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 2023

The board (the "**Board**") of directors (the "**Director(s)**") of Digital China Holdings Limited (神州數碼控股有限公司*) (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 2023 together with the comparative figures for the corresponding period of the last financial year as follows.

FINANCIAL HIGHLIGHTS

The big data business continues to deliver impressive results, achieving robust revenue growth of 30.07% compared to the previous year. In the dynamic field of artificial intelligence (AI), the Group has collaborated closely with core partners, including NVIDIA (through our role as an Elite Partner for DGX AI Compute systems). As a result, we have successfully deployed AI data centers and secured several high-value tenders for large-scale projects, each valued in the hundreds of millions of dollars. While the impairment provisions for the current year primarily stem from non-principal businesses and historically invested assets, they have no adverse impact on the Group's cash flow. In fact, the Group's net cash generated from operating activities has surged by 41.97%, bolstering the Group's surplus cash reserves. Given the robust performance of the operating business, the Board shall recommend an increase in dividend payouts as detailed below.

	2023 *RMB'000*	2022 *RMB'000*	*Year-on-year change*
Revenue	**18,276,547**	17,749,982	2.97%
Of which: Big Data Products and Solutions	**3,171,898**	2,438,536	30.07%
Net cash inflow from operating activities	**746,141**	525,557	41.97%
Adjusted net profit attributable to equity holders of the parent - Principal Business[1]	**301,111**	218,271	37.95%

The Board recommends the payment of a final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2023 to the Shareholders, subject to the approval of the Shareholders in the forthcoming annual general meeting. This together with the interim dividend of HK1.0 cent (paid during the year 2023) per ordinary share gives a total of HK7.0 cents per ordinary share for the year ended 31 December 2023, representing a increase of HK0.2 cents per ordinary share compared to prior year.

[1] Excluding the losses and impairment provisions related to certain non-principal investments and assets historically invested by the Group . Please refer to Management Discussion and Analysis for more details.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
			(Re-presented)
Revenue	4	**18,276,547**	17,749,982
Cost of sales and services		**(15,595,691)**	(14,809,815)
Gross profit		**2,680,856**	2,940,167
Other income and gains	4	**157,908**	205,201
Net gain on disposal of equity interests in associates	5	**37,069**	7,490
Selling and distribution expenses		**(988,727)**	(1,080,081)
Administrative expenses		**(398,040)**	(393,253)
Other expenses, net	5	**(945,434)**	(1,122,123)
Impairment loss of interests in associates and joint ventures	5	**(496,956)**	-
Impairment loss of goodwill		**(97,131)**	-
Fair value (loss) gain on investment properties		**(448,548)**	152,819
Impairment loss of other receivables		**(487,715)**	(4,615)
Finance costs		**(117,923)**	(121,311)
Share of loss of associates and joint ventures	5	**(534,553)**	(83,483)
(Loss) profit before tax	5	**(1,639,194)**	500,811
Income tax expense	6	**(62,277)**	(34,315)
(Loss) profit for the year		**(1,701,471)**	466,496
Attributable to:			
Equity holders of the parent		**(1,833,689)**	310,370
Non-controlling interests		**132,218**	156,126
		(1,701,471)	466,496
(Loss) earnings per share attributable to equity holders of the parent (expressed in RMB per share)	8		
Basic		**(1.2330)**	0.2060
Diluted		**(1.2330)**	0.2038

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	RMB'000	*RMB'000*
(Loss) profit for the year	**(1,701,471)**	466,496
Other comprehensive (expense) income		
Other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of financial statements of foreign operations	**(14,062)**	(15,647)
Share of other comprehensive (expense) income of associates	**(41,750)**	16,403
Net other comprehensive (expense) income that may be reclassified to profit or loss in subsequent periods	**(55,812)**	756
Other comprehensive (expense) income 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	**(107,228)**	(122,463)
Income tax effect	**34,187**	27,166
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods	**(73,041)**	(95,297)
Other comprehensive expense for the year, net of tax	**(128,853)**	(94,541)
Total comprehensive (expense) income for the year	**(1,830,324)**	371,955
Attributable to:		
Equity holders of the parent	**(1,964,310)**	223,202
Non-controlling interests	**133,986**	148,753
	(1,830,324)	371,955

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2023** *RMB'000*	As at 31 December 2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**738,685**	723,192
Right-of-use assets		**162,439**	173,395
Investment properties		**4,527,861**	4,975,169
Goodwill		**1,489,709**	1,586,840
Other intangible assets		**235,580**	197,782
Interests in joint ventures		**43,729**	63,166
Interests in associates		**306,723**	1,436,580
Financial assets at fair value through other comprehensive income		**721,071**	780,328
Accounts receivables	9	**150,794**	121,074
Other receivables		**440,000**	847,365
Deferred tax assets		**231,112**	251,399
		9,047,703	11,156,290
Current assets			
Inventories		**820,228**	1,183,260
Completed properties held for sale		**574,759**	568,614
Accounts and bills receivables	9	**4,029,490**	3,743,787
Prepayments, deposits and other receivables		**1,275,497**	1,652,637
Contract assets		**3,598,309**	3,112,288
Financial assets at fair value through profit or loss		**320,333**	742,595
Finance lease receivables		**25,412**	31,405
Restricted bank balances		**224,774**	54,879
Cash and cash equivalents		**2,883,308**	2,522,006
		13,752,110	13,611,471
Current liabilities			
Accounts and bills payables	10	**3,952,012**	3,490,296
Other payables and accruals		**1,427,864**	1,695,319
Lease liabilities		**60,821**	68,404
Contract liabilities		**2,271,193**	2,116,469
Tax payables		**67,009**	74,295
Interest-bearing bank and other borrowings		**1,401,935**	1,832,046
		9,180,834	9,276,829
Net current assets		**4,571,276**	4,334,642
Total assets less current liabilities		**13,618,979**	15,490,932

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Non-current liabilities		
Interest-bearing bank and other borrowings	**1,881,487**	1,783,612
Deferred tax liabilities	**467,336**	526,696
Deferred income	**18,546**	28,341
Lease liabilities	**57,450**	53,657
Other financial liability	**828,155**	786,155
	3,252,974	3,178,461
Net assets	**10,366,005**	12,312,471
Capital and reserves		
Share capital	**163,826**	163,826
Reserves	**6,131,541**	8,198,092
Equity attributable to equity holders of the parent	**6,295,367**	8,361,918
Non-controlling interests	**4,070,638**	3,950,553
Total equity	**10,366,005**	12,312,471

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 (the "**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 certain financial instruments that are measured at fair values, at the end of each reporting period.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2023.

