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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Digital China Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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### GRANT OF SHARE OPTIONS AND NOTICE OF SGM

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A notice convening the SGM to be held on Tuesday, 22 September 2020 at 10:30 a.m. at 31st Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong is set out on pages 19 to 22 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you intend to attend the SGM, you are advised to read the notice of SGM and complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

#### PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the Coronavirus at the SGM, including:

- **compulsory temperature checks and health declarations**
- **strongly recommended wearing of surgical face mask**
- **no distribution of corporate gifts and refreshments**

**Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the SGM venue. Attendees are strongly recommended to bring and wear own surgical face masks and Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.**

25 August 2020

\* For identification purpose only

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## PRECAUTIONARY MEASURES FOR THE SGM

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In view of the ongoing novel coronavirus (COVID -19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendees at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue a declaration form confirming their names, contact details and body condition, and state that whether they have travelled to any affected countries or areas outside Hong Kong in the preceding 14 days, or to their best knowledge had close contact with any confirmed cases, or have symptoms of flu, fever or pneumonia. Any such person may be denied entry into the SGM venue or be required to leave the SGM venue.
- (iii) Attendees are strongly recommended to bring and wear own surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats.
- (iv) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders' health and safety, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, strongly recommended by using a form of proxy with voting instructions inserted, Shareholders, particularly those who are subjected to quarantine, may appoint the Chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

The form of proxy is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the form of proxy can be downloaded from the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the "Investor Relations – Announcements" section of the website of the Company ([www.dcholdings.com](http://www.dcholdings.com)). If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

Shareholders are strongly recommended not to attend the SGM in person. If Shareholders have any questions about the relevant resolutions, or about the Company or any matters for communication with the Board, they are welcome to contact the Company via Investor Relations Department as follows:

Investor Relations Department  
Email: [ir@dcholdings.com](mailto:ir@dcholdings.com)  
Tel: +852 3416-8085

If Shareholders have any questions relating to the SGM, please contact the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited as follows:

Tricor Abacus Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
E-mail: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)  
Tel: +852 2980-1333  
Fax: +852 2890-9350

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	the day(s) on which the Stock Exchange is open for the business of dealing in securities
“Company”	Digital China Holdings Limited (神州數碼控股有限公司*), an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders who are not connected persons of the Company
“Latest Practicable Date”	21 August 2020, being the latest practicable date prior for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Proposed Grantees”	Mr. Guo Wei, Mr. Wong Man Chung, Francis, Ms. Ni Hong (Hope), Dr. Liu Yun, John, Ms. Yan Xiaoyan and Mr. King William
“Remuneration Committee”	remuneration committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	the special general meeting of the Company to be convened and held at 10:30 a.m. on Tuesday, 22 September 2020 at 31st Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong, the notice of which is set out on pages 19 to 22 of this circular, and any adjournment thereof for the purpose of considering, and if thought fit, approve (among other matters) the grant of Share Options to the Proposed Grantees
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Options”	share options to subscribe for Shares under the Share Option Scheme
“Share Options Scheme”	share option scheme adopted by the Company on 15 August 2011
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.*

\* For identification purpose only

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

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

*Non-executive Directors:*

Mr. PENG Jing  
Mr. ZENG Shuigen

*Independent non-executive Directors:*

Mr. WONG Man Chung, Francis  
Ms. NI Hong (Hope)  
Dr. LIU Yun, John  
Ms. YAN Xiaoyan  
Mr. KING William

*Registered office:*

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

31st Floor  
Fortis Tower  
77-79 Gloucester Road  
Wanchai  
Hong Kong

25 August 2020

*To the Shareholders*

Dear Sir or Madam,

**GRANT OF SHARE OPTIONS  
AND  
NOTICE OF SGM**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 13 July 2020 in relation to, among others, the grant of Share Options to the Proposed Grantees.

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## LETTER FROM THE BOARD

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The purpose of this circular is (i) to provide the Shareholders with information regarding the resolutions to be proposed at the SGM to approve the grant of the Share Options to the Proposed Grantees; and (ii) to give the Shareholders a notice of the SGM and other information in accordance with the requirements of the Listing Rules.

