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## **PROPOSED ADOPTION OF EQUITY INCENTIVE SCHEME BY A SUBSIDIARY**

The board of directors (the “**Board**”) of Digital China Holdings Limited (the “**Company**”) hereby announce that 神州數碼信息服務股份有限公司 (Digital China Information Service Company Ltd.\*) (“**DCITS**”), an approximately 40.43% owned subsidiary of the Company listed on the Shenzhen Stock Exchange (stock code: 000555) proposed to adopt an equity incentive scheme which comprises two parts, a share option incentive scheme and a restricted share incentive scheme, (collectively, the “**DCITS Incentive Scheme**”).

The principal terms of the DCITS Incentive Scheme are as follows:

### **The Purpose**

The purpose of the DCITS Incentive Scheme is to further promote the establishment and improvement of DCITS’s long term incentive mechanism, attract and retain high caliber talents, encourage the initiative of directors, senior management and key employees of DCITS and its subsidiaries, so as to effectively align the interest of shareholders, DCITS and individual interests of core management, and cause all parties to focus on the long-term development of DCITS.

### **Scope of Incentive Participants**

The incentive participants of the DCITS Incentive Scheme comprise the directors, senior management and key employees of DCITS and its subsidiaries, but shall exclude the independent directors and supervisors of DCITS, as well as shareholders, individually or in aggregate, holding 5% or more of the shares in DCITS or the de facto controllers and their spouses, parents or children.

All incentive participants must have employment, labor or service relationships with DCITS within the validity period of the DCITS Incentive Scheme.

## **The Underlying Shares**

The underlying shares of the DCITS Incentive Scheme shall be the A ordinary shares to be issued by DCITS to the incentive participants and shall be no more than 30,000,000 shares in aggregate, representing approximately 3.11% of the total current share capital of DCITS.

According to the share option incentive scheme under the DCITS Incentive Scheme (the “**Share Option Incentive Scheme**”), DCITS intends to grant 22,600,000 share options to the incentive participants, representing approximately 2.35% of the total current share capital of DCITS. Upon fulfilment of the exercise conditions, an incentive participant shall be entitled by way of each share option granted to purchase one share in DCITS at the exercise price during the validity period, which shall commence from the completion date of registration of the grant of share options and end on the date on which all the share options granted to such incentive participant have been exercised or cancelled.

According to the restricted share incentive scheme under the DCITS Incentive Scheme (the “**Restricted Share Incentive Scheme**”), DCITS intends to grant 7,400,000 restricted shares to the incentive participants, representing approximately 0.77% of the total current share capital of DCITS. Restricted shares shall be issued to the incentive participants within 60 days after the approval in relation to the adoption of the DCITS Incentive Scheme is granted at the general meeting of DCITS. The Restricted Share Incentive Scheme does not constitute a share option scheme under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). However, the issue of the restricted shares under the Restricted Share Incentive Scheme by DCITS constitutes a deemed disposal of the Company of its equity interest in DCITS, and the issue of the restricted shares to the Company’s connected person by DCITS constitutes a connected transaction under Chapter 14A of the Listing Rules. Assuming no new shares in DCITS are further issued from the date hereof to the date of grant of the restricted shares, the Company’s shareholding in DCITS will be decreased from approximately 40.43% to approximately 40.12% of the enlarged share capital of DCITS upon the grant of the restricted shares, representing a dilution of approximately 0.31%. Upon completion, DCITS will remain as a subsidiary of the Company. According to the results of the current applicable size test percentage ratios, the above deemed disposal is exempted from the announcement requirement under Chapter 14 of the Listing Rules and the connected transaction will be in compliance with the de minimis transaction requirement under Rule 14A.76 of the Listing Rules.

## **Grant Price of the Restricted Shares**

The grant price of the restricted shares shall be RMB6.38 per share, not less than the higher of:

- (1) RMB 6.377 per share, being 50% of the average trading price of DCITS shares on the last trading day before the announcement of the draft DCITS Incentive Scheme (i.e. RMB12.753 per share); and
- (2) RMB 5.953 per share, being 50% of the average trading price of DCITS shares for the last 120 trading days before the announcement of the draft DCITS Incentive Scheme (i.e. RMB 11.905 per share).

## **Exercise Period and Exercise Price of the Share Options**

The exercise period under the Share Option Incentive Scheme shall be a 24-month period commencing from the date of expiry of the 12-month period from the date of registration of the grant of share options.

The exercise price of the share options shall be RMB 12.76 per share, not less than the higher of:

- (1) the average trading price of DCITS shares on the last trading day before the announcement of the draft DCITS Incentive Scheme, being RMB 12.753 per share; and
- (2) the average trading price of DCITS shares for the last 120 trading days before the announcement of the draft DCITS Incentive Scheme, being RMB 11.905 per share.

## **Exercise Conditions of the Share Options**

There are two levels of assessment in respect of fulfillment of the exercise conditions of the share options under the DCITS Incentive Scheme, namely, company-level performance assessment within DCITS and individual-level assessment. For the company-level performance assessment within DCITS, financial performance indicators of DCITS will be assessed annually, and achieving such financial performance assessment targets of the year is an exercise condition for the incentive participant of the corresponding year. At the individual level, individual performance assessment is required to decide if such incentive participant has fulfilled the share options' exercise conditions.

## **Cancellation of the Share Options**

The DCITS Incentive Scheme shall be terminated and the share options which have been granted to the incentive participants but not yet exercised shall not be exercised anymore and shall be cancelled by DCITS accordingly if any of the following occurs to DCITS:

- (1) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the accounting financial report for the latest accounting year;
- (2) issue of an accountants' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the internal control for the latest accounting year;
- (3) failure to conduct profit distribution in accordance with laws and regulations, the articles of association of DCITS and public undertakings during the most recent 36 months after listing;
- (4) prohibition from implementation of an equity incentive scheme by laws and regulations and any applicable Listing Rules; and
- (5) other circumstances that require termination of the DCITS Incentive Scheme, as determined by the China Securities Regulatory Commission or relevant authorities.

The draft of the DCITS Incentive Scheme and its summary have been published on the website of CNINFO\* (巨潮資訊網網站), <http://www.cninfo.com.cn>.

The Share Option Incentive Scheme under the DCITS Incentive Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules. Therefore, the proposed adoption of the Share Option Incentive Scheme is subject to approval of the shareholders of the Company (the “**Shareholders**”) by an ordinary resolution at a general meeting (the “**Meeting**”). A circular containing, among other things, details of the Share Option Incentive Scheme and the notice of the Meeting will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

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, 23 April 2019

At the publication of this announcement, the Board comprises nine directors, namely:

*Executive Directors: Mr. GUO Wei (Chairman and Chief Executive Officer) and Mr. LIN Yang (Vice Chairman)*

*Non-executive Directors: Mr. YU Ziping and Mr. PENG Jing*

*Independent Non-executive Directors: Mr. WONG Man Chung, Francis, Ms. NI Hong (Hope), Dr. LIU Yun, John, Ms. YAN Xiaoyan and Mr. KING William*

*Website: [www.dcholdings.com](http://www.dcholdings.com)*

*\*For identification purpose only*