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform-Pillar Two Model Rules*

The application of the new and 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.

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.

Segment information of the three 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 transformation, supply chain digital 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 and Localization Services business segment:** provides localization services via 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 (loss) profit, which is a measure of adjusted (loss) profit before tax. The segment results is measured consistently with the Group's (loss) profit before tax except that interest income, finance costs, unallocated corporate income and gains and unallocated corporate expenses are excluded from such measurement. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

The following table presents revenue and results for the Group's operating and reportable segments for the years ended 31 December 2023 and 2022:

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Eliminations		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:										
External	**3,171,898**	2,438,536	**5,269,179**	5,545,843	**9,835,470**	9,765,603	**-**	-	**18,276,547**	17,749,982
Inter-segment	**44,117**	48,351	**65,445**	88,913	**32,429**	36,947	**(141,991)**	(174,211)	**-**	-
	3,216,015	2,486,887	**5,334,624**	5,634,756	**9,867,899**	9,802,550	**(141,991)**	(174,211)	**18,276,547**	17,749,982
Segment gross profit	**950,156**	954,540	**670,844**	814,060	**1,059,856**	1,171,567			**2,680,856**	2,940,167
Segment results	**(23,937)**	32,809	**315,033**	358,708	**(1,543,363)**	521,487			**(1,252,267)**	913,004
Unallocated										
Interest income									**13,674**	8,125
Income and gains									**61,606**	102,193
Unallocated expenses									**(344,284)**	(401,200)
(Loss) profit from operating activities									**(1,521,271)**	622,122
Finance costs									**(117,923)**	(121,311)
(Loss) profit before tax									**(1,639,194)**	500,811

Note: After deducting research and development costs, amortisation of other intangible assets and impairment loss of goodwill, the Big Data Products and Solutions segment realises a segment profit of RMB558,715,000. This represents a year-on-year increase of 14% compared to the segment profit of RMB489,318,000 in the prior year.

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 are as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
Sales of software products business	**145,955**	174,764
Software development and technical service business	**6,619,675**	5,540,698
Supply chain operation and maintenance business	**2,276,382**	2,574,374
Systems integration business	**5,956,260**	6,360,494
E-commerce supply chain business	**2,729,485**	2,535,910
Others	**211,902**	199,500
Total revenue from contract with customers	**17,939,659**	17,385,740
Revenue from other sources		
Rental income from investment properties under operating lease	**323,395**	339,908
Financial services business	**13,493**	24,334
Total revenue from other sources	**336,888**	364,242
Total revenue	**18,276,547**	17,749,982

(i) Revenue from contracts with customers

Disaggregated of revenue by timing of recognition:

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time	**9,043,602**	9,270,668
Over time	**8,896,057**	8,115,072
	17,939,659	17,385,740

(ii) Other income and gains

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Other income		
Government grants	**96,651**	103,578
Interest on bank deposits	**13,674**	8,125
Income from wealth management financial products	**17,483**	31,478
Dividend income from financial assets at fair value through other comprehensive income	**-**	72
Dividend income from financial assets at fair value through profit or loss	**240**	510
Compensation	**-**	40,231
Others	**20,217**	21,207
	148,265	205,201
Gains		
Net exchange gains	**9,367**	-
Gain on deregistration of a joint venture	**276**	-
	9,643	-
Total other income and gains	**157,908**	205,201

5. (LOSS) PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
		(Re-presented)
Loss (gain) on deemed partial disposal of equity interests in associates	**78**	(3,292)
Gain on disposal of equity interest in an associate	**(37,147)**	-
Gain on partial disposal of equity interest in an associate	**-**	(4,198)
	(37,069)	(7,490)
Share of loss of associates	**534,347**	71,638
Share of loss of joint ventures	**206**	11,845
	534,553	83,483
Impairment loss of interests in associates	**476,956**	-
Impairment loss of interests in joint ventures	**20,000**	-
	496,956	-
Amount of inventories recognised as an expense	**8,153,480**	8,358,422
Depreciation of property, plant and equipment	**52,947**	68,523
Depreciation of right-of-use assets	**97,161**	109,814
Loss (gain) on disposal of property, plant and equipment	**19**	(1,086)
Interest on discounted bills	**16,741**	17,834
Interest on bank loans and other loans	**52,725**	53,786
Interest on lease liabilities	**6,457**	7,691
Interest on other financial liability	**42,000**	42,000
Research and development cost (excluding amortisation of other intangible assets)	**738,542**	665,110
Amortisation of other intangible assets	**73,070**	56,332
(Reversal of) write-down of inventories	**(73,842)**	49,698
Impairment loss of accounts and bills receivables and contract assets	**164,975**	124,664
Reversal of impairment loss of finance lease receivables	**-**	(579)
Fair value loss on financial assets at fair value through profit or loss	**31,438**	142,643
Net exchange loss	**-**	34,693
Others	**11,251**	49,562
Other expenses, net	**945,434**	1,122,123

6. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current – People's Republic of China ("**PRC**")		
Enterprise income tax ("**EIT**")		
Charge for the year	**52,915**	59,392
Under(over)-provision in prior years	**4,336**	(182)
Land appreciation tax ("**LAT**")	**4,696**	172
	61,947	59,382
Current – Hong Kong		
Charge for the year	**5,216**	20
Deferred tax	**(4,886)**	(25,087)
Total tax charge for the year	**62,277**	34,315

(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 RMB2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above RMB2 million will be taxed at 16.5%. For the year ended 31 December 2023 and 2022, 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 charge attributable to joint ventures of approximately RMB1,449,000 (2022: tax credit RMB1,422,000) and the share of tax charge attributable to associates of approximately RMB2,821,000 (2022: RMB9,639,000) are included in "Share of loss of associates and joint ventures" in the consolidated statement of profit or loss.

