and other borrowings	**2,301,295**	1,625,741
Deferred tax liabilities	**465,878**	350,261
Deferred income	**25,888**	37,033
Lease liabilities	**50,547**	60,616
Other financial liability	**586,144**	-
	3,429,752	2,073,651
Net assets	**13,764,632**	12,563,472
Capital and reserves		
Share capital	**167,250**	167,098
Reserves	**9,262,477**	8,769,325
Equity attributable to equity holders of the parent	**9,429,727**	8,936,423
Non-controlling interests	**4,334,905**	3,627,049
Total equity	**13,764,632**	12,563,472

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$**"). Other than the Group's subsidiaries operated in the People's Republic of China (the "**PRC**") whose functional currencies are Renminbi ("**RMB**"), the functional currencies of the Company and other subsidiaries are HK$.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The application of these amendments in the current year had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the consolidated financial statements in the current year.

Amendments to HKFRS 7, HKFRS 9 and HKAS 39 Interest Rate Benchmark Reform

Amendments to HKFRS 7, HKFRS 9 and HKAS 39 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions

The amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. During the current year, the COVID-19-related rent concessions recognised in the profit or loss amounted to HK$850,000. There is no impact on the opening balance of equity at 1 January 2020.

New and amendments to 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 and related Amendments[4]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that the application of the new and amendments to 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.

In view of the increased scale and business importance of new business investments made by the Group, and to help investors better understand the Group's business structure and financial performance, a new segment named "Investing Business" has been separated from "Other Business" segment from second half of 2020 onwards, both in the internal reports to the CODM and in the consolidated financial statements of the Group. The new "Investing Business" segment primarily consists of: (a) equity investment in information technology related business and (b) participation in, and co-investment with, investment funds that invest in companies operating in the development of new products or services, technological improvements and advancements in scientific research relating to, but not limited to, the areas of big data, fintech, automation and intelligent manufacturing. Prior year segment disclosures have been re-presented to conform with the current year's presentation. The Board believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

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

(a) The "DCITS" segment: primarily engaged in system integration, 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 cloud construction and operation services for key industries including government, enterprises and agriculture.

(b) The "Smart Industry Chain Business" segment: primarily engaged in providing customers with one-stop end-to-end supply chain services through the implementation of a "Warehouse + Big Data + Artificial Intelligence" model, which generate big data insights into both the upstream and downstream supply chain process, enhance the overall efficiency in the industry supply chain and create a new intelligent form of supply chain management. The Group primarily generated revenue from logistics business and e-commerce supply chain services in this segment.

(c) The "Sm@rt City Business" segment: primarily engaged in the "Smart City" sector, providing big data software and solutions to build comprehensive city-wide big data platforms for the city to solve issues including but not limited to medical, transportation, energy supply and social security issues. The Group primarily generated revenue from big data related system integration, software development and technical services business in this segment.

(d) The "Investing Business" segment: primarily engaged in improving the Group's core products, services and capabilities of our supply chain offering, building the Group's sustainable development through continuous innovation and incubation through investment, and supporting the wider construction of a big data ecosystem through mergers and acquisitions, equity investment and specialised capital operations such as investment incubation.

(e) The "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, provision of financial services, such as micro-credit loan, leasing, factoring, etc. to internal and external customers.

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 measurement of 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 2020 and 2019:

	DCITS		Smart Industry Chain Business		Sm@rt City Business		Investing Business		Other Business		Elimination		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
External	**11,455,143**	11,503,811	**7,359,282**	5,373,826	**337, 571**	242,917	**-**	-	**667,531**	606,875	**-**	-	**19,819,527**	17,727,429
Inter-segment	**1,486**	1,768	**51,986**	8,485	**139,525**	83,776	**-**	-	**35,464**	27,609	**(228,461)**	(121,638)	**-**	-
	11,456,629	11,505,579	**7,411,268**	5,382,311	**477,096**	326,693	**-**	-	**702,995**	634,484	**(228,461)**	(121,638)	**19,819,527**	17,727,429
Segment gross profit	**2,059,221**	2,101,791	**875,016**	689,845	**129,509**	74,689	**-**	-	**295,090**	288,458			**3,358,836**	3,154,783
Segment results	**614,803**	301,344	**199,546**	105,635	**28,656**	11,492	**396,520**	220,665	**152,188**	170,704			**1,391,713**	809,840
Unallocated														
Interest income													**5,095**	2,994
Income and gains													**2,039**	4,956
Unallocated expenses													**(161,684)**	(143,191)
Profit from operating activities													**1,237,163**	674,599
Finance costs													**(90,293)**	(127,899)
Profit before tax													**1,146,870**	546,700

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 rental income received and receivable from investment properties for the year.

