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## **DISCLOSEABLE TRANSACTION**

### **DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

#### **THE DISPOSAL**

On 14 January 2020, the Group entered into the SPA with the Transferee pursuant to which the Group has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Beijing Lizhi Weixin, being an indirect non-wholly owned subsidiary of the Company, which in turn holds 32,720,636 shares in Digital China Health, representing approximately 14.05% of the entire issued share capital of Digital China Health.

#### **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, the Group held approximately 20.04% of the total issued shares in Digital China Health and the entire equity interest in Beijing Lizhi Weixin. Immediately after completion of the Disposal, the Group will retain approximately 5.99% of the total issued shares in Digital China Health, and Digital China Health will cease to be an associate of the Company. The Group will also cease to have any equity interest in Beijing Lizhi Weixin, and Beijing Lizhi Weixin will cease to be a subsidiary of the Company.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal (whether on a standalone basis or when aggregated with the December Disposals) is more than 5% but less than 25%, the transaction contemplated under the SPA constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

#### **THE SPA**

The Board wishes to announce that on 14 January 2020, the Group entered into the SPA with the Transferee pursuant to which the Group has agreed to sell, and the Transferee has agreed to acquire the entire equity interest in Beijing Lizhi Weixin, being an indirect non-wholly owned subsidiary of the Company, which in turn holds

32,720,636 shares in Digital China Health, representing approximately 14.05% of the entire issued share capital of Digital China Health.

The principal terms of the SPA are set out below:

**Date**

14 January 2020

**Parties**

- (1) Smart City (Beijing) as one of the transferors;
- (2) Tianjin Digital as one of the transferors;
- (3) Smart City (Fujian) as one of the transferors; and
- (4) SK China Company Limited as the transferee.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Transferee and its ultimate beneficial owner(s) is an Independent Third Party.

The Transferee is principally engaged in investment holding.

**The Disposal**

Immediately prior to the completion of the SPA, Beijing Lizhi Weixin was an indirect non-wholly owned subsidiary of the Company and was held as to 40% by Smart City (Beijing), 50% by Tianjin Digital and 10% by Smart City (Fujian).

Under the SPA, Smart City (Beijing), Tianjin Digital and Smart City (Fujian) have agreed to sell the entire equity interest in Beijing Lizhi Weixin to the Transferee.

**Consideration**

The total consideration for the Disposal payable by the Transferee under SPA shall be the U.S. dollar equivalent of RMB500 million. The entire amount of consideration shall be payable by the Transferee after completion of the relevant registration and filing procedures in the PRC for effecting the equity interest transfer under the SPA.

The consideration of the Disposal was arrived at after arm's length negotiations between the Transferors and Transferee on normal commercial terms with reference to the value of the entire equity interest in Beijing Lizhi Weixin and valuation of comparable companies.

**Completion**

The SPA is effective upon signing. The Disposal will be completed upon

completion of the relevant registration and filing procedures in the PRC for effecting the equity interest transfer under the SPA and settlement of the consideration for the Disposal by the Transferee.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is a high-tech company which empowers enterprises from all walks of life by virtue of world-beating technologies. By integrating big data, cloud computing, security technology, blockchain, artificial intelligence and the Internet of Things through Cloud-Edge collaboration Framework, it is committed to creating values for various professions. Its subsidiaries, based on cutting-edge integrated technologies and focused on homegrown “InternetWare”, principally engage in the fields of government, supply chain, finance, medical treatment, manufacturing, agriculture that are undergoing digital transformation and reform and provide comprehensive solutions of whole industry chain by combining cloud services with big data operations.

The Board believes that the disposal of equity interest in Digital China Health represents a good opportunity for the Group to realize a majority portion of its investment in Digital China Health at a profit, considering a better industrial layout and a synergy among subsidiaries for fully empowering the Group based on core technologies and integration scenarios, thereby optimizing the big data layout in health and medical treatment, with the homegrown “InternetWare” as its core. The Group believes that the terms of the Disposal are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

As at the date of this announcement, the Group holds approximately 20.04% of the total issued shares in Digital China Health and the entire equity interest in Beijing Lizhi Weixin. After completion of the Disposal, Beijing Lizhi Weixin will cease to be a subsidiary of the Company and the Group will retain 13,947,384 shares in Digital China Health, representing approximately 5.99% equity interest in Digital China Health, and the Digital China Health will cease to be an associate of the Company.