7. DIVIDENDS

Dividends paid during the year:	**2023** **_RMB'000_**	2022 _RMB'000_
2023 Interim dividends (HK1.0 cent per ordinary share)	**13,770**	-
2022 Final dividends (HK4.5 cents per ordinary share)	**60,644**	-
2022 Interim dividends (HK2.3 cents per ordinary share)	**-**	32,237
2021 Final dividends (HK13 cents per ordinary share)	**-**	167,002
	74,414	199,239

Subsequent to the end of the reporting period, the Board recommends the payment of a final dividend of HK6.0 cents per ordinary share for the year ended 31 December 2023 to the shareholders of the Company ("**Shareholders**"). Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company ("**2024 AGM**"), the proposed final dividend is expected to be paid on or about 16 July 2024 (Tuesday). The final dividend proposed after the reporting period has not been recognised as liabilities in the consolidated financial statements.

8. (LOSS) EARNINGS PER SHARE

The calculations of the basic (loss) earnings per share is based on the (loss) 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 1,487,154,911 (2022: 1,506,786,693) during the year.

The calculation of the diluted (loss) earnings per share is based on the (loss) 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 (loss) 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 (loss) earnings per share are based on the following data:

	2023 **_RMB'000_**	2022 _RMB'000_
(Loss) earnings		
(Loss) profit for the year attributable to equity holders of the parent, used in the basic (loss) earnings per share calculation	**(1,833,689)**	310,370
Effect of dilutive potential ordinary shares of a subsidiary	**-**	(1,963)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(1,833,689)**	308,407

	Number of shares 2023	2022
Shares		
Weighted average number of shares in issue less shares held under the RSA Scheme during the year, used in the basic (loss) earnings per share calculation	**1,487,154,911**	1,506,786,693
Effect of dilution potential ordinary shares:		
Share-based incentive schemes	**-**	6,216,761
Weighted average number of shares during the year used in the diluted (loss) earnings per share calculation	**1,487,154,911**	1,513,003,454

The computation of diluted loss per share for the year ended 31 December 2023 does not assume the exercise of the dilutive potential ordinary shares related to the Group's share-based incentive schemes into ordinary shares since their exercise would result in a decrease in loss per share.

9. ACCOUNTS AND BILLS RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Receivables at amortised cost comprise:		
Accounts and bills receivables	**4,963,616**	4,574,653
Less: loss allowance	**(783,332)**	(709,792)
Total	**4,180,284**	3,864,861
Analysis by:		
Current portion	**4,029,490**	3,743,787
Non-current portion	**150,794**	121,074
Total	**4,180,284**	3,864,861

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.

	2023 *RMB'000*	2022 *RMB'000*
Within 30 days	**2,546,878**	2,090,733
31 to 60 days	**213,040**	196,663
61 to 90 days	**69,317**	80,762
91 to 180 days	**262,229**	579,322
181 to 360 days	**376,664**	328,216
Over 360 days	**712,156**	589,165
	4,180,284	3,864,861

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.

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**2,006,503**	1,541,516
31 to 60 days	**433,038**	106,654
61 to 90 days	**129,945**	69,054
Over 90 days	**1,382,526**	1,773,072
	3,952,012	3,490,296

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 are settled within the credit timeframe.

11. COMPARATIVE FIGURES

Comparative figures in relation to the fair value changes on investment properties and impairment loss of other receivables have been presented in a single line item "Fair value (loss) gain on investment properties" and "Impairment of other receivables" respectively in the consolidated statement of profit or loss to conform with the current year's presentation. The reclassifications had no financial effect on the amounts stated in the consolidated statement of financial position and therefore the consolidated statement of financial position as at 1 January 2022 is not presented.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Embarking on New Journey While Adhering to our Core mission

2023 marks the inception of an all-encompassing drive toward a "Digital China" construction—a pivotal juncture for DC Holdings as it embarks on a fresh entrepreneurial journey. Throughout the preceding year, the Group has unwaveringly adhered to its original mission: "Digital China." We've seized the wave of digital intelligence, **propelling our presence in the realms of data elements and artificial intelligence.** Amidst a complex and shifting external landscape, and within an unprecedentedly competitive market atmosphere, our strategic direction remains resolute and with determination, we forge ahead. Our unwavering focus centers on core technology development and business growth.

During the year ended 31 December 2023 (the "Reporting Period"), the Group's principal business has seen healthy development, **with total revenues of RMB18.277 billion, representing an increase of 3% year-on-year; adjusted net profit attributable to equity holders of the parent company from the principal business was RMB301 million, representing a year-on-year increase of 38%; net cash flow from operating activities was RMB746 million, representing a year-on-year increase of 42%**. In addition, **the Group has newly signed contracts worth RMB15.872 billion, representing a year-on-year increase of 22%;** and **signed but undelivered contracts were RMB8.288 billion, representing a year-on-year increase of 26%**, laying a solid foundation for the Group 's long-term and sustainable development.

