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## **DISCLOSEABLE TRANSACTION**

### **DISPOSAL OF EQUITY INTEREST IN AN ASSOCIATE**

#### **THE DISPOSAL**

On 4 July 2020, DC Software and Talent Gain entered into the SPA with the Transferee pursuant to which DC Software has agreed to sell, and the Transferee has agreed to acquire, the Sale Shares in Digiwin Software, representing approximately 15.08% of the total issued shares in Digiwin Software.

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

As at the date of this announcement, the Group holds approximately 18.91% of the total issued shares in Digiwin Software. Immediately after Completion, the Group will retain approximately 3.83% of the total issued shares in Digiwin Software and Digiwin Software will cease to be an associate 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 On-Market 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 4 July 2020, DC Software and Talent Gain entered into the SPA with the Transferee pursuant to which DC Software has agreed to sell, and the Transferee has agreed to acquire, the Sale Shares in Digiwin Software, representing approximately 15.08% of the total issued shares in Digiwin Software.

The principal terms of the SPA are set out below:

**Date**

4 July 2020

**Parties**

- (1) Foxconn Industrial Internet Co., Ltd. (富士康工業互聯網股份有限公司) as the Transferee;
- (2) Digital China Software (BVI) Limited as the transferor; and
- (3) Talent Gain Developments Limited.

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

The Transferee is principally engaged in industrial internet technology research and development; communication system research and development; enterprise management services; import and export of electronic products and spare parts and related supporting services.

**The Disposal**

Immediately prior to the Completion, Digiwin Software is an associate of the Company. As at the date of this announcement, DC Software and Talent Gain held approximately 15.08% and 3.83% of the total issued shares in Digiwin Software, respectively.

Under the SPA, DC Software have agreed to sell the Sale Shares to the Transferee.

**Consideration**

The Consideration shall be RMB559,597,710 payable by the Transferee as follows:

- (i) RMB139,899,427.50, representing 25% of the Consideration, shall be payable by the Transferee to a designated bank account on an agreed payment date which is within five business days after the fulfillment of the conditions precedent under the SPA or such other date to be determined by the Transferee and DC Software in writing; and
- (ii) RMB419,698,282.50, representing 75% of the Consideration, shall be payable by the Transferee to the designated bank account within one business day after completion of the Disposal.

The Consideration was arrived at after arm's length negotiations between DC Software and the Transferee on normal commercial terms with reference to the market capitalisation of Digiwin Software on the trading day immediately preceding the date of the SPA.

## Conditions Precedent

Completion is conditional upon fulfillment or, as the case may be, waiver of the following conditions:

- (a) DC Software having obtained all necessary authorisations and approvals for the SPA to be effective and provided copies of such authorisations and approvals to the Transferee;
- (b) the Transferee having received the original of the approval or confirmation letter from the regulatory authorities, such as the China Securities Regulatory Commission and/or the Shenzhen Stock Exchange, if such approval or confirmation is required by law;
- (c) DC Software having undertaken in writing to the Transferee that it complied with its obligations and representations and warranties under the SPA;
- (d) the two directors nominated by DC Software and Talent Gain having tendered their resignation letters to board of directors of Digiwin Software and the two director candidates nominated by the Transferee having been elected as directors at the general meeting of Digiwin Software;
- (e) no courts or regulatory bodies having made any judgments, preservation measures or other decisions, orders or statutory restrictions that prohibit or restrict Completion of the transfer of the Sale Shares;
- (f) no events that having prevented Digiwin Software from continuing its normal operations or had any material adverse effect on the business of Digiwin Software. Material adverse effect means any event that may cause or reasonably expected to cause:
  - (1) serious impairment of DC Software and the Transferee's ability to perform their obligations under the SPA;
  - (2) a material adverse effect or change on the operations, assets, operating results, finances, liabilities (including but not limited to contingent liability), operation forecast, and qualifications or capabilities to conduct business. For avoidance of doubt, a decrease of 5% or more in the net asset value of Digiwin Software in the most recently published results as compared with that of the previous disclosed net asset value constitutes material adverse event or change; or
  - (3) any falseness, error, omission or misleading in the representations and warranties made by DC Software under the SPA;
- (g) the Disposal having been reviewed and approved by decision-making body of the Transferee.