The carrying value of 14.05% equity interest in Digital China Health in the book of the Group is approximately HK\$214,565,000. Subject to audit (below calculation is for indicative purpose only), it is expected that the Group will recognise a gain before tax of approximately HK\$345,000,000 as a result of the Disposal for the year ending 31 December 2020, based on the fact that the carrying value of 14.05% equity interest in the Digital China Health in the book of the Group is approximately HK\$214,565,000 as at 31 December 2019, and the estimated related expenses in relation to the Disposal is approximately HK\$378,000.

## USE OF PROCEEDS

It is expected that the proceeds from the Disposal will be applied for further investment in big data technologies, as well as other options that could raise shareholders' return.

## INFORMATION ON DIGITAL CHINA HEALTH

Digital China Health is a company incorporated in the PRC with limited liability which principally engaged in the provision of medical information service, medical big data and medical cloud service.

The financial information of Digital China Health for the two years ended 31 December 2018 is as follow:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	19	45,276
Net Loss before taxation	76,545	78,312
Net Loss after taxation	76,545	78,312

## INFORMATION ON BEIJING LIZHI WEIXIN

Beijing Lizhi Weixin is a company incorporated in the PRC with limited liability which principally engaged in investment holding.

As Beijing Lizhi Weixin was incorporated in 2019 and had not engaged in any business activities during the two years ended 31 December 2018, no revenue, net profit before taxation and net profit after taxation were recorded during such period.

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Group holds approximately 20.04% of the total issued shares in Digital China Health and the entire equity interest in Beijing Lizhi Weixin. Immediately after completion of the Disposal, the Group will retain approximately 5.99% of the total issued share in the Digital China Health and the Digital China Health will cease to be an associate of the Company. The Group will also cease to have any equity interest in Beijing Lizhi Weixin, and Beijing Lizhi Weixin will cease to be a subsidiary of the Company.

In December 2019, the Group entered into three other agreements with three other Independent Third Parties (which are unrelated to the Transferee) for the disposal of an aggregate of 13,331,980 shares in Digital China Health at an aggregate

consideration of RMB203,724,344 (the “**December Disposals**”), which have been completed as of the date of this announcement. Each of the transactions under the December Disposals, on a standalone basis, does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Since both the SPA and the December Disposals involved direct or indirect disposal of equity interest in Digital China Health within a 12-month period, the transaction under the SPA is aggregated with that under the December Disposals as a single transaction pursuant to Rule 14.23 of the Listing Rules. As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal (whether on a standalone basis or when aggregated with the December Disposals) is more than 5% but less than 25%, the transaction contemplated under the SPA constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Beijing Lizhi Weixin”	Beijing Lizhi Weixin Technology Co., Ltd.* (北京勵致維欣科技有限公司), a company incorporated in the PRC with limited liability, which is owned as to 40% by Smart City (Beijing), 50% by Tianjin Digital and 10% by Smart City (Fujian)
“Board”	the board of Directors
“Company”	Digital China Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Digital China Health”	Digital China Health Technologies Co., Ltd.* (神州數碼醫療科技股份有限公司), a company incorporated in the PRC with limited liability, an associate of the Company immediately prior to the completion of the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal by the Group of the entire equity interest in Beijing Lizhi Weixin on and subject to the terms and conditions of the SPA
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are not connected person(s) or core connected person(s) (both as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Smart City (Beijing)”	Digital China Smart City (Beijing) Technologies Co., Ltd.* (智慧神州(北京)科技有限公司), a company incorporated in the PRC with limited liability, a non-wholly owned subsidiary of the Company and one of the Transferors
“Smart City (Fujian)”	Digital China Smart City (Fujian) Technologies Co., Ltd.* (智慧神州(福建)信息技術有限公司), a company incorporated in the PRC with limited liability, a non-wholly owned subsidiary of the Company and one of the Transferors
“SPA”	the sale and purchase agreement dated 14 January 2020 entered into between Smart City (Beijing), Tianjin Digital, Smart City (Fujian) and the Transferee in relation to the disposal of the entire equity interest in Beijing Lizhi Weixin by the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Digital”	Tianjin Digital Finance Leasing Co., Ltd.* (天津神州數碼融資租賃有限公司), a company incorporated in the PRC with limited liability, a wholly owned subsidiary of the Company and one of the Transferors
“Transferors”	collectively, Smart City (Beijing), Tianjin Digital and Smart City (Fujian)
“Transferee”	SK China Company Limited, a limited company incorporated in Hong Kong, an Independent

	Third Party and the transferee under the SPA
“U.S. dollar”	United States dollars, lawful currency of the United States
“%”	per cent.

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, 15 January 2020

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. 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. William KING*

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

*\*For identification purpose only*