The Group's groundbreaking technological innovations and explorations within the digital economy have garnered significant acclaim from the market. These achievements have translated into a multitude of honors and awards, including the *2023 Digital Economy Annual Leading Enterprise, 2023 Big Data Outstanding Service Provider Leadership Enterprise, 2023 Forbes China ESG Innovation Enterprise, 2023 China Software* and *Information Service Industry Top 10 Leading Enterprises*, and *2023 Data Element Industry Development Leading Enterprise*. Moreover, in the annual rankings jointly released by the Informationization Research Center of the Chinese Academy of Social Sciences, Internet Weekly, Deben Consulting, and eNet Research Institute, the Group *ranked first in the 2023 Digital Twin Solution Provider Top 50 list* and *second in the 2023 China New Technology Top 100 Digital Industry List.*

Over the last two decades, DC Holdings has amassed substantial industry resources and market expertise. However, the advent of the digital age has ushered in significant socio-economic changes. Assets that were once valuable now pose obstacles to achieving further breakthroughs. The Group recorded losses from associates and impairment losses from interests in associates, totaling approximately RMB989 million for the Reporting Period. Additionally, sluggish domestic real estate markets and court rulings on wealth management product restructuring have led to impairment provisions by the Group of around RMB1.146 billion for the Reporting Period related to investment properties and non-principal business investments. In the financial statements of the Group, it is reported that the net profit attributable to the equity holders of the parent company is a deficit of RMB1.834 billion. After excluding the impact of non-principal business factors, the adjusted net profit attributable to equity holders of the parent company from principal business amounts to RMB301 million.

The impairment provisions mentioned primarily stem from the Group's historical investments in non-principal businesses and assets. Importantly, these provisions do not adversely affect the cash flow for the Reporting Period. The Group maintains robust cash reserves and ample liquidity. Even after accounting for the impairment provisions, the debt-to-equity ratio stands at a healthy 54.5%, signifying stability across financial, business, and operational dimensions. Throughout the Reporting Period, the Group continued its dividend payments to shareholders with a proposed final dividend of HK6.0 cents per ordinary share. When combined with the interim dividends distributed in July 2023, it is anticipated that a cumulative dividend of HK7.0 cents per ordinary share will be paid for the year, corresponding to a cash dividend payout of over RMB100 million, accounting for 35% of adjusted net profit attributable to equity holders of the parent company from the principal business.

Amidst the historical opportunities ushered in by the new era, the Group's management team—imbued with an entrepreneurial spirit and unwavering resolve—has taken a decision to shed historical burdens. With better flexibility and a strengthened position, the Group is better poised to take advantage of the artificial intelligence era.

2. Elevating Big Data Business Through Core Strategies

In 2023, the Group further focused on its "Big Data + Artificial Intelligence" strategy, and through the innovative development model of "City CTO + Enterprise CSO", it effectively drove incremental breakthroughs in data intelligence products and various application scenarios, achieving strong results in its principal business.

During the Reporting Period, **the revenue of big data products and solutions was RMB3.172 billion, a year-on-year increase of 30%, with a compound annual growth rate of 28% over the past three years; newly signed contracts amounted to RMB4.645 billion, a year-on-year increase of 26%; signed but undelivered contracts were RMB2.255 billion, a year-on-year increase of 17%.** Driven by the healthy and rapid development of the big data business, the Group's overall business structure has been further optimized. **Over the past three years, the proportion of revenue of big data products and solutions has increased from 11% to 17%, and the proportion of gross profit has risen from 22% to 35%. After deducting R&D costs, amortization of intangible assets and impairment losses on goodwill, the segment achieved a profit of RMB559 million, representing a year-on-year increase of 14%.**

The Group steadily boosts its research and development investment, seamlessly integrating industry, academia, research, and practical application. This concerted effort aims to strengthen its fundamental technological competitiveness. During the Reporting Period, **R&D expenses for big data products and solutions were RMB486 million, a year-on-year increase of 6%, with a compound annual growth rate of 8% over the past three years, and the R&D expense to revenue ratio for the segment reached 15%**. As of 31 December 2023, the Group accumulated a total of **2,787 intellectual property rights**, including software copyrights and patents, representing an increase of 189 compared to the previous year. The Group has played a **pioneering role or collaborated in the formulation of 128 national and industry standards. Of these, 76 standards have already been officially published, while 52 are currently working in progress.** By leveraging cutting-edge perspectives, professional insights, and innovative approaches, the Group continuously empower the acceleration of digital intelligence transformation and industry development.

As a customer-centric technology enterprise, DC Holdings has consistently focused on core industry verticals for digital transformation, namely cities, chains, and fintech. The Group has created a rich, comprehensive, and practical solution matrix designed to unlock the value of data assets and solve the pain points of the customers. The Group empowers customers to achieve success by harnessing their data-driven capabilities.

I. Business Case: Public Data Operations

With the issuance of the new policies, the unveiling of the National Data Bureau, and the release of the “Data Element X” three-year plan, **public data operations have emerged as a critical focus and entry point for constructing the Data Elements market**. In 2023, cities such as Beijing, Shanghai, Guangzhou, and Shenzhen have sequentially implemented practices related to public data authorization and operation. **DC Holdings has taken a pioneering role in exploration and actively participated in formulating the first domestic standard for public data operation. Independently, the Group has developed one of China’s initial public data operation platforms that align with operational requirements.** As a result, DC Holdings received recognition through the “2023 Public Data Operation Innovation Award” and the “Big Data 2023 Annual Solution - DC Holdings Public Data Operation Solution”—both jointly released by the Informationization Research Center of the Chinese Academy of Social Sciences, Internet Weekly, Deben Consulting, and the eNet Research Institute.

Drawing on its independent core technologies, which emphasize data security and transactional circulation, DC Holdings has integrated insights from diverse public data operation practices across various regions. The Group has systematically constructed an all-encompassing public data operation platform that is domestically autonomous, controllable, and provides a secure and trustworthy environment. This platform ensures public data to be "readily available, easily accessible, and effectively utilized". The platform offers comprehensive services for data authorization, development, and operation, creating a resilient data ecosystem with participation from multiple parties. It caters to the requirements of governments, enterprises, social organizations, and individuals by enabling access, authorization, utilization, sharing, and management of public data. This platform facilitates data circulation, maximizes its value and effectiveness, and enhances overall utility.

