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PROFIT WARNING

This announcement is made by Digital China Holdings Limited (神州數碼控股有限公司*) (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company (“**Shareholders**”) and potential investors that for the twelve months ended 31 December 2023 (the “**Year**”), the Group's principal businesses continued to show robust growth, with annual profits generated from the principal businesses expected to increase by approximately 30% as compared to last year. The revenue from the big data products and solutions business segment is expected to increase by approximately 30% for the Year and the net cash generated from operating activities is expected to record a year-on-year increase by approximately 40%.

However, despite the strong business performance of the Group, the Board would like to draw the attention of Shareholders and potential investors that HC Group Inc. (“**HC Group**”) (stock code: 02280), an associate of the Group in which the Group holds 19.37% equity interests, is expected to record a loss attributable to its equity holders in a range from approximately RMB1.7 billion to RMB2.0 billion for the Year. For details, please refer to the announcement of HC Group dated 22 January 2024. Part of these losses were from the micro-credit financing business of HC Group and the Group also holds 30% equity interests in such entity (the “**Micro-credit Financing Company**”). Affected by the losses of HC Group and the Micro-credit Financing Company and the impairment of these investments, the Group expects to record share of losses from associates and impairment losses from interests in associates of approximately RMB1 billion for the Year.

In addition, affected by factors such as a sluggish domestic real estate market, impairment of historical non-core investments of the Group, and the court ruling to the restructure plan of the ultimate underlying assets of the historical wealth management products held by the Group, certain investments of the Group, including wealth management products and investment properties, are expected to impairment losses of approximately RMB1 billion to RMB1.2 billion in total for the Year.

Save for the above, the Group's overall financial, business and operating conditions remain healthy. The Group has been firmly committed to implementing the mission of "Digital China", guided by the "big data + artificial intelligence" strategy, and the development model of "City CTO + Enterprise CSO," effectively driving the growth of core businesses. The big data products and solutions business segment has achieved robust results with revenue growth expected at approximately 30%. In the field of artificial intelligence (AI), the Group has been successful at deploying AI data centers and secured several high-value tenders for large-scale projects valued in the hundreds of millions of dollars. The impairment provisions for the current year mainly came from non-core businesses and assets historically invested by the Group and have no negative impact on the cash flow for the current year. The net cash generated from operating activities is expected to record a year-on-year increase by approximately 40%, giving the Group surplus cash reserves. After impairment provisions, the Group's asset-liability ratio remains healthy and is expected to be approximately 54%. Going forward, the Group will continue to develop its core competency surrounding big data and artificial intelligence, and drive sustained growth in its principal businesses by taking advantage of the national "artificial intelligence+" strategic opportunities.

Based on the Board's preliminary review of the unaudited consolidated management accounts of the Group for the Year and the information currently available, it is expected that the loss attributable to equity holders of the Group for the Year would be in the range of approximately RMB 1.7 billion to RMB1.9 billion.

The Company is still in the process of finalizing its annual results for the Year which shall be disclosed in the annual results announcement of the Company to be published by the end of March 2024.

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

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

Hong Kong, 17 March 2024

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. ZENG Shuigen and Ms. CONG Shan

Independent Non-executive Directors: Mr. WONG Man Chung, Francis, Miss NI Hong (Hope), Dr. LIU Yun, John, Mr. KING William and Mr. Timothy CHEN Yung-cheng

Website: www.dcholdings.com

**For identification purpose only*