### 2. GRANT OF SHARE OPTIONS

On 13 July 2020, the Board (including all the independent non-executive Directors who are not the grantees of the respective Share Options) resolved to grant to the following grantees Share Options carrying rights to subscribe for a maximum of a total of 107,000,000 Shares under the Share Option Scheme, subject to their acceptance, among which the grant to the Proposed Grantees is conditional upon Independent Shareholders' approval to be obtained at the SGM:

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
Ms. Ni Hong (Hope)	Independent non-executive Director and member of audit 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
Mr. King William	Independent non-executive Director and member of Remuneration Committee	2,000,000
12 members of the management of the Company (“Management Grantees”)	Management of the Company	14,000,000
<b>Total:</b>		<b><u>107,000,000</u></b>

During the 12-month period prior to the Proposed Grant, an aggregate of 5,800,000 Share Options were granted to the Management Grantees on 2 September 2019 and 27 April 2020, which have not been exercised as at the Latest Practicable Date.

Save as disclosed above, no Share Options were previously granted to any of the above grantees in the 12-month period up to and including the date of the proposed grant of Share Options.

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## LETTER FROM THE BOARD

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A summary of such grant is set out below:

- 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 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\$6.60 per Share
- Conditions for the vesting and exercising Share Options : The vesting and exercise of the Share Options shall be conditional upon satisfaction of (in respect of the Management Grantees only) 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 and (in respect of all the grantees, including the Proposed Grantees) 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;



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## LETTER FROM THE BOARD

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- (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 Options 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)

The Shares to be allotted upon exercise of Share Options will be subject to all the provisions of the Memorandum of Association and New Bye-laws of the Company and the Companies Act 1981 of Bermuda (as amended) for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

A Share issued upon the exercise of an Share Option shall not carry any voting rights until the registration of the grantee or his nominee as the holder of the Share on the register of members of the Company.

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## LETTER FROM THE BOARD

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### **Implications under the Listing Rules**

Pursuant to Rule 17.03(4) of the Listing Rules and the Share Options 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 in general meeting with the grantee and his associates abstaining from voting.

Pursuant to Rule 17.04(1) of the Listing Rules and the Share Options 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 to the Proposed Grantees has been reviewed and approved by the Remuneration Committee of the Company and the Board (including all the 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). Each of the Proposed Grantees 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 Proposed Grantees***

As at the Latest Practicable Date, Mr. Guo Wei was the chairman, chief executive officer, executive Director and substantial Shareholder of the Company who was 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 was interested in approximately 5.19% of the issued share capital of the Company.

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

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## LETTER FROM THE BOARD

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As the total number of Shares to be issued upon exercise of the Share Options offered to be granted to each of the Proposed Grantees 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 Proposed Grantees will be conditional upon the approval of the Shareholders at the SGM with the Proposed Grantees, their associates and all core connected persons of the Company abstaining from voting in favour in accordance with the requirements of the Listing Rules.

As at the Latest Practicable Date, to the extent that it is aware by the Board having made all reasonable enquires, Guangzhou City Investment Jiazi Investment Partnership (Limited Partnership)\* (廣州城投甲子投資合夥企業(有限合夥)), Suitong Hong Kong Company Limited\* (穗通(香港)有限公司), GRG Banking Equipment Co., Ltd.\* (廣州廣電運通金融電子股份有限公司), Mr. Guo Wei, Kosalaki Investments Limited and Mr. Lin Yang are core connected persons of the Company, with totalling 850,440,476 Shares in issue, representing 50.86% of the aggregate number of issued Shares as at the Latest Practicable Date, and are thus required to abstain from voting in favour of the resolutions to be proposed at the SGM to approve the grant of the Share Options to the Proposed Grantees.

### *(ii) The grant to Mr. Lin Yang and Management Grantees*

As at the Latest Practicable Date, Mr. Lin Yang was the vice chairman and executive Director of the Company. Each of 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/her in the 12-month period up to and including the date of grant. Therefore, the grant of Share Options to each of 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 of the Share Options is a Director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules).