During the Reporting Period, **DC Holdings executed a strategic cooperation agreement with Kunshan LuLu Tong Big Data Co., Ltd. to jointly build and operate a public data operation platform in Kunshan**. In addition, the Group has successfully obtained Data Trader Certification from several key domestic data trading institutions, including the **Guangzhou Data Exchange, Guizhou Technology Property Right Exchange, East China Jiangsu Big Data Trading Center, Shandong Data Exchange Co., Ltd., Shenzhen Data Exchange, and Deyang Data Trading Center**, creating favorable conditions for further accelerating the Group's nationwide roll-out.

In the future, **the Group will further develop the "City CTO" model, with a primary focus on cities as a strategic entry point. Leveraging public data operation, the Group aims to empower cities by providing comprehensive solutions. These solutions will facilitate the capitalization of data assets across all industries, ensuring their effective utilization and value enhancement.**

II. Business Case: Supply Chain Control Tower

In the supply chain business, the Group concentrates on strategic industries such as IT, 3C (computers, communications, and consumer electronics), and FMCG (fast-moving consumer goods). Additionally, the Group is expanding its presence in green and low-carbon industries, as well as the ecosystem associated with new energy vehicles. The Group continues to provide end-to-end one-stop supply chain operation services for major customers such as **BYD, China Mobile, China Unicom, Huawei, Honor, DELL, Yishang Yujie and Alibaba Taotian Group**.

During the Reporting Period, the Group continued to **promote the implementation of the "Enterprise CSO" model. This model focuses on developing a comprehensive package that encompasses supply chain consulting, planning and design, an integrated supply chain decision-making platform, as well as execution management and operational services.** By harnessing data-driven intelligent decision-making, the Group assists clients in effectively controlling costs, enhancing efficiency, and driving business innovation. **A real-world example would be a leading food production and manufacturing company's supply chain control tower project:** The client owns dozens of workshops and production lines. They aim to address several pain points in their supply chain management by entrusting DC Holdings to build a supply chain control tower. These pain points include fragmented data caused by multiple system operations, the need for further improvement in efficiency for multi-point pickups and coordination between upstream and downstream, and lack of real-time data guidance for business operations. The client's vision is that through the establishment of the supply chain control tower, they will achieve resource scheduling across the entire supply chain. **This coverage extends to warehouses, industrial parks, and transportation both inside and outside the factory. The goal is to provide full-process information coverage and digital control, ultimately enhancing the overall coordination efficiency of their supply chain.**

Despite tight schedules and demanding tasks, the Group—with over 20 years of experience in supply chain logistics—leveraged its independently developed KingKoo Data supply chain big data management system to swiftly respond to the client's needs. By addressing the client's pain points in a targeted manner, DC Holdings earned high praise and recognition during the project implementation. This project has also accumulated valuable insights for future endeavors.

Going forward, the Group will engage in collaborative efforts with warehousing and transportation network partners within the ecosystem. Our goal is to empower additional cities and corporate clients in establishing nimble and robust supply chain systems. We intend to achieve this through strategic approaches such as digitalization, intelligence, and ecosystem development. By doing so, we aim to facilitate the digital transformation and modernization of traditional enterprise supply chains.

III. Business Case: Financial Data Asset Management and Services

During the Reporting Period, the Group has established **a robust data asset capability system centered around financial data assets. At its core lies a financial integrated data development platform, complemented by data asset operation platforms and data modeling platforms.**

The upgraded integrated data development platform has been officially deployed and put into operation by financial institutions at the provincial level in Beijing, Hebei, Inner Mongolia, and Shaanxi. Our data application product system, with data assets as its foundation, has empowered clients such as Postal Savings Bank of China, CITIC Bank, Industrial Bank, and Bohai Bank to unlock the full value of their data. Additionally, our enterprise-level data asset operation platform has secured contracts with significant financial clients, including Shaanxi Rural Credit Cooperatives, Nanjing Bank, Xi'an Bank, Mintai Bank, Hongta Bank, Xiamen International Bank, Sanxiang Bank, and CITIC Group.

Leveraging our industry resources and channel advantages, we have assisted financial institutions in enhancing their capabilities, allowing them to make intelligent decisions through utilizing data assets. Our independently developed Tianxi Intelligent Risk Control Decision Platform and Credit Data Derivative Indicator Platform have provided **customer credit profiles and intelligent risk control decision systems** for multiple financial institutions. These platforms have successfully secured contracts with 25 financial institutions, including Bank of Beijing, Ningbo Bank, Guangdong Rural Credit Cooperatives, China Credit Trust, CITIC Baixin Bank, Zhongbang Bank, China Resource Bank, and Hainan Credit Investigation. By addressing the challenges posed by traditional financial risk control models, especially in covering small and micro enterprises, we enable financial institutions to better serve this vital sector of the economy.

3. Expediting Global Market Expansion, Pioneering Fresh Avenues for Growth

As digitalization transforms global supply chains and industrial networks, China is actively fostering a novel development paradigm that enhances the symbiotic relationship between domestic and international circulations. DC Holdings is likewise expediting its global market expansion, with a strategic focus on replicating its established digital capabilities across diverse countries and regions. Our relentless pursuit involves identifying global collaboration prospects and venturing into uncharted growth territories.

I. Business Case: Smart City Construction in the Hong Kong SAR

Hong Kong, with its rich academic and technological research resources from across the globe, stands at the forefront of international data trading and artificial intelligence (AI) research. The 2023-24 government budget unveiled by the Hong Kong Special Administrative Region (HKSAR) Government earmarked HKD3 billion to bolster fundamental research in cutting-edge technology such as AI. Additionally, the government is strategically advancing the phased construction of an AI super-computing center, slated for completion by 2024-2025, to bolster the growth of the AI industry.