An analysis of the Group's revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers	**19,438,248**	17,334,793
Revenue from other sources	**381,279**	392,636
Total revenue	**19,819,527**	17,727,429

(i) Revenue from contracts with customers

During the year ended 31 December 2020, the Group continues to generate revenue from contracts with customers from four major sources: (i) System integration, (ii) Software development and technical services, (iii) Logistics services and (iv) E-commence supply chain services. In order to help investors better understand the Group's business structure and financial performance and to better reflect current market trends, the Board further disaggregated the Group's revenue from contracts with customers as follow:

Big data income mainly represents income from software development, sale of digital products and tailor-made service on digital products in which related to the data aggregation, data collection, data sharing, data security and data governance.

Service income mainly represents the income from provision of technical services and provision of logistics services.

Solutions income mainly represents the income from system integration business and software development.

Ecosystems income mainly represents the relevant income generated by the ecological layout of the upstream and downstream of the industrial chain in order to achieve the growth and stability of core business. For instance, the business flow, capital flow and information flow generated from the e-commerce platform can become the business support and drainage carrier of big data income and logistic service income.

Disaggregated of revenue from contracts with customers by major products or services lines:

	Big data HK$'000	Services HK$'000	Solutions HK$'000	Ecosystems HK$'000	Total HK$'000
2020					
Systems integration business	**-**	**-**	**6,231,637**	**-**	**6,231,637**
Software development and technical service business	**58,424**	**3,878,511**	**1,617,473**	**-**	**5,554,408**
Logistics business	**101,401**	**2,134,395**	**-**	**-**	**2,235,796**
E-commerce supply chain services business	**71,462**	**10,992**	**-**	**4,805,082**	**4,887,536**
	231,287	**6,023,898**	**7,849,110**	**4,805,082**	**18,909,377**
Others					**528,871**
Total revenue from contracts with customers					**19,438,248**
2019					
Systems integration business	-	-	5,442,136	-	5,442,136
Software development and technical service business	23,882	4,094,131	2,185,029	-	6,303,042
Logistics business	24,842	1,943,324	-	-	1,968,166
E-commerce supply chain services business	54,283	6,389	-	2,835,272	2,895,944
	103,007	6,043,844	7,627,165	2,835,272	16,609,288
Others					725,505
Total revenue from contracts with customers					17,334,793

Disaggregated of revenue by timing of recognition:

	2020 *HK$'000*	2019 *HK$'000*
At a point in time	**11,648,044**	9,053,238
Over time	**7,790,204**	8,281,555
Total revenue from contracts with customers	**19,438,248**	17,334,793

(ii) Revenue from other sources

	2020 *HK$'000*	2019 *HK$'000*
Rental income from investment properties under operating leases	**357,849**	348,736
Financial services business	**23,430**	43,900
Total revenue from other sources	**381,279**	392,636

(iii) Other income and gains

	2020	2019
	HK$'000	*HK$'000*
Other income		
Government grants (note 1)	**107,535**	86,212
Interest on bank deposits	**10,759**	10,284
Income from wealth management financial products	**23,544**	32,209
Dividend income from financial assets at fair value through other comprehensive income	**6,396**	232
Dividend income from financial assets at fair value through profit or loss	**-**	475
Others	**48,809**	10,462
	197,043	139,874
Gains		
Net exchange gains	**1,830**	-
Fair value gains on investment properties	**701**	32,532
Fair value gains on transfer to investment properties from completed properties held for sale	**6,969**	-
Gain on partial disposal of equity interest in a subsidiary	**12,346**	-
Gain on disposal of the equity interests in subsidiaries	**16,161**	890
Gain on disposal of financial assets at fair value through profit or loss	**-**	4,371
Others	**-**	434
	38,007	38,227
Total other income and gains	**235,050**	178,101

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.

5. PROFIT BEFORE TAX

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

	2020	2019
	HK$'000	*HK$'000*
Amount of inventories recognised as an expense	**10,499,493**	8,194,050
Depreciation of property, plant and equipment	**126,886**	135,754
Depreciation of right-of-use assets	**121,200**	108,278
Amortisation of other intangible assets[1]	**51,369**	47,050
Provisions for and write-off of obsolete inventories[1]	**109,038**	87,554
Impairment of accounts and bills receivables and other receivables and contract assets[1]	**273,186**	94,635
Reversal of impairment of finance lease receivables[1]	**(1,695)**	(6,829)
Impairment of interests in associates[1]	**-**	2,286
Loss on disposal of property, plant and equipment	**2,293**	4,022
Loss on write-off of intangible assets	**1,777**	4,882
Interest on bank loans and other loans	**133,073**	217,272
Interest on lease liabilities	**9,050**	10,234
Interest on other financial liability	**6,333**	-
Fair value loss on financial assets at fair value through profit or loss[1]	**10,071**	3,263
Net exchange (gain) loss[1]	**(1,830)**	11,926
COVID-19-related rent concession[2]	**(850)**	-

1 The net amount of these income or expenses are included in "Other expenses, net" in the consolidated statement of profit or loss.

