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ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 together with the comparative figures for the corresponding period of the last financial year as follows.

FINANCIAL HIGHLIGHTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	<i>Year-on-year change</i>
Revenue	20,539,460	19,819,527	3.63%
Of which: Big Data Products and Solutions Revenue	2,329,287	1,936,113	20.31%
Profit before tax	1,141,812	1,146,870	-0.44%
Profit for the year attributable to equity holders of the parent (before share-based payment expenses)	818,063	676,071	21.00%
Profit for the year attributable to equity holders of the parent	711,588	612,970	16.09%
Proposed final dividend (HK cents)	13	10	30.00%

The Board recommends the payment of a final dividend of HK13 cents per ordinary share for the year ended 31 December 2021 to the Shareholders, subject to the approval of the Shareholders in the forthcoming annual general meeting. This together with the interim dividend of HK2 cents (paid during the year 2021) per ordinary share gives a total of HK15 cents per ordinary share for the year ended 31 December 2021.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	20,539,460	19,819,527
Cost of sales and services		(16,774,760)	(16,460,691)
Gross profit		3,764,700	3,358,836
Other income and gains	4	486,090	235,050
Net gain on disposal of equity interests in associates and joint ventures	5	29,492	946,100
Selling and distribution expenses		(1,270,712)	(1,348,040)
Administrative expenses		(584,230)	(573,842)
Other expenses, net		(1,033,000)	(1,056,187)
Finance costs		(143,695)	(148,456)
Impairment loss of goodwill		-	(141,324)
Share of losses of associates and joint ventures	5	(106,833)	(125,267)
Profit before tax	5	1,141,812	1,146,870
Income tax expense	6	(168,144)	(181,518)
Profit for the year		973,668	965,352
Attributable to:			
Equity holders of the parent		711,588	612,970
Non-controlling interests		262,080	352,382
		973,668	965,352
Earnings per share attributable to equity holders of the parent	8		
Basic (HK cents)		46.39	37.74
Diluted (HK cents)		46.21	37.59

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 HK\$'000	2020 HK\$'000
Profit for the year	973,668	965,352
Other comprehensive income (expense)		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of financial statements of foreign operations	327,579	715,512
Share of other comprehensive income of associates	461	2,361
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	328,040	717,873
<i>Other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods:</i>		
Net fair value changes on financial assets measured at fair value through other comprehensive income	(62,761)	114,406
Gain on property revaluation	292,689	6,379
Income tax effect	(58,913)	(17,334)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	171,015	103,451
Other comprehensive income for the year, net of tax	499,055	821,324
Total comprehensive income for the year	1,472,723	1,786,676
Attributable to:		
Equity holders of the parent	1,117,235	1,206,660
Non-controlling interests	355,488	580,016
	1,472,723	1,786,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		914,755	992,378
Right-of-use assets		283,786	202,970
Investment properties		5,839,539	5,126,601
Goodwill		1,921,555	1,877,561
Other intangible assets		230,893	195,700
Interests in joint ventures		90,728	73,725
Interests in associates		1,814,012	2,430,714
Financial assets at fair value through other comprehensive income		1,166,943	714,300
Finance lease receivables		-	788
Accounts receivables	9	138,191	130,513
Other receivables		1,026,102	883,936
Deferred tax assets		254,612	225,211
		13,681,116	12,854,397
Current assets			
Inventories		2,570,751	2,614,291
Completed properties held for sale		693,317	694,716
Accounts and bills receivables	9	3,860,041	3,631,843
Prepayments, deposits and other receivables		1,329,940	1,339,906
Contract assets		3,479,419	2,405,241
Financial assets at fair value through profit or loss		1,073,588	1,122,414
Finance lease receivables		46,302	53,154
Restricted bank balances		87,211	228,286
Cash and cash equivalents		2,779,214	3,076,717
		15,919,783	15,166,568
Current liabilities			
Accounts and bills payables	10	4,361,333	3,620,499
Other payables and accruals		2,175,516	2,517,610
Lease liabilities		110,346	83,215
Contract liabilities		2,329,448	2,407,732
Tax payables		102,487	120,216
Interest-bearing bank and other borrowings		1,823,037	2,077,309
		10,902,167	10,826,581
Net current assets		5,017,616	4,339,987
Total assets less current liabilities		18,698,732	17,194,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 DECEMBER 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities		
Interest-bearing bank and other borrowings	2,150,581	2,301,295
Deferred tax liabilities	651,420	465,878
Deferred income	22,652	25,888
Lease liabilities	105,609	50,547
Other financial liability	901,121	586,144
	3,831,383	3,429,752
Net assets	14,867,349	13,764,632
Capital and reserves		
Share capital	167,353	167,250
Reserves	9,992,140	9,262,477
Equity attributable to equity holders of the parent	10,159,493	9,429,727
Non-controlling interests	4,707,856	4,334,905
Total equity	14,867,349	13,764,632

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 following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 January 2021.

