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CONNECTED TRANSACTION FORMATION OF JOINT VENTURE

The Board announces that on 13 October 2022, the Company, DCITS (a subsidiary of the Company), DCG and Mr. Guo entered into the Shareholders' Agreement in relation to the proposed establishment of the Joint Venture Company. Pursuant to the Shareholders' Agreement, the registered capital of the Joint Venture Company will be RMB100 million. The Company, DCITS, DCG and Mr. Guo will contribute RMB30 million, RMB30 million, RMB30 million and RMB10 million, respectively. The Joint Venture Company will be owned as to 30% by the Company, 30% by DCITS, 30% by DCG and 10% by Mr. Guo.

Since the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Shareholders' Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Shareholders' Agreement is subject to the announcement and reporting requirements, but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 13 October 2022, the Company, DCITS (a subsidiary of the Company), DCG and Mr. Guo entered into the Shareholders' Agreement in relation to the proposed establishment of the Joint Venture Company.

THE SHAREHOLDERS' AGREEMENT

Key terms of the Shareholders' Agreement are set out below:

Date

13 October 2022

Parties

- (1) the Company;
- (2) DCITS (a subsidiary of the Company);
- (3) DCG; and
- (4) Mr. Guo, the Chairman of the Board, the Chief Executive Officer, an executive Director and a substantial Shareholder of the Company.
(collectively, the “**Parties**”, each a “**Party**”)

Joint Venture Company name

The name of the joint venture company is 2035 Research Institute (Shenzhen) Technology Co., Ltd. (貳零叁伍實驗室 (深圳) 科技有限公司) (being the tentatively proposed company name).

Form of Joint Venture Company

The Joint Venture Company is a company incorporated in the PRC with limited liability.

Term

The term of the Joint Venture Company is perpetual.

The name, form and term of the Joint Venture Company are subject to the final approval by the relevant regulatory authority in the PRC.

The purpose of establishing the Joint Venture Company

The Joint Venture Company is principally engaged in the research and development of core technologies and related product development. The Joint Venture Company is expected to be at the forefront of the nation’s science and technology field. As a new type of enterprise-driven research and development institution, the Joint Venture Company will be able to attract top talent to conduct innovative research and devise methods to boost commercialization of technologies over the next three to five years. Through such methods, the Joint Venture Company will further incubate such technologies and integrate these technologies into the wider industry ecosystem.

Registered capital of the Joint Venture Company and details of capital contribution

Pursuant to the terms of the Shareholders’ Agreement, the registered capital of the Joint Venture Company will be RMB100 million. Each of the Company, DCITS and DCG will contribute RMB30 million (representing 30% of the registered capital of the Joint Venture Company), and Mr. Guo will contribute RMB10 million (representing 10% of the registered capital of the Joint Venture Company). The Parties shall pay their capital contribution by cash and in full at the specific investment period to be determined by the Parties.

The amount of capital contribution under the Shareholders’ Agreement was determined after arm’s length negotiations between the Parties after taking into consideration various factors, including the proposed business nature, working capital need and development plan of the Joint Venture Company. The capital contribution by the Company and DCITS will be funded by the internal resources of the Group.

Upon the establishment of the Joint Venture Company, it will be owned by the Company, DCITS, DCG and Mr. Guo as to 30%, 30%, 30% and 10%, respectively. The Joint Venture Company will be accounted for as a jointly controlled entity of the Group using the equity method.

Corporate governance of the Joint Venture Company

Shareholders' Meeting

Resolutions made by the shareholders' meeting shall be unanimously agreed by all shareholders present at the shareholders' meeting. If a shareholder presents at the meeting vote against or abstain from voting on any resolutions, it shall be deemed that the resolution has not passed by the shareholders' meeting.

Board of directors

The board of directors of the Joint Venture Company consists of 7 directors. The Company, DCITS and DCG can each appoint 2 directors, and Mr. Guo can appoint 1 director. Resolutions made by the board meeting shall be unanimously agreed by all directors present at the board meeting. If a director presents at the meeting vote against or abstain from voting on any resolutions, it shall be deemed that the resolution has not passed by the board meeting.

Profit distribution

Subject to the relevant provisions of the Shareholders' Agreement and the applicable laws, the Joint Venture Company may distribute the profits to its shareholders according to the proportion of the capital contribution subscribed by the Parties.

Restrictions on transfer

Pursuant to the terms of the Shareholders' Agreement, within three years after the establishment of the Joint Venture Company, none of the Parties may directly or indirectly transfer, sell, donate, pledge (or otherwise create an encumbrance) or in any other way dispose of any equity interest in the Joint Venture Company without the unanimous written consent of all shareholders of the Joint Venture Company. Any transfer or sale of the equity interests in the Joint Venture Company will be subject to the right of first refusal of the other Parties.