2 Due to the outbreak of COVID-19, the Group has received numerous forms of rent concessions from lessors including rent forgiveness and deferrals of rent. The Group has early adopted Amendment to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

6. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current – People's Republic of China ("**PRC**")		
Enterprise income tax ("**EIT**")		
Charge for the year	**156,735**	96,845
Over provision in prior years	**(8,205)**	(6,393)
Land appreciation tax ("**LAT**")	**29**	187
	148,559	90,639
Current – Hong Kong		
Charge for the year	**177**	-
Under provision in prior years	**95**	17
	272	17
Deferred tax	**32,687**	5,868
Total tax charge for the year	**181,518**	96,524

(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) Hong Kong Profits Tax is charged 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 2020 and 2019, 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% of the estimated assessable profits.

(d) The share of tax credit attributable to joint ventures of approximately HK$2,311,000 (2019: tax charge of HK$665,000) and the share of tax credit attributable to associates of approximately HK$10,173,000 (2019: tax charge of HK$39,050,000) are included in "Share of loss of joint ventures" and "Share of loss of associates", respectively, in the consolidated statement of profit or loss.

7. DIVIDENDS

Dividends paid during the year:	**2020** **HK$'000**	2019 HK$'000
2018 Final dividends (HK3.1 cents per ordinary share)	**-**	51,112
2019 Final dividends (HK6.4 cents per ordinary share)	**104,283**	-
2020 Interim dividends (HK3.6 cents per ordinary share)	**58,546**	-
	162,829	51,112

Subsequent to the end of the reporting period, the Board recommends the payment of a final dividend of HK10 cents per ordinary share for the year ended 31 December 2020 to the shareholders of the Company ("**Shareholders**"). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("**2021 AGM**"), the proposed final dividend is expected to be paid on or about 21 July 2021. The date of the 2021 AGM, the date of book closure, the record dates for qualifying to attend the 2021 AGM and receive final dividends will be announced in due course. The final dividend proposed after the reporting period has not been recognised as liabilities in the consolidated financial statements.

8. EARNINGS PER SHARE

The calculations of the basic 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 1,624,064,132 (2019: 1,648,397,272) 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 with an adjustment on effect of dilutive potential ordinary shares of a subsidiary. 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 calculations of basic and diluted earnings per share are based on the following data:

Earnings	**2020** **HK$'000**	2019 HK$'000
Profit for the year attributable to equity holders of the parent, used in the basic earnings per share calculation	**612,970**	301,844
Effect of dilutive potential ordinary shares of a subsidiary	**(1,125)**	-
Earnings for the purpose of diluted earnings per share	**611,845**	301,844

	Number of shares	
	2020	2019
Shares		
Weighted average number of shares in issue less shares held under the RSA Scheme during the year, used in the basic earnings per share calculation	**1,624,064,132**	1,648,397,272
Effect of dilution potential ordinary shares:		
Share-based incentive schemes	**3,501,087**	-
Weighted average number of shares during the year used in the diluted earnings per share calculation	**1,627,565,219**	1,648,397,272

9. ACCOUNTS AND BILLS RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Receivables at amortised cost comprise:		
Accounts and bills receivables	**4,444,708**	6,112,522
Less: loss allowance	**(682,352)**	(750,029)
Total	**3,762,356**	5,362,493

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 from 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 loss allowance 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.

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**1,369,718**	3,249,133
31 to 60 days	**610,916**	318,493
61 to 90 days	**115,855**	89,379
91 to 180 days	**524,292**	441,465
Over 180 days	**1,141,575**	1,264,023
	3,762,356	5,362,493

Included in the Group's accounts and bills receivables are amounts due from joint ventures, associates and related companies of the Group of approximately HK$64,829,000 (31 December 2019: HK$65,725,000), HK$3,019,000 (31 December 2019: HK$1,638,000) and HK$51,290,000 (31 December 2019: HK$19,815,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

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.

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**1,507,471**	1,974,814
31 to 60 days	**808,988**	442,991
61 to 90 days	**137,255**	120,659
Over 90 days	**1,166,785**	1,294,329
	3,620,499	3,832,793

The average credit period on purchase of goods is ranging from 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables settled within the credit timeframe.

As at 31 December 2020, included in the Group's accounts and bills payables are amounts due to joint ventures, associates and related companies of the Group of approximately HK$1,475,000 (31 December 2019: HK$735,000), HK$42,384,000 (31 December 2019: HK$5,823,000) and HK$91,780,000 (31 December 2019: HK$91,909,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

DIVIDENDS

The Board recommends the payment of a final dividend of HK10 cents per ordinary share (2019: HK6.4 cents per ordinary share) for the year ended 31 December 2020 to the Shareholders, totaling approximately HK$155,930,000, based on the number of ordinary shares in issue less shares held under RSA Scheme as at the date of this announcement. Subject to the approval of the Shareholders at the 2021 AGM, the proposed final dividend is expected to be paid on or about 21 July 2021. The date of the 2021 AGM, the date of book closure, the record dates for qualifying to attend the 2021 AGM and receive final dividends will be announced in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the unexpected COVID-19 pandemic had triggered significant behavioral changes and business transformation among industries, and the global economy was forced to accelerate its digitalization. With the help of the nation's vigorous development of new infrastructure, Digital China Holdings' ("DC Holdings", or "the Group") core business models are empowered by new big data technologies and in turn are driving the Group's growth. Our strategies of "deep city engagement", "deep industry engagement" and "deep customer engagement" have achieved remarkable results, marking an important step for digital economy operators in the era of big data.