*Amendments to HKFRS 9, HKFRS 39,
HKFRS 7, HKFRS 4 and HKFRS 16*

Interest Rate Benchmark Reform – phase 2

Except as described below, the application of 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 the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The amendments have had no impact on the consolidated financial statements as none of the bank borrowings has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost, upon modification of these bank borrowings provided that the “economically equivalent” criterion is met. Additional information about the transition and the associated risks is disclosed in the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2021, the CODM reorganised its internal reporting structure and considered that a revision to the reportable segments can better reflect how the businesses of the Group are managed and reviewed. Accordingly, prior year’s segment information has been represented to conform with the current year’s presentation.

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

- (a) **The Big Data Products and Solutions business segment:** provides sales of data software products focused on spatial-temporal big data and artificial intelligence capabilities categorized in three product suites (Data Fabric, Data Hub, Digital Twin) as well as data solutions for core use cases namely city digital native transformation, supply chain digital native transformation and fintech.
- (b) **The Software and Operating Services business segment:** provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operation and maintenance services utilising cloud technology, automation and artificial intelligence. Such services provide important support for the continued deployment of our big data products and solutions business.
- (c) **The Traditional Services business segment:** provides systems integration services as well as e-commerce supply chain services focused on integrated solutions, providing a vast sales channel which is critical for the Group’s continued deployment of its big data products and solutions, as well as software and operating services. The segment also includes business related to investments, property sales and rental, as well as others.

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 2021 and 2020:

	Big Data Products and Solutions		Software and Operating Services		Traditional Services		Eliminations		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
External	2,329,287	1,936,113	6,533,328	5,790,697	11,676,845	12,092,717	-	-	20,539,460	19,819,527
Inter-segment	160,825	16,072	110,063	132,786	106,711	65,397	(377,599)	(214,255)	-	-
	2,490,112	1,952,185	6,643,391	5,923,483	11,783,556	12,158,114	(377,599)	(214,255)	20,539,460	19,819,527
Segment gross profit	833,868	605,713	1,337,465	1,377,872	1,593,367	1,375,251			3,764,700	3,358,836
Segment results	(76,749)	(214,942)	683,387	422,297	1,068,009	1,395,600			1,674,647	1,602,955
<u>Unallocated</u>										
Interest income									8,073	10,759
Income and gains									63,606	36,829
Unallocated expenses									(460,819)	(355,217)
Profit from operating activities									1,285,507	1,295,326
Finance costs									(143,695)	(148,456)
Profit before tax									1,141,812	1,146,870

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, other income and gains is as follows:

(i) *Revenue from contracts with customers*

	2021 HK\$'000	2020 HK\$'000
Revenue from contract with customers		
Disaggregated by major products or service lines		
Sales of software products business	369,365	182,422
Software development and technical service business	5,856,724	5,371,986
Supply chain operation and maintenance business	2,748,146	2,235,796
Systems integration business	7,269,972	6,231,637
E-commerce supply chain business	3,549,075	4,887,536
Others	316,640	528,871
Total revenue from contract with customers	20,109,922	19,438,248
Revenue from other sources		
Rental income from investment properties under operating lease	402,380	357,849
Financial services business	27,158	23,430
Total revenue from other sources	429,538	381,279
Total revenue	20,539,460	19,819,527

Disaggregated of revenue by timing of recognition:

	2021 HK\$'000	2020 HK\$'000
Timing of revenue recognition		
At a point in time	11,505,052	11,830,466
Over time	8,604,870	7,607,782
Total revenue from contracts with customers	20,109,922	19,438,248

(ii) *Other income and gains*

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Other income</i>		
Government grants	117,316	107,535
Interest on bank deposits	8,073	10,759
Income from wealth management financial products	41,759	23,544
Dividend income from financial assets at fair value through other comprehensive income	1,329	6,396
Dividend income from financial assets at fair value through profit or loss	716	-
Others	38,424	48,809
	207,617	197,043
<i>Gains</i>		
Net exchange gains	-	1,830
Fair value gains on investment properties	267,612	701
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
Gain on disposal of financial assets at fair value through profit or loss	10,861	-
	278,473	38,007
Total other income and gains	486,090	235,050

