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**SUPPLEMENTAL ANNOUNCEMENT**  
**DISCLOSEABLE TRANSACTIONS**  
**(1) DEEMED DISPOSAL OF EQUITY INTEREST IN BEIJING**  
**INTERNETWARE**  
**(2) GRANT OF PUT OPTION**

Reference is made to the announcement (the “**Announcement**”) of Digital China Holdings Limited (the “**Company**”) dated 15 September 2020 in relation to the deemed disposal of equity interest in Beijing Internetware and grant of put option. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

The Company would like to provide its shareholders and potential investors with additional information in relation to the basis of consideration of the Capital Injection.

As disclosed in Announcement, the amount of the Capital Injection was determined after arm’s length negotiations between parties to the Capital Investment Agreement on normal commercial terms with reference to the valuation of comparable companies.

A financial adviser (the “**Financial Adviser**”), which is an Independent Third Party, has been engaged by the Investors to perform a valuation (the “**Valuation**”) on Beijing Internetware as at 31 December 2019. The Financial Adviser is a securities company whose shares are listed on the Shenzhen Stock Exchange and is principally engaged in securities brokerage, securities investment consultancy and related financial advisory services. In preparing the Valuation, the Financial Adviser had adopted the market approach – guideline public company method, pursuant to which the Financial Adviser used the price-to-earnings ratio (the “**P/E Ratio**”) of comparable publicly listed companies for determining the value of the Digital Construction and Operation business of Beijing Internetware (being one of the three principal businesses of Beijing Internetware) as such business segment is a relatively more matured business segment of Beijing Internetware with steady income stream and track record profitability and used the price-to-sales ratio (“**P/S Ratio**”) of comparable public listed companies for determining the value of the Yan Cloud DaaS business and the Smart Application and Data Analysis Empowerment business of Beijing Internetware (being the other two business segments of Beijing Internetware) as they are business segments at their developing stage with relatively unstable profitability.

The Financial Adviser selected four comparable publicly listed companies which either (i) has similar operation model as the Digital Construction and Operation business of Beijing Internetware in providing planning, design, implementation, operation and consultation services with respect to formulation and implementation of smart cities in the PRC; or (ii) engages in the provision of domestic middleware, enterprise management software and cloud services in the PRC which has similar business model as the Yan Cloud DaaS business and the Smart Application and Data Analysis Empowerment business of Beijing Internetware.

As advised by the Financial Adviser, these comparable companies fulfill the selection criteria with publicly available information for the year ended 31 December 2019 for the calculation of their respective P/E Ratios and P/S Ratios. As such, the Board is of the view that the selected companies represent a representative of comparables.

The P/E Ratio of the Digital Construction and Operation business and P/S Ratios of the Yan Cloud DaaS business and the Smart Application and Data Analysis Empowerment business adopted in the Valuation of Beijing Internetware are approximately 37, 18 and 11, respectively. The Consideration represents a premium of approximately 19% to the mid-point of range of Valuation of Beijing Internetware as appraised by the Financial Adviser.

Having reviewed the methodology of the Valuation and given that the consideration for the Capital Injection was determined at a valuation which fell within the range of Valuation of Beijing Internetware as appraised by the Financial Adviser, the Board is of the view that the consideration under the Capital Investment Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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, 29 September 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