During the reporting period, the Group's overall revenue was HK$19.820 billion, representing an increase of 11.8% over the same period of the last financial year. The profit attributable to the equity holders of the parent was approximately HK$613.0 million, representing an increase of 103.1% over the same period of the last financial year. Big data related revenue was approximately HK$231 million representing an increase of 124.5% over the same period of the last financial year; services related revenue was approximately HK$6.024 billion; solution related revenue was approximately HK$7.849 billion. With our leading technologies and big data solutions, the Group was selected for multiple industry awards, including "2020 Best Service Provider for Big Data Infrastructure", "2020 Best New Economy Company", "2020 Best Enterprises for Investment Value", and also ranked as first place in the list of "2020 Top 100 Digital Infrastructure" which was published in the "Internet Weekly" magazine published by the Chinese Academy of Sciences during the reporting period.

1) **City Big Data Usage Model (Sm@rt City Business): leveraging "Yan Cloud DaaS" to tap "City CTO" opportunities with a deep engagement approach; segment results grew 149.4% versus last year**

   The city is where people gather and live, and it is the largest data source available with the most applicable usage models. Under the new infrastructure plan in China, smart cities are to become the centerpiece of the entire implementation plan. According to "2020 Digital Twin Paper" published by the Ministry of Industry and Information Technology of the P.R.C., the market size of the smart city sector in China will likely exceed RMB1.3 trillion by 2023.

   Based on over a decade of innovation in the smart city space and deployment of numerous solutions across 200 cities in China, we understand the pain points faced by city managers such as difficulty in data extraction/storage across isolated databases. The Group was able to leverage its proprietary "Yan Cloud DaaS" technology to address city managers' initial data issues by first connecting previously isolated databases to create a consolidated and uniform central database for the city and its community, allowing for efficient and accurate data access. Over time, by continuously refining our big data software products and services, we look to adopt a "City CTO" manager role within each city. During the reporting period, revenue from this sector was approximately HK$477 million, representing an increase of 46% over the same period of the last financial year; segment result was approximately HK$28.66 million, representing an increase of 149.4% over the same period of the last financial year.

The improvement in accuracy and speed of data integration for its application to citizens, government and industries is a crucial task in the "new infrastructure plan" behind smart city development. This so happens to be the focal point behind DC Holdings' overall strategy. As data is continuously generated across a vast number of platforms, APIs, devices, systems and formats, the data consolidation and integration process represents a massive challenge for the industry. Through "Yan Cloud DaaS", our proprietary big data solution which won the First Prize for National Science and Technology Invention Award in China, we are able to navigate and integrate isolated databases across a wide variety of data sources. By deploying "Yan Cloud DaaS", a user could save over 90% of communication time and shorten the overall process timeline by more than 50%.

With the unique integration and consolidation abilities of "Yan Cloud DaaS" combined with our position as the "City CTO", the Group has successfully implemented numerous large-scale projects across provinces and cities throughout China, thereby accelerating the new infrastructure plan in China, providing society with better quality of life, and developing the overall digital economy in China. Through our unique data center and data hub integration services, our usage models have continuously expanded and encompassed end users such as citizens, enterprises, and city managers in the city. With more practical applications coming to light, we see cooperation with cities and their managers becoming increasing integrated with our core business.

DC Holdings has long been involved in the infrastructure development of Jilin province. With our proprietary technology "Yan Cloud DaaS" and solid experience in data infrastructure development and management, we were selected to lead two other major infrastructure projects in the year which were for the development of a "Digital City Brain" in Changchun City and creating a foreign trading service platform throughout Jilin province, both of which will further enable data integration and development of trading businesses in the province. Furthermore, to spur further innovation in the technology sector and capture a larger share of the growing digital economy, the Group spearheaded a new alliance amongst enterprises and the Jilin government with the aim to drive further innovation of new industry ecosystems and develop new software solutions which are industry specific, technologically advanced and scalable. Together with enterprises which represent core industries in Jilin province , the alliance expects to utilize synergies amongst themselves and create a billion-dollar data ecosystem in Jilin.

DC Holdings is also currently participating in the infrastructure project "Smart Tangshan" in Tangshan City. With the support of "Yan Cloud DaaS," the Group was first able to efficiently consolidate the various applications and databases across Tangshan city under the "1+N" framework. The city will then establish a cloud computing platform across government departments and functions, to achieve a smart city deployment characterized by strong economy, operating efficiency, improved public services and better quality of living.