5. PROFIT BEFORE TAX

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

	2021	2020
	HK\$'000	HK\$'000
(Gain) loss on deemed partial disposal of equity interests in associates	(7,284)	142,941
Gain on deemed disposal of equity interest in an associates	(9,500)	-
Gain on disposal / partial disposal of equity interests in associates	(12,708)	(982,080)
Gain on disposal of equity interests in joint ventures	-	(106,961)
	(29,492)	(946,100)
Share of losses of associates	104,065	113,866
Share of losses of joint ventures	2,768	11,401
	106,833	125,267
Amount of inventories recognised as an expense	10,061,248	10,499,493
Depreciation of property, plant and equipment	124,321	126,886
Depreciation of right-of-use assets	134,518	121,200
Research and development cost ¹	763,722	592,457
Amortisation of other intangible assets ¹	56,006	51,369
Provisions for and write-off of obsolete inventories ¹	17,044	109,038
Impairment of accounts and bills receivables and other receivables and contract assets ¹	129,934	273,186
Reversal of impairment of finance lease receivables ¹	(326)	(1,695)
Loss on disposal of property, plant and equipment	2,491	2,293
Loss on write-off of intangible assets	-	1,777
Interest on bank loans and other loans	84,717	133,073
Interest on lease liabilities	12,391	9,050
Interest on other financial liability	46,587	6,333
Fair value loss on financial assets at fair value through profit or loss ¹	31,356	10,071
Net exchange loss (gain) ¹	10,568	(1,830)
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 During the year ended 31 December 2020, due to the outbreak of COVID-19, the Group had received numerous forms of rent concessions from lessors including rent forgiveness and deferrals of rent. The Group had 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

	2021 HK\$'000	2020 HK\$'000
Current – People's Republic of China ("PRC")		
Enterprise income tax ("EIT")		
Charge for the year	77,002	156,735
Over provision in prior years	(733)	(8,205)
Land appreciation tax ("LAT")	749	29
	<u>77,018</u>	<u>148,559</u>
Current – Hong Kong		
Charge for the year	-	177
Under provision in prior years	40	95
	<u>40</u>	<u>272</u>
Deferred tax	<u>91,086</u>	<u>32,687</u>
Total tax charge for the year	<u>168,144</u>	<u>181,518</u>

- (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 2021 and 2020, 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\$301,000 (2020: HK\$2,311,000) and the share of tax charge attributable to associates of approximately HK\$15,667,000 (2020: tax credit of HK\$10,173,000) are included in "Share of losses of associates and joint ventures" in the consolidated statement of profit or loss.

7. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Dividends paid during the year:		
2019 Final dividends (HK6.4 cents per ordinary share)	-	104,283
2020 Interim dividends (HK3.6 cents per ordinary share)	-	58,546
2020 Final dividends (HK10 cents per ordinary share)	152,547	-
2021 Interim dividends (HK2 cents per ordinary share)	30,420	-
	182,967	162,829

Subsequent to the end of the reporting period, the Board recommends the payment of a final dividend of HK13 cents per ordinary share for the year ended 31 December 2021 to the shareholders of the Company (“**Shareholders**”). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (“**2022 AGM**”), the proposed final dividend is expected to be paid on or about 25 July 2022. The date of the 2022 AGM, the date of book closure, the record dates for qualifying to attend the 2022 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 1,533,843,722 (2020: 1,624,064,132) 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:

	2021 HK\$'000	2020 HK\$'000
<u>Earnings</u>		
Profit for the year attributable to equity holders of the parent, used in the basic earnings per share calculation	711,588	612,970
Effect of dilutive potential ordinary shares of a subsidiary	(110)	(1,125)
Earnings for the purpose of diluted earnings per share	711,478	611,845
	Number of shares	
	2021	2020
<u>Shares</u>		
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	1,533,843,722	1,624,064,132
Effect of dilution potential ordinary shares:		
Share-based incentive schemes	5,750,867	3,501,087
Weighted average number of shares during the year used in the diluted earnings per share calculation	1,539,594,589	1,627,565,219

9. ACCOUNTS AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<u>Receivables at amortised cost comprise:</u>		
Accounts and bills receivables	4,805,022	4,444,708
Less: loss allowance	<u>(806,790)</u>	<u>(682,352)</u>
Total	<u>3,998,232</u>	<u>3,762,356</u>

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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,066,132	1,369,718
31 to 60 days	242,055	610,916
61 to 90 days	66,196	115,855
91 to 180 days	396,320	524,292
181 to 360 days	402,158	472,000
Over 360 days	<u>825,371</u>	<u>669,575</u>
	<u>3,998,232</u>	<u>3,762,356</u>

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\$52,682,000 (2020: HK\$64,829,000), HK\$3,713,000 (2020: HK\$3,019,000) and HK\$49,374,000 (2020: HK\$51,290,000), 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.