As a Hong Kong-listed company, DC Holdings enjoys a distinct advantage in further establishing its footprint within the local market. Drawing upon its two decades of experience in driving digital transformation for mainland China's governments, the Group has actively engaged in technology research and development initiatives across various HKSAR Government departments. **Notably, DC Holdings has emerged as a pivotal partner in shaping the landscape of big data utilization for government services.**

During the Reporting Period, DC Holdings, in collaboration with NVIDIA, **successfully delivered Phase 1 of the HKSAR Government's Large Language Model Super Computing Center project**. Phase 1 of this project has seen a substantial investment of **nearly HKD600 million**. Notably, this initiative stands as the world's pioneering computing power cluster project equipped with NVIDIA's cutting-edge technology, specifically the DGX H800 system. This technological leap holds immense significance in bolstering Hong Kong's AI computing capabilities, expediting the establishment of an AI super-computing center, and fostering the growth of the AI industry. This strategic collaboration represents a pivotal milestone in DC Holdings' super-computing center strategy. Leveraging our resource advantages, we are committed to accelerating connections with both domestic and international academic and government resources.

II. Business Case: Overseas Supply Chain and Cross-Border Digital Trade Services

Under China's ambitious Belt and Road Initiative (BRI), the Group has forged strategic alliances with prominent Chinese enterprises such as **Huawei, Honor, and ZTE** to expand our global presence. Our business footprint has **rapidly extended beyond Southeast Asian countries like Malaysia and Thailand, encompassing diverse regions such as Japan, South Korea, the Middle East, Africa, South America, North America, and Europe.** We offer **comprehensive end-to-end supply chain services**, including international and domestic transportation, warehousing, import and export facilitation, cross-border e-commerce, and live streaming solutions.

We actively collaborate with official institutions, including trade promotion associations and embassies, across countries like South Korea, Thailand, and Singapore. Moreover, in close partnership with local Chinese governments, we have **established a robust cross-border digital trade service platform**. This platform seamlessly integrates government policy resources with our ecosystem, effectively bridging the overseas market along the BRI. For traditional domestic enterprises, we provide integrated digital services, including digital display, marketing, negotiation, settlement, intelligent customs clearance, and streamlined digitalized supply chain solutions.

Our collaboration with the Department of Commerce in Jilin Province, where we have deep-rooted engagement, has yielded remarkable results. Through our cross-border digital trade comprehensive service platform, we have successfully attracted hundreds of enterprises to establish themselves. Within a year, this initiative **facilitated imports and exports exceeding RMB5 billion**, accounting for a substantial 70% of the total import and export volume in the Changchun Xinglong Area. This dynamic endeavor has invigorated the entire foreign trade ecosystem in Jilin Province, harnessing the transformative power of digital integration.

III. Business Case: Overseas Digital Finance Integrated Solutions

As the sole Chinese member unit to successfully join the international banking architecture organization, the Group has pioneered the development of the "New Generation Cloud-Native Financial Core System." Simultaneously, we've strategically built digital channels and payment application systems around our core banking products, culminating in a comprehensive integrated digital finance solution tailored for overseas markets.

During the Reporting Period, we secured the bid for the core project cluster of HSBC Bank (China) and **established a strong partnership with the HSBC Group's global headquarters**. Leveraging our advanced financial application systems, we seamlessly replaced the original centralized core systems, significantly contributing to HSBC Group's digital transformation journey. Additionally, we obtained core projects with overseas banks, including Singapore Gulf Bank and Goldman MFB, thereby propelling financial technology innovation across regional countries.

By the close of 2023, the Group actively participated in constructing core application systems for banks in several countries of the BRI, spanning Singapore, Indonesia, Malaysia, Kazakhstan, and Cambodia. Our unwavering commitment has empowered **over 20 overseas clients**, enabling local banks to seamlessly deliver convenient and reliable digital financial services to millions of individual customers and hundreds of thousands of corporate clients.

4. Introducing the "AI+" Initiative: Pioneering Enhanced Productivity

In China's "Government Work Report 2024", there is a strong emphasis on promoting the construction of a modern industrial system, accelerating the development of new productivity standards, and actively driving innovation in the digital economy. Additionally, the report underscores the importance of advancing research, development, and application of big data and artificial intelligence.

As part of this strategic vision, the country is prioritizing **the implementation of the "Data Element X" initiative and launching the "AI+" program**. These initiatives aim to foster deep integration between digital technology and the real economy in 2024. For DC Holdings, this represents a crucial opportunity to execute its big data and artificial intelligence strategy, leveraging its unique use case know-how.

Drawing upon years of profound data expertise, the Group will intensify its focus on **expanding data products.** We will harness core capabilities such as spatial-temporal knowledge mapping, operations research algorithms, and digital twins. Our strategic roadmap **involves accelerating our presence in the field of data elements**, **particularly within core cities and industry-specific scenarios. By synergizing industry-specific knowledge repositories with large-scale model technologies, we aspire to create intelligent big data products and AI applications that span diverse fields.**

In early 2024, DC Holdings secured a significant victory by winning the bid for the Changchun New District Smart Computing Center project, **valued at RMB460 million**. This achievement marks a crucial step in the execution of the "AI+" initiative. The Group plans to set up **an innovative industrial development platform within a super-computing center**, with a focus on Changchun New District's key industries, including biomedicine, optoelectronic information, and new materials. The aim is to construct high-quality multi-modal datasets for these industries and develop a large-scale model that enhances the industry ecosystem from infrastructure and algorithmic tools to intelligent platforms and solutions, thereby propelling the growth of industrial innovation. Concurrently, the Group will bolster its own abilities in data processing, operations, and AI decision analysis, laying a robust foundation for the nationwide replication and promotion of this model.

Moreover, DC Holdings has **fostered a deep and enduring partnership with NVIDIA**, earning the status of an "Elite Partner" for NVIDIA's AI Compute Systems and Networks. By harnessing its own strengths in big data and AI technologies, **DC Holdings is well-positioned to achieve resource integration and technological convergence. This is particularly evident in its pioneering role in the construction and operation of super-computing centers, with several projects in progress both domestically and internationally.** In these projects, DC Holdings effectively combines computing power, algorithms, and data capabilities to cater to user needs, accelerating the transformation of data assets and promoting innovation in the data intelligence industry. Looking ahead, the Group plans to intensify its collaboration with NVIDIA, especially in areas like **"AI + Healthcare" and "AI + Automotive"**. By leveraging its vast customer base and scenario resources, the Group aims to undertake forward-looking explorations.