The Group was also involved in first and second phases of infrastructure development for a big data platform project in Suzhou City of Wujiang district. Our technological expertise and advice were extremely well received by our clients, and therefore they had extended our services to the third phase of the infrastructure development, driving the city one step closer to full digitalization.

In addition, although the COVID-19 pandemic has brought hardship upon us, it also represented a litmus test of our smart city execution capabilities. During the pandemic, we had uncovered a larger number of technical issues in some existing client systems such as inconsistent data sources, resulting in the failure of key civil services such as healthcare. We thus had the opportunity to deploy "Yan Cloud DaaS" and leverage its technology to remedy such issues for our clients. DC Holdings has constantly improved and enhanced the quality and functions of its software products and solutions to provide the best quality and most comprehensive product and service suite to our clients.

The big data sector was also recognized by the capital markets in 2020. During the reporting period, InternetWare, a subsidiary of the Group, had obtained a new funding round commitment from investors, with amount RMB700 million (equivalent of HK$830 million), achieving a post-money valuation of RMB6.2 billion (equivalent to HK$7.34 billion). Going forward, the Group will continue to capitalize on development opportunities to build data infrastructure in other cities and to drive business growth.

2) <u>Industry Big Data Model (Smart Industry Chain Business): Value enhancement for products and services across the supply chain; significant segment results increase of 88.9% versus last year</u>

5G, big data, Internet of Things, artificial intelligence, and other new technologies keep evolving every day. With the arrival of a new era of digital infrastructure and Internet of Things, the world is becoming flatter, which provides more possibilities for us to deal with the two core elements of "people" and "goods". A new pattern of industry, city and human integration is gradually forming through smart city construction with data as the production factor and through the smart supply chain service which is also driven by big data. In addition to expanding its city big data capabilities, DC Holdings can leverage its industry expertise of over 20 years in the supply chain business to help its expansion in big data services to the whole industry value chain. Through horizontal and vertical integration, DC Holdings can create relatively comprehensive databases and advanced usage models, and thereby constantly advance its big data service ability. Our deep customer engagement approach to service their needs across the entire industry value chain will also support our continued and rapid income growth.

During the reporting period, this segment achieved revenues of approximately HK$7.411 billion, representing an increase of approximately 37.7% over the same period of the last financial year; segment results was approximately HK$200 million, representing an increase of approximately 88.9% over the same period of the last financial year.

In 2020, the COVID-19 pandemic led to the transformation of people's lifestyles, increased demand for online shopping and spurred rapid development of e-commerce and online education. However, many other businesses were financially struggling and had to shut down. Despite the challenge from COVID-19 pandemic, DC Holdings remained resilient throughout the pandemic. By leveraging our supply chain management system, deploying a “supply chain + big data + AIoT” approach and utilizing our proprietary supply chain big data platform “KingKooData” for big data analysis, we were able to create a comprehensive data center to service a wide range of e-commerce clients and provide big data services. By leveraging technology to reduce the distribution cost and improve operating efficiency, we were able to service the leading players in e-commerce and the online education sector. The rapid growth in e-commerce logistics, together with our enhanced operating efficiencies were key drivers behind our strong performance.

By leveraging our technological expertise, the industry big data model successfully turned crises into opportunities, and solved various client needs across the supply chain while also achieving better performance and expanded industry coverage. The Group was able to capture revenue growth and market share in many types of consumer products such as electronics, fast moving consumer goods, maternal products, and cosmetics. In the online education space, DC Holdings had superior coverage where more than half of the top ten players in the sector were its clients, giving DC Holdings the largest big data services market share for this sector. In addition, it has successfully made new inroads into heavy infrastructure and industrial production sectors, wining contracts with customers such as Sany Heavy Industry, TELD and State Grid’s Xuji Group Corporation. Our scale and scope of services continue to expand and going forward, we will continue to have a deep engagement with our clients and solve a variety of needs for them.

The Group’s efforts over the past few decades have paid off as the Group had broken yet another new industry record during “Double-11” event, reaching 4.5 million total single warehouse deliveries. In addition, we had become one of rare few asset-light operators who are certified with the “5A” logistics enterprise qualification, the highest grade available in this industry. Against the backdrop of the “One Belt One Road” policy, we will provide the relevant services to our clients in order to assist their expansion into the international market and thereby also accelerate our own international business growth.

Looking forward, DC Holdings will be able to provide a fully integrated supply chain service by establishing China's largest network of cloud ecosystem warehousing services which is based on the global supply chain warehouse distribution network model. The service relies on our proprietary logistics management solution and logistic big data platform “KingKooData”, which integrates artificial intelligence and Internet of Things (AIoT) technologies. Engaging various supply chain service usage models, DC Holdings can build an end-to-end supply chain software product through continuous refinement of data and algorithms in the Group’s core data infrastructure. Meanwhile, DC Holdings will also improve service capabilities and customer experiences by using advanced methods such AIoT technologies to act as a source of data for further refinement of our products and services.