	2021 HK\$'000	2020 HK\$'000
Within 30 days	2,472,567	1,507,471
31 to 60 days	515,005	808,988
61 to 90 days	67,013	137,255
Over 90 days	1,306,748	1,166,785
	4,361,333	3,620,499

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 2021, 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\$2,541,000 (2020: HK\$1,475,000), HK\$46,749,000 (2020: HK\$42,384,000) and HK\$38,568,000 (2020: HK\$91,780,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

11. COMPARATIVE FIGURES

Comparative figures in relation to the gain (loss) on disposal of equity interests in associates and joint ventures and share of losses of associates and joint ventures have been presented in a single line item "Net gain on disposal of equity interests in associates and joint ventures" and "Share of losses of associates and joint ventures" respectively in the consolidated statement of profit or loss to conform to the current year's presentation. The reclassification had no financial effect on the amounts stated in the consolidated statement of financial position and therefore the third consolidated statement of financial position as at 1 January 2020 is not presented.

DIVIDENDS

The Board recommends the payment of a final dividend of HK13 cents per ordinary share (2020: HK10 cents per ordinary share) for the year ended 31 December 2021 to the Shareholders, totaling approximately HK\$196,641,000, 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 2022 AGM, the proposed final dividend is expected to be paid on or about 25 July 2022. The date of the 2022 AGM, the date of book closure, the record dates for qualifying to attend the 2022 AGM and receive final dividends will be announced in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Operation overview

Our big data strategy reached a milestone in our roadmap and operating results saw significant improvement

Throughout 2021, the Group has focused heavily on its core big data and A.I. technology to build an all-encompassing big data product suite and service capability, utilizing the Group's three main product suites: Data Fabric; Data Hub; and Digital Twin. While each of these product categories consist of both standardized and customized products, they serve both the Group's government and enterprise clients through several key use cases, in particular city digital native transformation, supply chain digital native transformation and fintech. During the reporting period and despite headwinds such as the continuous spread of the COVID-19 epidemic as well as global macroeconomic uncertainty, the Group's business continued to thrive with consolidated revenues of approximately HK\$20.5 billion, representing a new record high over the past 5 years and representing a 4% growth compared to the prior period. Gross profits reached approximately HK\$3.8 billion, representing an improvement of 12% compared to the prior period. With the Group's strategic focus on its big data business, coupled with superb execution, quality and cost control, net profit attributable to equity holders of the parent was approximately HK\$711.6 million, representing an increase of 16% compared to the prior period. After excluding the effect of share-based payment expenses and non-controlling interests, net profit attributable to equity holders of the parent was approximately HK\$818.1 million, representing a robust year-on-year increase of 21%.

The Group's innovative developments and exploration efforts in the field of digital economies have been highly recognized by the industry where the Group was awarded a variety of awards from different entities including "5 in 2021 Top 100 Enterprises Promoting China's Digital Transformation", "2021 Top 100 Ranked AIoT Enterprise", "2021 Big Data Leading Enterprise", "2021 Digital Twin Leading Enterprise", "Outstanding Greater Bay Area Enterprise Green Sustainable Development Award", "2021 Chinese Enterprise ESG Best Case Award" as well as many other awards and accolades. In addition to these awards and accolades, the Group's track record and credentials have enabled it to have an active participation in policy and standard setting within the digitalization space in China. The Group participated in the compilation of the "Guidelines for the Construction of Smart Parks Based on the City Information Model (CIM)" led by the China National Standardization Technical Committee for Intelligent Buildings and Residential Areas and the "Standardization of Digital Twin Deployment" white paper led by the China National Information Technology Standardization Technical Committee as well as others such as "Digital Twin Standardization" white paper, "Development and Utilization of Government Affairs Data" research paper, "Smart Park Evaluation Index System Standards" white paper, and "Smart Park Development" research paper. With its clear credentials and involvement behind policy and standard setting, the Group has attracted partnership interest across a variety of parties and most notably, the Group has reached a strategic cooperation with both Tencent Cloud and JD Technology to jointly fuel the development of China's digital economy.