## **Completion**

The SPA is effective upon signing. The Disposal will be completed upon completion of the relevant registration and the entering of the name of the Transferee as holder of the Sale Shares.

## **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 considers that the Disposal is conducive to enhancing the capital strength of the Group and DCITS and improving resources efficiency. In addition, it represents a good opportunity for the Group to realise a majority portion of its investment in the Digiwin Software and believes that the terms of the Disposal are fair and reasonable and the Disposal is 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 18.91% of the total issued shares in Digiwin Software. After Completion, the Group will retain 10,154,327 shares in Digiwin Software, representing approximately 3.83% of the total issued shares in Digiwin Software, and Digiwin Software will cease to be an associate of the Company.

Subject to audit (below calculation is for indicative purpose only), it is expected that the Group will recognise a profit attributable to shareholders of the parent company of approximately RMB85 million (equivalent to approximately HK\$93 million) as a result of the Disposal for the year ending 31 December 2020.

## **USE OF PROCEEDS**

It is expected that the proceeds from the Disposal will be used to invest in technology research and development, replenish working capital or repay bank loans.

## INFORMATION ON DIGIWIN SOFTWARE

Digiwin Software is a company incorporated in the PRC with limited liability, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300378), which principally engaged in the research, development and production of computer software systems, hardware and auxiliary spare parts, network products, multimedia products, office automation equipment, instrumentation, electrical appliances as well as printing and phototypesetting equipment; computer system integration and installation and maintenance of computer application systems, sales of self-produced products, and provision of related technology transfer and technical training; import and export, related technical consulting and supporting services.

The consolidated financial information of Digiwin Software and its subsidiaries for the two years ended 31 December 2019 is as follow:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,341,521	1,466,718
Net profit before taxation	113,155	142,726
Net profit after taxation	80,444	103,893

## IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Group holds approximately 18.91% of the total issued shares in Digiwin Software. Immediately after completion of the Disposal, the Group will retain approximately 3.83% of the total issued shares in Digiwin Software and Digiwin Software will cease to be an associate of the Company.

Since July 2019 and up to the date of this announcement, the Group disposed on-market of an aggregate of 6,156,274 shares in Digiwin Software at an aggregate consideration of RMB92,460,635 (the “**On-Market Disposals**”). Each of the transactions under the On-Market Disposals, on a standalone basis or in aggregate, does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. Since both the SPA and the On-Market Disposals involved disposal of the shares in Digiwin Software within a 12-month period, the transaction under the SPA is aggregated with that under the On-Market 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 On-Market 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:

“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
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the SPA
“Connected Person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	the consideration of the Disposal under the SPA
“DC Software”	Digital China Software (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by DCITS and a subsidiary of the Company and the transferor under the SPA
DCITS	Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司), the shares of which are listed on the Main Board of the Shenzhen Stock Exchange (stock code: 000555), a non-wholly owned subsidiary of the Company which owned as to approximately 40.14% by the Company
“Digiwin Software”	Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司), a limited company incorporated in the PRC, the shares of which are listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300378), 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 Sale Shares 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
“Sale Shares”	39,971,265 shares in Digiwin Software
“SPA”	the sale and purchase agreement dated 4 July 2020 entered into between DC Software, Talent Gain and the Transferee in relation to the disposal of the Sale Shares in Digiwin Software by DC Software
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Talent Gain”	Talent Gain Developments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company, which held approximately 3.83% of the total issued shares in Digiwin Software as at the date of this announcement
“Transferee”	Foxconn Industrial Internet Co., Ltd. (富士康工業互聯網股份有限公司), a limited company incorporated in the PRC, the shares of which are listed on Shanghai Stock Exchange (stock code: 601138), an Independent Third Party and the transferee under the SPA
“%”	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, 4 July 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. PENG Jing and Mr. ZENG Shuigen*

*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*