3) Fintech Model (DCITS): strengthen the fintech ecosystem by collaboration and create a new engine of growth

Within DC Holdings’ big data strategy, DCITS (a subsidiary under DC Holdings) has focused on the financial services and fintech vertical and over the years, has refined its value proposition within the fintech space by deploying the right channels for data acquisition, improving its computing and data modelling capabilities and enhancing its overall core capability in big data management and application of various usage models in order to better serve its clients. This approach has led to DCITS obtaining top industry positions across fintech innovation, fintech usage and intelligent financing solutions.

As one of DC Holdings’ core ecosystem components, DCITS is highly complementary to the various key verticals under DC Holdings such as fintech and agriculture; we are also able to cultivate a mutually beneficial situation with our clients through ecosystem collaboration, deep client engagement and business linkage. During the reporting period, this segment achieved revenues of approximately HK$11.457 billion; segment result of approximately HK$615 million which represented an increase of 104.0% over the same period of the last financial year.

During the reporting period, our proprietary innovative fintech solutions and services categorized under "seven major solutions + consulting services" grew steadily, while the overall performance of the distributed application platform “Sm@rtGalaxy3.0” was enhanced, and our banking core system offering won tenders with 15 financial institutions and achieved its first overseas deployment. In the sector of digital currency, we are in the lead to release our blockchain platform “Sm@rtGAS” as well as digital currency (DCEP) solutions. We won tenders for system integration and software projects which included state-owned major banks, policy banks and joint-stock banks, allowing us to amplify and innovate our fintech innovation value chain.

Our fintech model adopts a "data + technology + scenario" approach to innovate and integrate cross-industry data to open up financial services to more industries and use fintech as a means to serve the economy and create a fintech ecosystem. Innovative services such as financial-agricultural linkage, big data assisted financing, “bank-tax” interaction, and data-driven corporate credit risk assessment were launched to solve financing issues for agriculture, rural areas, and micro/small/medium/enterprises. During the reporting period, we won a variety of tenders for integration of credit data as well as overall software solution development projects for customers such as Industrial and Commercial Bank of China, China Development Bank, Bank of Communications, and the Shenzhen Stock Exchange, all of which contribute to our fintech innovation value chain development.

In addition, the digitalization of the financial industry has grown steadily. During the reporting period, we have undertaken several big data projects at both the national and municipal level, and implemented a full-stack data application system with data collection, analysis, publication, and fulfilment within the agricultural sector. As applications for big data solutions continue to increase, we continue to win a variety of new contracts for enterprise clients as well as government clients within the agriculture space (rubber, oilseeds). In terms of quantum communications, we won the tender for the construction of a nation-wide quantum secured communication backbone network project (connecting Beijing with Wuhan, and Wuhan with Guangzhou), and also won work for new connections between Beijing and Hangzhou, Chengdu and Yuhan, Jinan and Qingdao, laying the foundation for subsequent new core infrastructure network projects.

During the reporting period, our fintech business won numerous accolades including IDC's 2020 Global Financial Technology Awards coming 39th in the FinTech Rankings Top 100 List and ranked first among China's listed companies. The distributed application platform and core banking system ranked 1st in market share for 8 consecutive years.

4) **Incubation Model (Investing Business): Strategically incubate and optimize our big data ecosystem**

Focusing on the core strategy of DC Holdings, the incubation model aims to improve DC Holdings' core products, services and capabilities and build the Group's sustainable development through continuous innovation and incubation through investment. On one hand, this will continue to expand the big data ecosystem of DC Holdings and enhance the digital industry value chain, forming greater synergies between our core business and the wider industry; on the other hand, investment returns can be re-invested in our core businesses to maximize the return on investment of the Group.

During the reporting period, the Group sold part of its equity in Digital China Health for RMB500 million (approximately HK$550 million). We also received proceeds of HK$220 million from the partial sale of Digital China Health during 2019. The combined total proceeds of approximately HK$770 million will be used for further investment in the field of big data. After the completion of the disposal, the Group will still retain approximately 3.99% stake in Digital China Health. Digital China Health is primarily engaged in medical big data, medical cloud services and medical records digitalization. As part of the big data ecosystem of DC Holdings, both companies will continue to explore different synergies together.

As a leading industrial internet platform operator, iSESOL (an affiliate of DC Holdings) continues to refine its product which is based on the innovative model of connecting intelligent business terminals across industries and cloud services, as well as "cloud-smart manufacturing". The industrial internet platform promotes the development of China's smart manufacturing through data empowerment and open-source sharing. During the reporting period, iSESOL was selected as the "Big Data Industry Development Pilot Demonstration Project" in 2020 by the Ministry of Industry and Information Technology. iSESOL not only complements the big data business of DC Holdings, but also integrates with the supply chain solutions, enriches upstream and downstream of the supply chain, expands the scope of big data services and improves overall service offering. Going forward with further development, this vertical may also generate considerable investment returns for the Group.