2. Strategy implementation and execution

Shifting away from customization-centric to standardization-centric for big data products

As a big data technology enterprise with the core mission of "Digitalizing China", the Group has been servicing government and enterprise clients for over two decades and possess a deep understanding and insight into the digital transformation of China's industries. Over this period, we have accumulated rich experience in application scenarios, data resources, technical capabilities and ecosystem partners, thereby building ourselves a business moat for the Group's future development.

Since crystalizing its big data products and solutions strategy in 2018, the Group has established a clear technology roadmap and throughout the years have implemented a variety of initiatives to reach key milestones on this roadmap. By leveraging the Group's advantages across its core use cases in city digital native transformation, supply chain digital native transformation and fintech, the Group has been able to

accelerate the evolution of its big data product research and development efforts from previously customization-centric to now standardization-centric. During the reporting period, the Group's big data products and solutions have continued to mature and as a result, the Group has successively launched three major product suites: Data Fabric, Data Hub, and Digital Twin and received increased client recognition and endorsement. In conjunction with these products, the Group has also refined various solutions for different use cases enabling further development of new applications. Throughout this process and during the reporting period, the Group's business model and revenue structure have seen significant changes and therefore, information around our segment disclosure has been updated to reflect such changes to highlight the performance of different products, solutions and services. The Group now is structured as three distinct business segments namely Big Data Products and Solutions; Software and Operating Services; and Traditional Services:

The Big Data Products and Solutions business represents the core growth driver behind the Group's current business. The Group will continue to increase investment in research and development, and utilize new technology and products to drive further revenue growth in this segment;

The Software and Operating Services business represents a key support pillar for our overall big data business development and strategy. We rely on our software products, solutions and operating services to improve our service quality and improve our overall customer stickiness, reinforcing a robust customer base for the up-selling of our big data products and solutions while also promoting quality business growth; and

The Traditional Service business serves as an important channel to promote the implementation of our overall strategy. Leveraging on the vast ecosystem network, the Group is able to better filter and assess clients with strong up-sell potential and focus on developing such clients over time.

We believe the new segment business presentation will help shareholders, investors, potential investors and readers of our disclosures to better understand the Group's overall strategic direction, growth momentum, and business strategy.

3. Business Segment Analysis

Rapid growth in big data revenue and significant improvement in profitability

During the reporting period, the Group focused on deployment of its big data products and solutions, accelerated the process of product standardization, and continued to strengthen its focus on key cities, industries and clients while ensuring the Group continued to also expand its new client portfolio. As part of this focus, the Group had actively optimized revenue contribution from its Traditional Services segment, focusing instead on growing its new business segment of big data products and solutions.

a) Big Data Products and Solutions segment saw explosive growth via standardization; specifically for products only, gross profit margins recorded 83% while revenues increased by 102% year-on-year

The Big Data Product and Solutions business offers big data software products, as well as data solutions for core application scenarios. During the reporting period, revenue from big data products and solutions was approximately HK\$2.49 billion, representing an increase of 28% compared to the prior period. Gross profit was approximately HK\$833.9 million, representing an increase of 38% compared to the prior period. Through the continuous growth of this new business segment, revenue contribution of this segment as a percentage of total Group revenue rose to 12% during the reporting period. Of which, sales of big data products represented approximately HK\$353 million, representing an increase of 102% compared to the prior period while gross profit margins were 83%, sales of big data solutions represented approximately HK\$2.14 billion, representing an increase of 20% compared to the prior period while gross profit was approximately HK\$541 million, representing an increase of 17% compared to the prior period. To support such business growth, the Group continued to increase its research and development investment which recorded approximately HK\$497 million during the reporting period, representing an increase of 20%

compared to the prior period. Of which, 403 new intellectual property rights and patents were developed by the Group, bringing the total number of patents owned by the Group to 2,249, representing an increase of 22% compared to the prior period.

The proprietary big data products developed by the Group can be divided into three major product suites: Data Fabric; Data Hub and Digital Twin:

The Data Fabric product suite primarily houses our “Yan Cloud Data-as-a-Service” (“Yan Cloud DaaS”) product as well as our “Sysnet” (data service management) product. Of which, Yan Cloud DaaS was awarded the First Prize of National Technological Invention Awards in 2019 and has the unique capability of enabling the process of data consolidation while not having any access of the original source code behind the application(s) and no support from the original application manufacturer, all while ensuring minimal communication costs as well as short development cycles. For example in Yanqing District in Beijing, the Group executed a project for the Beijing 2022 Winter Olympics and Winter Paralympics whereby through constructing a “one network, one platform, two centre” data infrastructure for the government the Group was able to provide deep data analysis via 3D monitoring, comprehensive environmental analysis and big data predictive analytics. During the reporting period, together with strong growth, the product suite also recorded robust profitability, with gross profit margins reaching 92%.

