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GRANT OF SHARE OPTIONS TO DIRECTORS AND MANAGEMENT

This announcement is made pursuant to Rule 17.06A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The board (the “**Board**”) of directors (the “**Directors**”) of Digital China Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces that a total of 107,000,000 share options (the “**Share Options**”) were granted by the Company to the following Directors (the “**Director Grantees**”) and 12 members of the management of the Company (the “**Management Grantees**”) (together with the Director Grantees, the “**Grantees**”) on 13 July 2020 (the “**Grant**”) under the share option scheme adopted by the Company on 15 August 2011 (the “**Scheme**”), subject to the acceptance of the Grantees:

Name of Grantees	Relationship with the Company	Number of Share Options granted
Mr. Guo Wei	Chairman, chief executive officer, executive Director and substantial Shareholder	81,000,000
Mr. Lin Yang	Vice chairman and executive Director	2,000,000
Mr. Wong Man Chung, Francis	Independent non-executive Director, chairman of the audit committee and member of remuneration committee	2,000,000
Dr. Liu Yun, John	Independent non-executive Director and chairman of remuneration committee	2,000,000
Ms. Yan Xiaoyan	Independent non-executive Director and member of audit committee	2,000,000

Ms. Ni Hong (Hope)	Independent non-executive Director and member of audit committee	2,000,000
Mr. King William	Independent non-executive Director and member of remuneration committee	2,000,000
Management Grantees	Management of the Company	14,000,000
Total:		<u>107,000,000</u>

The followings are the details of the Share Options granted:

Date of grant : 13 July 2020

Total number of Share Options granted : 107,000,000 Share Options representing the rights to subscribe for up to a total of 107,000,000 new ordinary shares of HK\$0.10 each in the Company (the “Shares”)

Exercise price of Share Options granted : HK\$6.60 per Share, representing the highest of:

- (i) the closing price of HK\$6.60 per Share as stated in the daily quotation sheets of the Stock Exchange on the date of grant;
- (ii) the average closing price of HK\$5.688 per Share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of HK\$0.10 per Share

Closing price of the Shares on the date of grant : HK\$6.60per Share

Conditions for the vesting and exercising Share Options : The vesting and exercise of the Share Options shall be conditional upon satisfaction of, among others, certain performance conditions (including, among others, key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ending 31 December 2020, 2021 and 2022 as set out in the respective granting document (if any) and the following conditions:

- (a) the Group’s audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests for the financial year ending 31 December 2020 based

on the audited consolidated financial statements of the Company amounts to HK\$500 million or above (the “**Condition (a)**”), in which case one third of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below;

- (b) the Group’s audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests for the financial year ending 31 December 2021 based on the audited consolidated financial statements of the Company amounts to HK\$800 million or above (the “**Condition (b)**”), in which case one third of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below; or
- (c) the Group’s audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests for the financial year ending 31 December 2022 based on the audited consolidated financial statements of the Company amounts to HK\$1.2 billion or above (the “**Condition (c)**”), in which case one third of the Share Options shall vest and become exercisable on the relevant vesting date as mentioned below.

Vesting date of Share Options granted : The vesting of the relevant portion of the Share Option upon satisfaction of Condition (a), Condition (b) and Condition (c) shall take place on the date on which the relevant date of issue of the audited consolidated financial statements of the Company for the financial year ending 31 December 2020, 2021 and 2022, respectively.

Validity period of the Share Options : Eight (8) years, from 13 July 2020 to 12 July 2028 (both days inclusive)

Pursuant to Rule 17.03(4) of the Listing Rules and the Scheme, where any future grant of Share Options to a grantee would result in the Shares issued and to be issued upon exercise of all Share Options already granted and to be granted (including exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant of Share Options must be separately approved by the shareholders of the Company (the “**Shareholders**”) in general meeting with the Grantee and his associates abstaining from voting.

Pursuant to Rule 17.04(1) of the Listing Rules and the Scheme, each grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates, must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee of the Share Options). Also, any grant of

Share Options to a substantial shareholder or an independent non-executive director, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of Share Options must be approved by the Shareholders in general meeting in which the Grantee, his associates and all core connected persons of the Company must abstain from voting in favour.

The Grant has been reviewed and approved by the remuneration committee of the Company and the Board (including all independent non-executive Directors who are not the Grantees of the respective Share Options in accordance with Rule 17.04(1) of the Listing Rules). The Director Grantees were abstained from voting on resolution in relation to the grant of Share Options to himself/herself in the Board meeting.

(i) The Grant to the Director Grantees other than Mr. Lin Yang

As at the date of this announcement, Mr. Guo Wei is the chairman, chief executive officer, executive Director and substantial shareholder of the Company who is personally interested in approximately 5.64% of the issued share capital of the Company and the entire shareholding interest in Kosalaki Investments Limited which in turn is interested in approximately 5.19% of the issued share capital of the Company.

As at the date of this announcement, each of Mr. Wong Man Chung, Francis, Dr. Liu Yun, John, Ms. Yan Xiaoyan, Ms. Ni Hong (Hope) and Mr. King William is an independent non-executive Director.

As the total number of Shares to be issued upon exercise of the Share Options offered to be granted to each of the Director Grantees other than Mr. Lin Yang represents in aggregate over 0.1% of the Shares in issue and having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares of HK\$6.60 on the date of grant, pursuant to Rule 17.04(1) of the Listing Rules, and the total number of Shares to be issued upon exercise of the Share Options offered to be granted to Mr. Guo Wei exceeds 1% of the Shares in issue, the Grant to the Director Grantees other than Mr. Lin Yang will be conditional upon the approval of the Shareholders at the special general meeting (the “SGM”) with the Director Grantees other than Mr. Lin Yang, their associates and all core connected persons of the Company abstaining from voting in favour in accordance with the requirements of the Listing Rules.

(ii) The Grant to Mr. Lin Yang and Management Grantees

As at the date of this announcement, Mr. Lin Yang is vice chairman and executive Director of the Company.

Mr. Lin Yang and each of the Management Grantees will not, as a result of the Grant, be entitled to be issued with such number of Shares as represents over 1% of the Shares in issue upon exercise of all Share Options granted to him in the 12-month period up to and including the date of grant. Therefore, the Grant to Mr. Lin Yang and the Management Grantees is not subject to approval of the Shareholders at the SGM.

Save as disclosed above, none of the Grantees is a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules).

A circular containing, among other things, further details in respect of the Grant together with a notice of the SGM will be despatched to the Shareholders as soon as possible 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, 13 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

**For identification purpose only*