The Group's technology real estate business also developed rapidly during the reporting period. Based on the digitalization of technology real estate property management in the ecosystem, DC Holdings will build a smart property big data integrated management platform to incubate smart property management businesses. At the same time, we will also utilize the smart property management sector as an entry point for our "Digital Twin" products and solutions and expand that to the entire urban ecosystem, developing our city digital twin business.

5) **Business Outlook: Leading the development of a trillion-dollar big data industry, rewarding our shareholders and society**

According to the "2020 China's Big Data Industry Map and China's Big Data Industry Development White Paper", the scale of China's big data industry reached RMB539.7 billion in 2019, representing a year-on-year increase of 23.1%. With the development of 5G and Internet of Things, the industry's demand for more efficient and environmentally friendly data centers as well as cloud computing infrastructure continues to grow together with the underlying big data infrastructure. It is expected that the overall market will reach RMB667.02 billion in 2020. By 2022, the industry could exceed RMB1 trillion driven by continued transformation and upgrades of traditional industries and overall economic growth, both which will accelerate the construction of new smart cities and drive the development of China's digital economy, all of which demonstrate vast potential for industry development.

Looking forward and in the face of major changes not seen in the last century, DC Holdings will become a big data service provider who empowers a variety of verticals, focusing on core usage models in city big data, industry big data, fintech, and ecosystem. Through “industry-academia-research”-driven incubation, we continue to build core products around our supply chain offering, expand our data processing products and accelerate our growth within the data industry. This will form a robust software ecosystem for us to provide our customers with an all-encompassing software and services product suite, allowing us to lead ahead in the market, ahead in our technology and ahead in our results. We will continue to empower the development of smart cities in China, spearhead the digital transformation of industries and implement DC Holdings’ corporate values, creating value for our shareholders and for society.

6) **Update on the settlement plans regarding certain wealth management products purchased by the Group (the “WMP”)**

As at 31 December 2020, the outstanding unpaid principal of the WMP was approximately HK$1,933 million (RMB1,634 million). The Group has obtained the right to proactively dispose of the ultimate underlying assets involved in the WMP and has set up disposal plans and specific action plans.

In 2020, despite the significant impacts brought by the outbreak of COVID-19 pandemic on all aspects of work, the Group pushed forward with the disposal of the real estate residential project (the amount of the principal and interest involved is approximately HK$228 million (RMB193 million) and achieved results in accordance with the action plans. The asset restructuring procedure for the real estate residential project has been substantially completed and other creditors’ interference on the asset realisation has been eliminated. Based on the market price of the project assets, it could fully cover the Group’s creditor’s rights in the project. In accordance with the realisation and repayment plans, the Group would be able to recover with priority the amount due to the Group from the sale proceeds. If the realisation and repayment plans are carried out in accordance with relevant laws and regulations, the Group will recover a total amount of approximately HK$228 million (RMB193 million) involved in the real estate residential project which is one of the underlying assets.

The remaining ultimate underlying assets is approximately HK$1,705 million (RMB1,441 million). In accordance with the realisation and repayment plans, certain supporting facilities in the properties are being upgraded with a view to improve valuation in the subsequent sales. At the same time, the Group is also actively negotiating the sale with interested parties. The Group will continue to pursue execution according to the action plans. Further announcement will be made by the Company as and when appropriate in the event of any material development on the action plans.

Based on the management's judgment of the recoverable amount of the relevant underlying assets and its understanding of the assets disposal progress, together with the valuation report issued by the valuer on the relevant underlying assets, the management is of the view that the corresponding amount of the WMP as set out in the financial statements of the Group for the end of year 2020 is reasonable and appropriate.

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$28,021 million at 31 December 2020 which were financed by total liabilities of approximately HK$14,256 million, non-controlling interests of approximately HK$4,335 million and equity attributable to equity holders of the parent of approximately HK$9,430 million. The Group’s current ratio at 31 December 2020 was 1.40 as compared to 1.17 at 31 December 2019.

During the year ended 31 December 2020, capital expenditure of approximately HK$441 million was mainly incurred for the acquisition of properties, office equipment and IT infrastructure facilities.

As at 31 December 2020, the Group had cash and bank balances of approximately HK$3,305 million, of which about approximately HK$2,989 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.46 at 31 December 2020 as compared to 0.57 at 31 December 2019. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately HK$4,379 million (31 December 2019: approximately HK$5,095 million) and equity attributable to equity holders of the parent of approximately HK$9,430 million (31 December 2019: approximately HK$8,936 million).

At 31 December 2020, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in Hong Kong dollars	**Denominated in Renminbi**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Current			
Interest-bearing bank borrowings, unsecured	50,000	898,397	948,397
Interest-bearing bank borrowings, secured	64,785	1,012,657	1,077,442
Other borrowings	-	51,470	51,470
	114,785	1,962,524	2,077,309
Non-current			
Interest-bearing bank borrowings, secured	42,881	2,258,414	2,301,295
Total	157,666	4,220,938	4,378,604

Certain of the Group's bank borrowings of:

1. Approximately HK$2,384 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$4,257 million at 31 December 2020; and

2. Approximately HK$995 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 130,960,000 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 approximately HK$2,402 million at 31 December 2020.