### **Reasons for granting the Share Options to the Proposed Grantees**

The Directors are of the view that contributions of the Directors, management and employees are of paramount importance to the success of the Group.

The purpose of the Share Options Scheme is to enable the Group to grant Share Options to qualified persons under the Share Options Scheme as incentives or rewards for their contribution or potential contribution to the Group.

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## LETTER FROM THE BOARD

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In determining the number of Share Options proposed to be granted to each of the Proposed Grantees, the Remuneration Committee had considered factors including time commitment and responsibilities of the Directors, the desirability of adopting performance-based remuneration, and profit performance target of the Group needed to achieve as condition for the vesting of the Share Options so granted. The Remuneration Committee has also taken into account the financial performance of the Group during the latest financial year, and in particular, the contributions and efforts made and to be made by the Proposed Grantees in enhancing the overall financial performance of the Group. Furthermore, according to the remuneration policy of the Company, the amount of remuneration payable to the Directors (including independent non-executive Directors) includes benefits in kind and compensation payments, as determined by the Remuneration Committee on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director. In addition, Directors (including independent non-executive Directors) are eligible to participate in the Share Option Scheme which is designed to provide additional incentives and rewards for their contribution to the profitability and success of the Group.

Mr. Guo Wei is the chairman, chief executive officer, executive Director of the Company and is responsible for the strategic development and the overall business management of the Group. Mr. Guo provided directions for the effectiveness and development of the business operations of the Group and thereby making valuable contributions to the Group. Mr. Guo contributed significantly to the business operation and performance of the Group and achievement in the Company's strategy of enhancing share value and returns to the Company's shareholders.

Under the leadership of Mr. Guo Wei, through management improvement, process optimization and technology empowerment to reduce costs and increase efficiency; through adjusting business strategy, highlighting core advantages, revitalizing the resources to turn crises into opportunities, the business and financial performance of the Group has been improved significantly. The Group recorded a significant increase in the profit attributable to equity holders of the Company from approximately HK\$150 million for the year ended 31 December 2018 to approximately HK\$302 million for the year ended 31 December 2019. Given his leading role in the Group, his past contributions to the Group and his expertise and management skills, his continued contribution to the Group will be of critical importance to the development of the Group, particularly in light of the expected challenging market environment and global economy ahead in the coming years due to the outbreak of COVID-19 pandemic.

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## LETTER FROM THE BOARD

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Mr. Wong Man Chung, Francis, Ms. Ni Hong (Hope), Dr. Liu Yun, John, Ms. Yan Xiaoyan and Mr. King William are the independent non-executive Directors and members of the audit committee and/or Remuneration Committee of the Company.

Mr. Wong Man Chung, Francis is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England and Wales and The Society of Chinese Accountants and Auditors, and a Certified Tax Advisor of the Taxation Institute of Hong Kong. He is a Certified Public Accountant (Practising) and has over 32 years of experience in auditing, taxation, corporate internal control and governance, acquisition and financial advisory, corporate restructuring and liquidation, family trust and wealth management.

Ms. Ni Hong (Hope) received her J.D. Degree from the University of Pennsylvania Law School and her Bachelor's Degree in Applied Economics and Business Management from Cornell University. Ms. Ni is also a non-executive director of Cogobuy Group (listed on the Main Board of the Stock Exchange) and an independent director, the chairman of the Audit Committee and a member of the Compensation Committee of ATA Inc., a NASDAQ-listed company (NASDAQ: ATAI).

Dr. Liu Yun, John obtained his Ph.D in Telecommunications Network Management from Technical University of Denmark in 1997 and undertook a Senior Executive Program of Harvard Business School in 2011. He was also an independent non-executive director of ARM Holdings Plc. (listed on the London Stock Exchange) from December 2014 to September 2016 and held senior positions in various renowned companies in the communication or networking or software arena.