The Data Hub product suite primarily focuses on five product packages, namely data management, data governance, data intelligence, data sharing and data security which process, sort and analyse data across government affairs, enterprise operations, IoT as well as the internet to provide a more comprehensive, safe and reliable data service for governments and businesses. Within one of our key use cases, supply chain digital native transformation, our product “KingKoo Data” provides entire supply chain data management capabilities. By automatically accessing our proprietary supply chain algorithm library, KingKoo Data is able to generate warehouse route optimization, inventory replenishment predictions, sales forecast analysis and others. Through a variety of methods, we are able to help enterprise clients improve their decision-making process to generate better business outcomes such as cost reduction and increase in operating efficiencies. Within fintech, a key sub-vertical has been agriculture, whereby we had developed an integrated solution that allows the creation of a “platform+data+service” model to enable digital transformation initiatives within broader activities such as rural revitalization, and harvest management to name a few. During the reporting period, thanks to the increased standardization of our Data Hub product suite, the Group acquired more than 168 new clients, with revenues reaching approximately HK\$273 million, representing an increase of 115% compared to the prior period while gross profit margins reached 81%.

The Digital Twin product represents the newest addition to our product suite, where this product suite represents a critical infrastructure for city digitalization initiatives as well as an important core competency in relation to the future development of the Metaverse. During the report period, the Group achieved an important breakthrough through the successful deployment of a City Information Model (CIM) platform in the Jingyue High Tech Industrial Zone in Changchun City, Jilin province. The CIM platform utilizes spatial-temporal data to construct a digital twin for the physical city, allowing for in-depth and real-time data analyses. In essence, we were able to adopt the “City CTO” role and be involved in aspects around planning, construction, management and servicing of the city functions. Some of the aspects that have already been implemented include smart construction sites, intelligent pipe networking and also energy conservation. By providing data analyses to our client, we improve their overall decision-making process, allowing for better resource allocation for the city and optimization of overall output.

b) Software and Operating Services business grew steadily with significant improvement in overall profitability, segment results grew 62% compared to the prior period

The Software and Operating Services business provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operation and maintenance services utilizing cloud technology, automation and artificial intelligence. Such services provide important support for the continued roll-out of our big data products and solutions business. During the reporting period, revenue from Software and Operating Services reached approximately HK\$6.64 billion, representing an increase of 12% compared to the prior period. This segment’s revenues accounted for 32% of the total revenue of the Group, and gross profit during the reporting period reached approximately HK\$1.34 billion, of which:

Revenues from supply chain-related operating services reached approximately HK\$2.63 billion, representing an increase of 21% compared to the prior period. Focusing on key accounts and core clients coupled with data-driven insights on client management, profitability was significantly higher than the industry average and gross profit margins reached 21%. The top 50 clients contributed nearly 75% of the profit while the overall client portfolio of the Group saw 62% of clients showing an increase in share of wallet, and 75% of the projects achieved an increase in net profit from a project level.

Revenues from software development and technical services reached approximately HK\$4.02 billion, representing an increase of 7% compared to the prior period, with gross profit margins of 20%. Due to the continued outbreak of the epidemic, overall project delivery cycles have been delayed. In response, the Group has adopted control measures, adjusted our response strategies in a timely manner, and continued to explore our client's digital transformation needs and satisfying those needs through upgrades from our product and solution suite.

c) The Traditional Service business saw a strategic contraction on some of the low gross profit margin businesses whereby revenue contribution to the Group's total revenue decreased by 4% whilst gross profits increased by 16% year-on-year through business improvement

The Traditional Service business provides systems integration services as well as e-commerce supply chain services focused on integrated solutions, providing a vast sales channel which is critical for the Group's continued deployment of its big data products and solutions, as well as software and operating services. In addition, Traditional Services also include other operations such as equity investments and property rental and sales. During the reporting period, the Group's focus on expanding its big data product and solution business meant that low-margin businesses such as Traditional Services were de-prioritized and therefore revenue contribution from Traditional Services to the Group decreased compared to the prior period. Revenues reached approximately HK\$11.78 billion, and its revenue contribution to the Group decreased from 60% to 56% while gross profit for the reporting period was approximately HK\$1.59 billion representing an increase of 16% compared to the prior period, of which:

E-commerce supply chain continued to see optimization in its overall client portfolio and continued to shed low-margin businesses. While revenues decreased by 26%, gross profit margins increased by 2% and more importantly, we saw conversion of approximately 25% of clients who were previously e-commerce supply chain clients expanding their purchases to our big data products and solutions as well as software and operating services.