Included in the Group's current and non-current bank borrowings of approximately HK$202 million and HK$2,301 million respectively represented the long-term loans which are repayable from the year 2021 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$2,555 million which were charged at fixed interest rates as at 31 December 2020.

In prior years, 神州靈雲（北京）科技有限公司 ("**Shenzhou Lingyun**"), a non-wholly owned subsidiary of the Group issued convertible bonds to its 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.

As at 31 December 2019, the convertible bond of approximately RMB32,600,000 (equivalent to approximately HK$35,730,000) was outstanding, including approximately RMB26,400,000 (equivalent to approximately HK$28,940,000) provided by DCITS and approximately RMB6,200,000 (equivalent to approximately HK$6,939,000) by other investors.
On 15 April 2020, DCITS and other investors signed the "**Transfer Agreement**" with an independent third

party ("**Lingyun Transferee**"), and all parties agreed to transferred their equities in Shenzhou Lingyun to Lingyun Transferee, and withdrew from Shenzhou Lingyun. Approximately RMB7,200,000 (equivalent to approximately HK$8,134,000) consideration paid for DCITS's equity interest in Shenzhou Lingyun. Upon completion of the transaction, Shenzhou Lingyun ceased to be subsidiary of the Group and hence the convertible bond is fully derecognized from the Group.

The total available bank credit facilities for the Group at 31 December 2020 amounted to approximately HK$12,953 million, of which approximately HK$2,566 million were in long-term loan facilities, approximately HK$5,372 million were in trade lines and approximately HK$5,015 million were in short-term and revolving money market facilities. At 31 December 2020, the facility drawn down from the Group was approximately HK$2,563 million in long-term loan facilities, approximately HK$730 million in trade lines and approximately HK$1,711 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.（深圳市生物港投資有限公司）("**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 (equivalent to HK$23,948,000) for the judgement above as at 31 December 2019.

On 18 November 2020, DCITS reached an agreement with China Potevio Co., Ltd ("**Settlement Agreement**"). Pursuant to the Settlement Agreement, DCITS and China Potevio Co., Ltd. agreed to settle the case at a compensation of RMB21,000,000 (equivalent to HK$24,622,000). The Settlement Agreement has been executed on 23 November 2020 and China Potevio Co., Ltd has filed the execution proof with Beijing Municipal High People's Court.

Capital Commitment

At 31 December 2020, the Group had the following capital commitments:

	HK$'000
Contracted, but not provided in the consolidated financial statements:	
Land and buildings	16
Capital contributions payable to joint ventures	32,337
Capital contributions payable to associates	24,847
Capital contributions payable to financial assets at fair value through other comprehensive income	507
	57,707

Events After the Reporting Period

No significant event occurred after the Reporting Period of the Company and up to the date of this announcement.

Human Resources and Remuneration Policy

At 31 December 2020, the Group had approximately 14,000 full-time employees (31 December 2019: approximately 11,800). 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 8.43% increase in staff costs to approximately HK$2,792 million for the year ended 31 December 2020 as compared to approximately HK$2,575 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.

The remuneration of the directors and senior management are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each director and senior management member as well as their individual performance.

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	Net proceeds *HK$'million*	Utilised amount as at 1 January 2020 *HK$'million*	Actual application for the year ended 31 December 2020 *HK$'million*	Un-utilised amount as at 31 December 2020 *HK$'million*	Expected to be utilised by 30 June 2022 *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**	**(409)**	**(76)**	**297**	**297**
(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**	**(962)**	**(76)**	**297**	**297**

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 2020, an aggregate of HK$1,038 million has been utilised from the Net Proceeds.

As at 31 December 2020, the un-utilised Net Proceeds from the Rights Issue amounted to approximately HK$297 million. In 2020, due to the impact of the COVID-19 epidemic, the investment atmosphere was relatively sluggish, and the management of the Company became more cautious in investing in mergers and acquisitions. Therefore, the un-utilised Net Proceeds are not expected to be utilised in full by the end of 2020. All of such un-utilised Net Proceeds will be utilised for financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified. It is expected that the un-utilised Net Proceeds will be fully utilised by 30 June 2022.

For further details of the Rights Issue, please refer to the announcements of the Company dated 21 July 2017, 24 August 2017 and 15 September 2017, the rights issue prospectus dated 23 August 2017 and the annual reports of the Company for the year ended 31 December 2017, 31 December 2018 and 31 December 2019 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 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 2020.

REVIEW ON THE 2020 ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this results announcement have been agreed by the Group's auditors, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this announcement.

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 2020, 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 2020.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 2020.

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 2021

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. PENG Jing and Mr. ZENG Shuigen

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*