Ms. Yan Xiaoyan has served in the financial sector for about 41 years and is a female financial entrepreneur with outstanding acumen and leadership rarely seen in the banking sector. She has taken up senior positions at The People's Bank of China and Industrial and Commercial Bank of China and served as a Director and a Vice President of Bank of Beijing (listed on The Shanghai Stock Exchange) since 1996 and appointed as the President and the Vice Chairperson since 2002 and 2010 respectively.

Mr. King William was the managing director of Russell Reynolds Associates, Hong Kong from October 2018 to December 2019 and a partner at Egon Zehnder International (Shanghai) Company Limited, a leading executive search firm, from January 2007 to May 2016. Prior to that, Mr. King held several leadership roles with some of the global technology companies.

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## LETTER FROM THE BOARD

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Each of the independent non-executive Directors has strong background in their own expertise and corporate governance. They have contributed significantly to the Group's business transformation and corporate governance and scrutiny of the Group's performance. The Board is of the view that each independent non-executive Director has added value to the Board by providing a fresh pair of lens that help to scrutinise some of the Board's major decisions from their own expertise which helped the Board's balance of skills, experience and diversity of perspective. The Board believes that their continuing support and contributions to the Company are crucial and beneficial to the further development of the Group that the grant of Share Options is an appropriate way to recognise their contributions to the continuing development of the Group and serve as an incentive for their continued support.

The Remuneration Committee and the Board considered that in order to show recognition to the Proposed Grantees' continual contributions to the Group, and to enhance the Company's capability to motivate the Proposed Grantees by further aligning their interests with the interests of the Group and the Shareholders, it is important that the Company provides incentives or rewards to the Proposed Grantees for their past and future contributions to the Group which are considered valuable to the Group.

As disclosed above, the vesting and exercising of the Share Options is conditional upon satisfaction of HK\$500 million, HK\$800 million and HK\$1.2 billion audited net profit after tax (before share-based payment expenses) and deduction of net profit after tax attributable to non-controlling interests for the years ending 31 December 2020, 2021 and 2022, respectively, aggregating to HK\$2.5 billion. For the purpose of estimating the benefit to be received by the Proposed Grantees, the Board and the Remuneration Committee assumed that the continual contribution by the Proposed Grantees (in particular, upon satisfaction of the abovementioned key performance indicators) will result in continual and steady increase in the share price of the Shares. On this basis, considering the percentage level of the estimated benefit to be received by the Proposed Grantees against the key performance indicators, together with the reasons disclosed above, the Remuneration Committee and the Directors (other than the Proposed Grantees in relation to the grant of Share Options to himself/herself) were of the view that granting 81,000,000 Share Options to Mr. Guo Wei and 2,000,000 Share Options to each of the independent non-executive Directors as incentives or reward for their contribution of the to the Group is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### 3. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 1,672,042,976 Shares in issue. The following table shows the change in the shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company assuming the Share Options granted to the Directors and the Management Grantees on 13 July 2020 are exercised in full by them and there being no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date:

Name of Shareholder	As at the Latest Practicable Date		Assuming exercise in full of the Share Options granted on 13 July 2020 by the Directors and the Management Grantees	
	Numbers of Shares held	Approximate percentage shareholding of the entire issued share capital of the Company	Numbers of Shares held	Approximate percentage shareholding of the enlarged share capital of the Company
Guangzhou City Investment Jiazi Investment Partnership (Limited Partnership)* (廣州城投甲子投資合夥企業(有限合夥)) ("GZ Jiazi") and Suitong Hong Kong Company Limited* (穗通(香港)有限公司) ("Suitong HK") (Note 1)	434,474,928	25.99%	434,474,928	24.42%
GRG Banking Equipment Co., Ltd.* (廣州廣電運通金融電子股份有限公司) ("GRG Banking Corp") (Note 2)	231,297,250	13.83%	231,297,250	13.00%
Mr. Guo Wei and Kosalaki Investments Limited ("Kosalaki Investments") (Note 3)	181,096,564	10.83%	262,096,564	14.73%
Mr. Lin Yang	3,571,734	0.21%	5,571,734	0.32%
Mr. Wong Man Chung, Francis	–	–	2,000,000	0.11%
Ms. Ni Hong (Hope)	–	–	2,000,000	0.11%
Dr. Liu Yun, John	–	–	2,000,000	0.11%
Ms. Yan Xiaoyan	–	–	2,000,000	0.11%
Mr. King William	–	–	2,000,000	0.11%
Other Public Shareholders	821,602,500	49.14%	835,602,500	46.98%
<b>Total:</b>	<b>1,672,042,976</b>	<b>100.00%</b>	<b>1,779,042,976</b>	<b>100.00%</b>