The Group **will continue to leverage its core technologies to drive innovative business scenarios** and further the **"City CTO" and "Enterprise CSO"** development models. It is actively seeking to **make breakthroughs in the burgeoning market**, with the goal of broadening the reach and influence of its business operations. In addition, the Group will **place a high priority on ecosystem development**, cultivating an atmosphere of openness and reciprocal cooperation. It plans to establish strategic alliances with more enterprises that are both compatible and outstanding, thereby facilitating the fusion of the real and digital economies. By generating new, high-quality productivity, the Group aims to contribute to the superior development of the social economy, creating value for shareholders and society.

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

As of 31 December 2023, the outstanding unpaid principal of the WMP was approximately RMB1,631 million. The Group has obtained the right to proactively dispose of the ultimate underlying assets involved in the WMP and has formulated disposal plans and specific action plans in relation thereto. The Group pushed forward with the disposal of the real estate residential project (the amount of the principal involved was approximately RMB193 million), one of the ultimate underlying assets involved in the WMP, in accordance with the action plans. The court has issued a ruling to finalize the restructure plan and, affected by the price decline in the real estate market, the principal amount owed to the Group will be partially recovered from the sales proceeds of the underlying assets.

The remaining ultimate underlying assets of the WMP involved a market and a commercial complex. In accordance with the final approved restructure plan by the court, the commercial complex will be divested into a new corporate entity. The Group is expected to obtain a controlling interest in the new corporate entity such that the Group can facilitate the disposal of the relevant underlying assets. However, under such new plan, the value of the equity interests to be obtained by the Group will be less than the value of the underlying assets originally pledged to the Group.

Having considered the price decline in the real estate market and the changes in the restructure plan as approved by the court, after taking into account the assessment made by the independent valuer, the Company recorded an impairment provision of RMB746 million for the WMP. The Group will continue to push forward the implementation of the action plans and the Company will make further announcement as and when appropriate in the event of any material development on the action plans.

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 RMB22,800 million at 31 December 2023 which were financed by total liabilities of approximately RMB12,434 million, non-controlling interests of approximately RMB4,071 million and equity attributable to equity holders of the parent of approximately RMB6,295 million. The Group's current ratio at 31 December 2023 was 1.50 as compared to 1.47 at 31 December 2022.

During the year ended 31 December 2023, capital expenditure of approximately RMB187 million was mainly incurred for the additions of properties, plant and equipment and other intangible assets.

As at 31 December 2023, the Group had cash and bank balances of approximately RMB2,883 million, of which about approximately RMB2,845 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.52 at 31 December 2023 as compared to 0.43 at 31 December 2022. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately RMB3,283 million (31 December 2022: approximately RMB3,616 million) and equity attributable to equity holders of the parent of approximately RMB6,295 million (31 December 2022: approximately RMB8,362 million).

At 31 December 2023, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	RMB'000
Current	
Interest-bearing bank borrowings, unsecured	**529,061**
Interest-bearing bank borrowings, secured	**806,563**
Other borrowings	**66,311**
	1,401,935
Non-current	
Interest-bearing bank borrowings, secured	**1,881,487**
Total	**3,283,422**

Certain of the Group's bank borrowings of:

1. Approximately RMB1,808 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 RMB3,433 million at 31 December 2023; and

2. Approximately RMB830 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 183,184,000 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 RMB2,068 million at 31 December 2023.

Included in the Group's current and non-current bank borrowings of approximately RMB227 million and RMB1,881 million respectively represented the long-term loans which are repayable from year 2023 to 2036. As at 31 December 2023, approximately RMB1,280 million and RMB2,003 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 2023 amounted to approximately RMB12,842 million, of which approximately RMB2,209 million were in long-term loan facilities, approximately RMB10,633 million were in trade lines, short-term and revolving money market facilities. At 31 December 2023, the facility drawn down from the Group was approximately RMB2,128 million in long-term loan facilities, approximately RMB2,026 million in trade lines, 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

Patent Infringement Lawsuit Against Digital China Jinxin (Beijing) Technology Co., Ltd.

In March 2016, Shenzhen Yihua Computer Co., Ltd. (hereinafter referred to as "Yihua") initiated legal proceedings against Oki Electric Industry (Shenzhen) Co., Ltd. (hereinafter referred to as "OKI") and Digital China Jinxin (Beijing) Technology Co., Ltd. (hereinafter referred to as "DC Jinxin") in a patent infringement dispute. Yihua alleged that the defendants had violated its proprietary rights by infringing upon five utility patents. The patent numbers involved in the five cases are ZL201420112570.5, ZL201210385756.3, ZL201420060123.X, ZL200910108145.2, and ZL201420020564.7. Pursuant to the alleged infringements, Yihua sought judicial relief, demanding that OKI desist from the manufacturing, marketing, and promising sales of the products in question, while DC Jinxin was enjoined from selling and promising the sale of such products. Additionally, Yihua claimed monetary compensation for economic losses and reasonable expenses incurred in the protection of its rights, totaling RMB7 million from both OKI and DC Jinxin.

In January 2019, the Shenzhen Intermediate People's Court of Guangdong Province issued the first-instance judgment for the five cases, ordering OKI to desist from the production and sale of the infringing products and compensate RMB4.4 million. The judgement also ordered DC Jinxin to halt the sales and not to promise sales of such products and to compensate Yihua RMB1 million. The judgment dismissed all other claims advanced by Yi Hua.

OKI and DC Jinxin filed an appeal against the first-instance judgment. In December 2020, the Supreme People's Court rendered a civil ruling, which held that the five cases had failed to scrutinize the "OEM Supply Agreement" between OKI and Yi Hua. The Supreme People's Court determined that the initial factual findings were unclear and affected the infringement assessment. Consequently, it vacated the first-instance judgment and ordered a retrial. Yihua withdrew the litigations in November 2023.