INFORMATION OF THE PARTIES

The Company

The Company is an exempted company incorporated under the laws of Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange. As a big data technology enterprise, the Company focuses on executing a big data business across its core verticals including digital native cities and supply chain, financial technology and incubation. The Company utilizes robust capabilities in spatial-temporal data analytics, diverse suite of products and solutions, and strong focus in spatial-temporal big data and artificial intelligence technology, thereby providing its clients with a full range of big data software products and solutions. The provision of such services will continue to empower the digital development of cities and the digital transformation of industries.

DCITS

Digital China Information Services Co., Ltd. (神州數碼信息服務股份有限公司) is an indirect non-wholly owned subsidiary of the Company, whose shares are listed on the Shenzhen Stock Exchange, and is mainly engaged in system integration, software development and technical service business. DCITS also focuses on providing financial technology related services such as system development and maintenance, cloud services and digital infrastructure construction of bank core systems and enterprise services for bank clients as well as other enterprises, and also provides products and services such as technical services, application development, and cloud construction and operation for a variety of enterprise and government clients within key sectors of the national economy.

DCG

Digital China Group Co., Ltd. (神州數碼集團股份有限公司) is a company listed on the Shenzhen Stock Exchange and is mainly engaged in the cloud computing and digital transformation business, application services, IT distribution and other value-added businesses. DCG is focused on providing I.T. capabilities and integrated solutions for digital transformation for its clients within retail, automotive, finance, medical, government, education and other sectors. DCG is also driving a "digital cloud integration" strategy and developing a technical system framework to build cross-border integration and innovative digital business scenarios and new business models, helping enterprises upgrade and enhance their core capabilities and competitive advantages.

Mr. Guo

Mr. Guo Wei is the Chairman of the Board, the Chief Executive Officer, an executive Director and a substantial Shareholder of the Company. Mr. Guo is also a director of DCITS and DCG.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE COMPANY

Under the national strategic development directive, enhancing core technology capabilities are critical to the nation's development where research and development efforts of enterprises are an indispensable part of this directive. By establishing this research institute, the Parties are able to attract top talent to carry out innovative research work and thereby creating a robust industrial ecosystem based on core technologies. In turn, this ecosystem will create a driving force for continuous innovation that will shape and support the nation's development goals. The Joint Venture Company will be a new research and development institution which will integrate all elements of innovation, commercialization, ecosystem synergies and incubation, creating a new infrastructure that will implement digital native and cloud native technologies to propel further digital transformation.

The terms of the Shareholders' Agreement were determined after arm's length negotiations between the Parties. The Board (including the independent non-executive Directors) considers that the transaction contemplated under the Shareholders' Agreement was entered into in the ordinary and usual course of business of the Group, on normal commercial terms and is fair and reasonable and in the interests of the Company and Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Guo is the Chairman of the Board, the Chief Executive Officer, an executive Director and a substantial Shareholder of the Company. Accordingly, Mr. Guo is a connected person of the Company and the transaction contemplated under the Shareholders' Agreement constitutes a connected transaction of the Company under the Listing Rules.

Since the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transaction contemplated under the Shareholders' Agreement is higher than 0.1% but less than 5%, the transaction contemplated under the Shareholders' Agreement is subject to the announcement and reporting requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Guo is materially interested in the transaction contemplated under the Shareholders' Agreement, he had abstained from voting on the Board resolution in respect of the Shareholders' Agreement and the transaction contemplated thereunder. Save for Mr. Guo, none of the other Directors had any material interest in the Shareholders' Agreement and the transaction contemplated thereunder and was required to abstain from voting on the relevant Board resolution.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Digital China Holdings Limited (神州數碼控股有限公司*), an exempted company incorporated under the laws of Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange
“connected person”	Has the meaning ascribed to it under the Listing Rules
“DCG”	Digital China Group Co., Ltd. (神州數碼集團股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000034) and owned as to 23.32% by Mr. Guo
“DCITS”	Digital China Information Service Co., Ltd. (神州數碼信息服務股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000555), and a subsidiary with 39.6% indirectly held by the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Joint Venture Company”	2035 Research Institute (Shenzhen) Technology Co., Ltd. (貳零叁伍實驗室(深圳)科技有限公司) (being the tentatively proposed company name), a company to be incorporated in the PRC pursuant to the Shareholders’ Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange in force for the time being
“Mr. Guo”	Mr. Guo Wei, the Chairman of the Board, the chief executive officer, an executive Director and a substantial Shareholder of the Company
“percentage ratios”	the percentage ratios under Rules 14.07 of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement entered into among the Company, DCITS, DCG and Mr. Guo on 13 October 2022, in relation to the proposed establishment of the Joint Venture Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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, 13 October 2022

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. ZENG Shuigen and Ms. CONG Shan

Independent Non-executive Directors: Mr. WONG Man Chung, Francis, Miss. NI Hong (Hope), Dr. LIU Yun, John, Mr. KING William and Mr. Timothy CHEN Yung-cheng

Website: www.dcholdings.com

**For identification purpose only*