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## LETTER FROM THE BOARD

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*Note:*

1. Pursuant to the disclosure of interests notices filed with the Company pursuant to Part XV of the SFO, as at the Latest Practicable Date, these 434,474,928 Shares were held as to 396,962,000 Shares by GZ Jiazi and as to 37,512,928 Shares by Suitong HK. GZ Jiazi was owned as to 99.96% by Guangzhou City Investment Co., Ltd.\* (廣州市城投投資有限公司) (“**GZ Investment**”) and 0.04% by Guangzhou City Investment Jiapeng Industry Investment Fund Management Co., Ltd.\* (廣州城投佳朋產業投資基金管理有限公司), which was in turn wholly-owned by GZ Investment. Suitong HK was also wholly-owned by GZ Investment, which is 80% owned by Guangzhou City Infrastructure Investment Group Limited\* (廣州市城市建設投資集團有限公司) (“**GZ Infrastructure**”) and 20% owned by Guangzhou Industry Investment Fund Management Co., Ltd.\* (廣州產業投資基金管理有限公司) which was in turn wholly owned by GZ Infrastructure.
2. Pursuant to the disclosure of interests notices filed with the Company pursuant to Part XV of the SFO, as at the Latest Practicable Date, these 231,297,250 Shares were held by GRG Banking Corp, a company listed on The Shenzhen Stock Exchange, of which Guangzhou Radio Group Co., Ltd.\* (廣州無線電集團有限公司) was its 52.96% controlling shareholder.
3. Pursuant to the disclosure of interests notices filed with the Company pursuant to Part XV of the SFO, as at the Latest Practicable Date, these 181,096,564 Shares were held as to 94,328,707 Shares by Mr. Guo Wei and as to 86,767,857 Shares by Kosalaki Investments, which was wholly owned by Mr. Guo.

#### **4. SGM**

The Company will convene the SGM at 31st Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong at 10:30 a.m. on Tuesday, 22 September 2020 to consider and, if thought fit, approve the grant of Share Options to the Proposed Grantees. A notice of the SGM is set out on pages 19 to 22 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and, in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof.



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## LETTER FROM THE BOARD

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### Closure of Register of Members

The transfer books and register of members of the Company will be closed from Thursday, 17 September 2020 to Tuesday, 22 September 2020 (both dates inclusive) for the purposes of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares may be registered during the said period. In order to qualify for the aforesaid entitlements, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Wednesday, 16 September 2020.

### 5. RECOMMENDATION

Your attention is drawn to the letter from the independent non-executive Directors set out on page 16 to page 18 of this circular which contains the recommendation of all independent non-executive Directors to the Independent Shareholders regarding the resolutions to approve the grant of Share Options to the Proposed Grantees (other than to himself/herself) to be proposed at the SGM.

The Board (other than the Proposed Grantees, their associates and all core connected persons of the Company who had abstained from voting on the resolution in relation to the grant of Share Options to himself/herself) also considers the resolutions in relation to the grant of the Share Options to each of the Proposed Grantees to be in the best interests of the Company and Shareholders as a whole and therefore recommends Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of Share Options to each of the Proposed Grantees respectively.

### 6. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully  
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*

\* For identification purpose only



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)

25 August 2020

*To: the Independent Shareholders*

Dear Sirs or Madam,

**GRANT OF SHARE OPTIONS  
AND  
NOTICE OF SGM**

We refer to the circular of the Company dated 25 August 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular bear the same meanings when used in this letter unless the context otherwise requires.