However, in December 2023, Yihua filed a legal action with the Shenzhen Intermediate People's Court against OKI and DC Jinxin again, alleging infringement of its five previously identified invention patents. Yihua sought an injunction requiring OKI to desist from the production and sale of the infringing products and DC Jinxin to halt the sales and not to promise sales of such products. Additionally, Yihua demanded compensation from OKI and DC Jinxin for economic losses and reasonable expenses associated with efforts to mitigate the infringement, totaling RMB275.3 million. As at 31 December 2023, only notifications of filing had been received while no court session had been scheduled. Based on the advice from the legal advisor, it is less likely for DC Jinxin to fail in defending these cases.

Save as disclosed above, the Group had no material contingent liabilities as at 31 December 2023.

Commitment

At 31 December 2023, the Group had the following commitments:

	RMB'000
Contracted, but not provided for, in the consolidated financial statements:	
Land and buildings	**3,360**
Capital contributions payable to joint ventures	**81,580**
Capital contributions payable to associates	**9,510**
Capital contributions payable to financial assets at fair value through other comprehensive income	**429**
	94,879

Foreign Currency Exposure

The Group is exposed to foreign exchange risk arising from net monetary liabilities in currencies other than the functional currencies of approximately RMB102,276,000 (2022: RMB109,109,000) as at 31 December 2023.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange should the need arise.

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 2023, the Group had 16,782 full-time employees (31 December 2022: 15,166). 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 11.26% in staff costs to approximately RMB3,569 million for the year ended 31 December 2023 as compared to approximately RMB3,207 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 RMB1,149 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 *RMB'million*	Utilised amount as at 1 January 2023 *RMB'million*	Actual application for the year ended 31 December 2023 *RMB'million*	Un-utilised amount as at 31 December 2023 *RMB'million*	Expected to be utilised by 31 December 2024 *RMB'million*
(i) Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified	**664**	**(427)**	**(27)**	**210**	**210**
(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	**160**	**(160)**	-	-	-
(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	**250**	**(250)**	-	-	-
(iii) General working capital purposes	**75**	**(75)**	-	-	-
Total	**1,149**	**(912)**	**(27)**	**210**	**210**

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 2023, an aggregate of RMB939 million has been utilised from the Net Proceeds.

As at 31 December 2023, the un-utilised Net Proceeds from the Rights Issue amounted to approximately RMB210 million. In 2023, due to the lasting impact of the COVID-19 pandemic, 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 had not been utilised in full as at 31 December 2023. Despite the fact that the COVID-19 epidemic is gradually subsiding, it will take time for the socioeconomic activities to resume. It is expected that the un-utilised Net Proceeds would not be fully utilised by 30 June 2024. 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 31 December 2024.

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, 31 December 2020, 31 December 2021 and 31 December 2022 of the Company.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive Directors, namely Mr. WONG Man Chung, Francis (who is the Chairman of the Audit Committee), Miss 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 Group for the year ended 31 December 2023.

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 2023 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.

DIVIDENDS

The Board recommends the payment of a final dividend of HK6.0 cents per ordinary share (2022: HK4.5 cents per ordinary share) for the year ended 31 December 2023 to the Shareholders, totaling approximately HKD100,416,000, based on the number of ordinary shares in issue as at the date of this announcement. Subject to the approval of the Shareholders at the 2024 AGM, the proposed final dividend is expected to be paid on or about Tuesday, 16 July 2024 to the shareholders whose names appear on the register of members of the Company at 4:30p.m. on Wednesday, 3 July 2024.

ANNUAL GENERAL MEETING

The 2024 AGM will be held as a physical meeting on Thursday, 27 June 2024. A notice convening the 2024 AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2024 AGM, the transfer books and register of members of the Company will be closed from Monday, 24 June 2024 to Thursday, 27 June 2024, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and vote at the 2024 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 21 June 2024.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "**Code Provision(s)**") set out in the "Corporate Governance Code" contained in Part 2 of Appendix C1 to the Listing Rules throughout the year ended 31 December 2023 , except the following deviations from certain Code Provisions with considered reasons as given below:

Code Provision C.2.1 *stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief* *executive 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 of the Board 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 B.2.2 *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 amended and restated bye-laws of the Company adopted on 28 June 2023, at each annual general meeting one-third of the directors of the Company ("**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, save that the Chairman of the Board and 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, 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 C.3.3 *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 any of its non-executive Directors or independent non-executive Directors and their terms of office are not subject to a fixed term of service. 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/or currently hold or 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.

Code provision C.1.6 *stipulates that, among other things, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.*

During the year ended 31 December 2023, Mr. ZENG Shuigen, Miss NI Hong (Hope) and Dr. LIU Yun, John were unable to attend annual general meeting of the Company held on 28 June 2023 (the "**AGM**") due to other business commitments.

The Board is aware of this non-compliance and will continue to bring the importance of attending annual general meetings to the attention of the non-executive Directors.

Code provision F.2.2 *stipulates that the chairman of the Board should attend the annual general meetings of the Company, and should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegates to attend.*

During the year ended 31 December 2023, Mr. GUO Wei was unable to attend the AGM due to other business commitments.

Mr. LIN Yang, an executive Director present at the AGM took the chair of the AGM pursuant to the New Bye-Laws of the Company to ensure an effective communication with the Shareholders thereat. Mr. GUO Wei is the chairman of the nomination committee of the Board and due to his absence at the AGM, Mr.

WONG Man Chung, Francis, member of the nomination committee was invited to attend. Dr. LIU Yun, John is the chairman of the remuneration committee of the Board and due to his absence at the AGM, Mr. WONG Man Chung, Francis, member of the remuneration committee was invited to attend.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix C3 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 standards as set out in the Model Code throughout the Reporting Period.

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

During the year ended 31 December 2023, 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 during the year ended 31 December 2023.

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, 28 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: Ms. CONG Shan and Mr. LIU Jun Qiang

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

Website: www.dcholdings.com

* *For identification purpose only*