The systems integration business provided the Group with a solid foundation to build its big data business. During the reporting period, sales contracts for systems integration totalled to over HK\$1 billion, including clients from regulatory bodies, policy banks, large national banks and other financial institutions.

4. Business Outlook

Focus on spatial-temporal big data and artificial intelligence to empower more innovative use cases

The speed, range, and depth of influence is driving an unprecedented pace for the development of a digital economy. According to the "14th Five-Year Plan - Big Data Industry Development Plan" from the Ministry of Industry and Information Technology in China, the annual compound growth rate of China's big data industry has exceeded 30%, where the overall market size for the big data industry by 2025 is expected to exceed RMB3 trillion, representing an annual compound growth rate of approximately 25%. As data in China becomes the fifth core factor of production, the development of spatial-temporal big data and A.I. technology will continue to provide ample opportunities for understanding the relationship between "people", "items" and "space" in the real world. While the current epidemic has yet to end, and the uncertainty of the overall macro environment continued to be high, the Group has seen the importance of big data technology in epidemic prevention and economic risk management, and truly believe that we can only remain competitive in the market so long as our proprietary technology continues to be a core element of the Group's business.

Looking forward, the Group will continue to accelerate the deployment of our big data products and services, continue to strengthen the training of professional and technical personnel, and build a more complete research and development capability. In terms of research and development, we will further refine our three major product suites which are Data Fabric, Data Hub and Digital Twin. The integration and governance data will allow the further deployment of Digital Twin to connect the real world and the digital world. On this basis, the Group will also vigorously develop artificial intelligence technologies focused on spatial-temporal knowledge mapping and analysis algorithms, with an aim to build out a comprehensive analytical capability integrating both elements of space and time. By building a more comprehensive big data product and solution suite, it will enable more innovative use cases such as intelligent city brains, digital trade, cyber villages, and digital RMB currencies.

In order to accelerate the commercialization process of big data products and solutions, the Group will increase stickiness of existing clients through focusing on improvements in service quality, so as to achieve rapid revenue growth from the Group's big data products and solutions business and continuously expand market share.

The management team is of the view that the Group's strategic choices will pay off in the long run. The continuous rapid growth of the overall big data industry will serve as a tailwind to drive the Group's big data business and continue to improve the Group's overall profit profile. Facing unprecedented development opportunities coupled with a new start off the Group's 20th anniversary of its Hong Kong initial public offering, the Group will continue to execute its strategies, strengthen its core capabilities, speed up development, improve management efficiency, and improve return on investment, creating greater value for our shareholders and society as a whole, allowing shareholders, clients and employees to share the fruits of our labour.

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

As at 31 December 2021, the outstanding unpaid principal of the WMP was approximately HK\$1,976 million (RMB1,632 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.

Despite the significant impacts brought by the outbreak of the COVID-19 pandemic on the progress of 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\$234 million (RMB193 million)) in accordance with the action plans. The asset restructuring procedure has been substantially completed. Following the completion of the transfer of the operation and management rights of the project, the Group will be able to recover the amount due to it from the sale proceeds. Based on the current market value of the assets of the project, it is expected that the proceeds can fully cover the Group's claims in the project.

The remaining ultimate underlying assets of the WMP, which involves investments in a market and a commercial complex, amounts to approximately HK\$1,742 million (RMB1,439 million). In accordance with the realisation and repayment plans, certain supporting facilities in the properties have been upgraded with a view to improving the valuation in preparation for subsequent sale. At the same time, the Group had been actively negotiating the sale with interested parties. During the reporting period, the court has confirmed that the Group has priority over approximately HK\$1,174 million (RMB 970 million) of its claims, which further clarified the priority nature of such debts and provided legal basis for accelerating the settlement of such debts. 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 its judgment of the recoverable amount of the relevant ultimate underlying assets of the WMP and understanding of the progress of disposal of assets, the Company's management is of the view that the corresponding amount of the WMP as set out in the financial statements of the Group as of 31 December

2021 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\$29,601 million at 31 December 2021 which were financed by total liabilities of approximately HK\$14,734 million, non-controlling interests of approximately HK\$4,708 million and equity attributable to equity holders of the parent of approximately HK\$10,159 million. The Group's current ratio at 31 December 2021 was 1.46 as compared to 1.40 at 31 December 2020.