This letter sets out our recommendation to the Independent Shareholders as to voting in relation to the resolutions to be proposed at the SGM for the approval of the grant of Share Options to each of the Proposed Grantees.

Having considered the contribution of by Mr. Guo Wei to the development and business performance of the Group, and as an incentive for his continuing commitment and contribution to the Group in the future (including but not limited to the achievement of the profit performance targets of the Group as a condition for the vesting of the Share Options so granted), we are of the view that the terms of the grant to Mr. Guo Wei are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of Share Options to Mr. Guo Wei.

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## LETTER FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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Having considered the contribution of Mr. Wong Man Chung, Francis to the Group's business transformation and corporate governance and scrutiny of the Group's performance, and as an incentive for his continuing commitment and contribution to the Group in the future, Ni Hong (Hope), Liu Yun, John, Yan Xiaoyan and King William are of the view that the terms of the grant to Mr. Wong Man Chung, Francis are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, Ni Hong (Hope), Liu Yun, John, Yan Xiaoyan and King William, recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the grant of Share Options to Mr. Wong Man Chung, Francis.

Having considered the contribution of Ms. Ni Hong (Hope) to the Group's business transformation and corporate governance and scrutiny of the Group's performance, and as an incentive for her continuing commitment and contribution to the Group in the future, Wong Man Chung, Francis, Liu Yun, John, Yan Xiaoyan and King William are of the view that the terms of the grant to Ms. Ni Hong (Hope) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, Wong Man Chung, Francis, Liu Yun, John, Yan Xiaoyan and King William recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of Share Options to Ms. Ni Hong (Hope).

Having considered the contribution of Dr. Liu Yun, John to the Group's business transformation and corporate governance and scrutiny of the Group's performance, and as an incentive for his continuing commitment and contribution to the Group in the future, Wong Man Chung, Francis, Ni Hong (Hope), Yan Xiaoyan and King William are of the view that the terms of the grant to Dr. Liu Yun, John are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, Wong Man Chung, Francis, Ni Hong (Hope), Yan Xiaoyan and King William recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of Share Options to Dr. Liu Yun, John.

Having considered the contribution of Ms. Yan Xiaoyan to the Group's business transformation and corporate governance and scrutiny of the Group's performance, and as an incentive for her continuing commitment and contribution to the Group in the future, Wong Man Chung, Francis, Ni Hong (Hope), Liu Yun, John and King William are of the view that the terms of the grant to Ms. Yan Xiaoyan are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, Wong Man Chung, Francis, Ni Hong (Hope), Liu Yun, John and King William recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of Share Options to Ms. Yan Xiaoyan.

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## LETTER FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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Having considered the contribution of Mr. King William to the Group's business transformation and corporate governance and scrutiny of the Group's performance, and as an incentive for his continuing commitment and contribution to the Group in the future, Wong Man Chung, Francis, Ni Hong (Hope), Liu Yun, John and Yan Xiaoyan are of the view that the terms of the grant to Mr. King William are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, Wong Man Chung, Francis, Ni Hong (Hope), Liu Yun, John and Yan Xiaoyan recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of Share Options to Mr. King William.

Yours faithfully  
**WONG Man Chung, Francis, NI Hong (Hope),  
LIU Yun, John, YAN Xiaoyan and KING William**  
*Independent Non-executive Directors*

\* *For identification purpose only*

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## NOTICE OF SGM

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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)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting of Digital China Holdings Limited (“**Company**”) will be held at 31st Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong at 10:30 a.m. on Tuesday, 22 September 2020 for the purposes of considering and, if thought fit, approving the following ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT** the grant of share options (the “**Share Options**”) to Mr. Guo Wei under the share option scheme adopted by the Company on 15 August 2011 (the “**Share Option Scheme**”) to subscribe for 81,000,000 shares in the share capital of the Company (the “**Share(s)**”) at the exercise price of HK\$6.60 per Share and subject to the terms and conditions as set out in the relevant letter of grant dated 13 July 2020 from the Company to Mr. Guo Wei (a copy of which has been produced to this meeting and marked “A” for identification purpose, and the principal terms and conditions of which have been set out in the circular to the shareholders of the Company dated 25 August 2020 (the “**Circular**”)) be and is hereby approved and that any one director of the Company (the “**Director(s)**”) be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”
2. “**THAT** the grant of the Share Options to Mr. Wong Man Chung, Francis under the Share Option Scheme to subscribe for 2,000,000 Shares at the exercise price of HK\$6.60 per Share and subject to the terms and conditions as set out in the relevant letter of grant dated 13 July 2020 from the Company to Mr. Wong Man Chung, Francis (a copy of which has been produced to this meeting and marked “B” for identification purpose, and the principal terms and conditions of which have been set out in the Circular) be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”

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## NOTICE OF SGM

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3. “**THAT** the grant of the Share Options to Ms. Ni Hong (Hope) under the Share Option Scheme to subscribe for 2,000,000 Shares at the exercise price of HK\$6.60 per Share and subject to the terms and conditions as set out in the relevant letter of grant dated 13 July 2020 from the Company to Ms. Ni Hong (Hope) (a copy of which has been produced to this meeting and marked “C” for identification purpose, and the principal terms and conditions of which have been set out in the Circular) be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”
4. “**THAT** the grant of the Share Options to Dr. Liu Yun, John under the Share Option Scheme to subscribe for 2,000,000 Shares at the exercise price of HK\$6.60 per Share and subject to the terms and conditions as set out in the relevant letter of grant dated 13 July 2020 from the Company to Dr. Liu Yun, John (a copy of which has been produced to this meeting and marked “D” for identification purpose, and the principal terms and conditions of which have been set out in the Circular) be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”
5. “**THAT** the grant of the Share Options to Ms. Yan Xiaoyan under the Share Option Scheme to subscribe for 2,000,000 Shares at the exercise price of HK\$6.60 per Share and subject to the terms and conditions as set out in the relevant letter of grant dated 13 July 2020 from the Company to Ms. Yan Xiaoyan (a copy of which has been produced to this meeting and marked “E” for identification purpose, and the principal terms and conditions of which have been set out in the Circular) be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”

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## NOTICE OF SGM

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6. “**THAT** the grant of the Share Options to Mr. King William under the Share Option Scheme to subscribe for 2,000,000 Shares at the exercise price of HK\$6.60 per Share and subject to the terms and conditions as set out in the relevant letter of grant dated 13 July 2020 from the Company to Mr. King William (a copy of which has been produced to this meeting and marked “F” for identification purpose, and the principal terms and conditions of which have been set out in the Circular) be and is hereby approved and that any one Director be and is hereby authorised to do all such acts and/ or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”

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, 25 August 2020

*Head office and principal place of business in Hong Kong:*

31st Floor  
Fortis Tower  
77-79 Gloucester Road  
Wanchai  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the meeting (the “**Meeting**”) above is entitled to appoint in written form one or, if he is the holder of two or more shares (the “**Shares**”) of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, then one of the said persons so present whose name stands first on the register in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited at the public office of the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting or any adjourned meeting thereof (as the case maybe).

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## NOTICE OF SGM

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4. For the purpose of determining members who are qualified for attending the Meeting, the register of members of the Company will be closed from Thursday, 17 September 2020 to Tuesday, 22 September 2020 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjourned meeting thereof (as the case maybe), all transfers of Shares 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Wednesday, 16 September 2020.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjourned meeting thereof (as the case maybe) and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. This notice has been printed in English and Chinese. In the event of any inconsistency, the English text of this notice shall prevail over its Chinese text.
7. PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular dated 25 August 2020 for measures being taken to try to prevent and control the spread of the Coronavirus at the SGM, including:

- compulsory temperature checks and health declarations
- strongly recommended wearing of surgical face mask
- no distribution of corporate gifts and refreshments

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the SGM venue. Attendees are strongly recommended to bring and wear own surgical face masks and Shareholders may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

\* *For identification purpose only*