During the year ended 31 December 2021, capital expenditure of approximately HK\$147 million was mainly incurred for the additions of properties, plant and equipments and other intangible assets.

As at 31 December 2021, the Group had cash and bank balances of approximately HK\$2,779 million, of which about approximately HK\$2,731 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.39 at 31 December 2021 as compared to 0.46 at 31 December 2020. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately HK\$3,974 million (31 December 2020: approximately HK\$4,379 million) and equity attributable to equity holders of the parent of approximately HK\$10,159 million (31 December 2020: approximately HK\$9,430 million).

At 31 December 2021, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in US dollars HK\$'000	Denominated in Hong Kong dollars HK\$'000	Denominated in Renminbi HK\$'000	Total HK\$'000
Current				
Interest-bearing bank borrowings, unsecured	294,963	200,000	281,134	776,097
Interest-bearing bank borrowings, secured	-	66,179	928,085	994,264
Other borrowings	-	-	52,676	52,676
	<u>294,963</u>	<u>266,179</u>	<u>1,261,895</u>	<u>1,823,037</u>
Non-current				
Interest-bearing bank borrowings, secured	-	38,569	2,112,012	2,150,581
Total	<u>294,963</u>	<u>304,748</u>	<u>3,373,907</u>	<u>3,973,618</u>

Certain of the Group's bank borrowings of:

1. Approximately HK\$2,321 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\$4,798 million at 31 December 2021; and
2. Approximately HK\$823 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 128,884,000 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\$19,852 million at 31 December 2021.

Included in the Group's current and non-current bank borrowings of approximately HK\$350 million and

HK\$2,151 million respectively represented the long-term loans which are repayable from year 2022 to 2036. As at 31 December 2021, approximately HK\$2,042 million and HK\$1,932 million of the Group bank borrowings were charged at fixed interest rate and floating interest rate respectively.

The total available bank credit facilities for the Group at 31 December 2021 amounted to approximately HK\$13,990 million, of which approximately HK\$2,265 million were in long-term loan facilities, approximately HK\$6,345 million were in trade lines and approximately HK\$5,380 million were in short-term and revolving money market facilities. At 31 December 2021, the facility drawn down from the Group was approximately HK\$2,258 million in long-term loan facilities, approximately HK\$1,305 million in trade lines and approximately HK\$1,582 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

As at 31 December 2021, the Group did not have material contingent liabilities.

Commitment

At 31 December 2021, the Group had the following commitments:

	<i>HK\$'000</i>
Contracted, but not provided for, in the consolidated financial statements:	
Capital contributions payable to joint ventures	32,187
Capital contributions payable to associates	29,680
Capital contributions payable to financial assets at fair value through other comprehensive income	519
	<u>62,386</u>

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 2021, the Group had 14,744 full-time employees (31 December 2020: 14,399). 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 an increase by 28.19% in staff costs to approximately HK\$3,579 million for the year ended 31 December 2021 as compared to approximately HK\$2,792 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 2021 HK\$'million	Actual application for the year ended 31 December 2021 HK\$'million	Un-utilised amount as at 31 December 2021 HK\$'million	Expected to be utilised by 31 December 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	(485)	(3)	294	294
(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	(1,038)	(3)	294	294

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 2021, an aggregate of HK\$1,041 million has been utilised from the Net Proceeds.

As at 31 December 2021, the un-utilised Net Proceeds from the Rights Issue amounted to approximately HK\$294 million. In 2021, 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, only a relatively small amount from the un-utilised Net Proceeds was used during the year ended 31 December 2021. With the re-emergence of the COVID-19 epidemic in parts of China and around the world, it is expected that the un-utilised Net Proceeds would not be fully utilised by 30 June 2022, which is the expected timeline as previously disclosed by the Company. 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 currently expected that the un-utilised Net Proceeds will be fully utilised by 31 December 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, 31 December 2019 and 31 December 2020 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 Mr. KING William. 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 2021.

SCOPE OF WORK OF INDEPENDENT AUDITORS

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 2021 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 then in force throughout the year ended 31 December 2021, 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 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 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 2021.

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

During the year ended 31 December 2021, 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 2021.

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 2022

As at the date 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, Mr. KING William and Mr. Timothy CHEN Yung-cheng

Website: www.dcholdings.com

** For identification purpose only*