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**DISCLOSEABLE TRANSACTION
ADOPTION OF SUBSIDIARY OPTION SCHEME**

ADOPTION OF SUBSIDIARY OPTION SCHEME

The Board is pleased to announce that, on 7 July 2023, the shareholders of DCITS (an indirect non-wholly owned subsidiary of the Company) have approved the adoption of the Subsidiary Option Scheme by DCITS. Pursuant to the Subsidiary Option Scheme, the total number of DCITS Shares which may be granted to the Participants are 37,170,000 DCITS Shares, which shall be satisfied either by (i) new DCITS Shares to be issued and allotted by DCITS; or / and (ii) existing DCITS Shares repurchased by DCITS in the open market.

LISTING RULE IMPLICATIONS

The Subsidiary Option Scheme does not constitute a share scheme under Chapter 17 of the Listing Rules. Accordingly, the adoption of the Subsidiary Option Scheme by DCITS is not subject to approval of the Shareholders.

As at the date of this announcement, the Company is interested in 39.6% of the total issued share capital of DCITS. Assuming that (i) all the 37,170,000 DCITS Shares which may be granted under the Subsidiary Option Scheme will be satisfied by the issue and allotment of New DCITS Shares; and (ii) there is no other change in the number of issued DCITS Shares and the Company's shareholding in DCITS from the date of this announcement up to the issue and allotment of the New DCITS Shares, the Company's shareholding in DCITS will decrease to 38.16% upon the issue and allotment of the New DCITS Shares. Accordingly, the adoption of the Subsidiary Option Scheme by DCITS constitutes a Deemed Disposal by the Company of 1.44% of its equity interest in DCITS under Rule 14.29 of the Listing Rules. DCITS will remain as an indirect non-wholly owned subsidiary of the Company upon the Deemed Disposal.

As the highest applicable percentage ratio in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements, but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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The Board is pleased to announce that, on 7 July 2023, the shareholders of DCITS (an indirect non-wholly owned subsidiary of the Company) have approved the adoption of the Subsidiary Option Scheme by DCITS.

A summary of the major terms of the Subsidiary Option Scheme are set out below:

(i) Purposes

The purposes of the Subsidiary Option Scheme are to establish and enhance DCITS' long term incentive mechanism in order to (i) attract, retain and motivate valuable employees; and (ii) align the interests of DCITS, its shareholders and core management team, so that the parties will make joint efforts in the long-term development of the DCITS Group as well as the achievement of its strategies and performance targets.

(ii) Participants

The participants of the Subsidiary Option Scheme include directors, senior management and other employees of the DCITS Group (the "**Participants**"). The eligibility of the Participants shall be determined by the remuneration committee and confirmed by the supervisory board of DCITS based on their contributions to the business operations and continue development of DCITS Group.

(iii) Source and number of DCITS Shares available for subscription

Pursuant to the Subsidiary Option Scheme, the total number of DCITS Shares which may be granted to the Participants under the Subsidiary Option Scheme are 37,170,000 DCITS Shares, representing approximately 3.78% of the share capital of DCITS as at the date of this announcement. The Share Options shall be satisfied either by (i) new DCITS Shares to be issued and allotted by DCITS; or / and (ii) existing DCITS Shares repurchased by DCITS in the open market.

(iv) Maximum entitlement of each Participant

The maximum number of DCITS Shares which may be granted to any Participant under the Subsidiary Option Scheme or any other share scheme(s) of DCITS which are in force shall not exceed 1% of the total number of DCITS Shares in issue.

(v) Exercise price

The exercise price of the Share Options shall be RMB13.64 per DCITS Share, being the higher of:-

- (i) the average trading price of the DCITS Shares for the last trading day preceding 31 March 2023 (being the date on which the draft rules of the Subsidiary Option Scheme was published by DCITS)(the "**Publication Date**"), being RMB13.64; and
- (ii) the average trading price of the DCITS Shares for the last 120 trading days preceding the Publication Date, being RMB11.77.

(vi) Life of the Subsidiary Option Scheme

The Subsidiary Option Scheme shall be valid and effective from the date of grant of the Share Option and shall be expire upon the exercise or cancellation of all the Share Options, which shall not be longer than 52 months.

(vii) Termination

The Subsidiary Option Scheme may be terminated at any time by resolution in general meeting of DCITS and in such event no further Share Options shall be granted and all the Share Options granted (to the extent not already exercised) prior to the termination shall be cancelled.

REASONS FOR AND BENEFITS OF THE ADOPTION OF THE SUBSIDIARY OPTION SCHEME

The Board is of the view that the Subsidiary Option Scheme will enable DCITS Group to (i) attract, retain and motivate valuable employees; and (ii) align the interests of DCITS, its shareholders and core management team, so that the parties will make joint efforts the long-term development of the DCITS Group as well as the achievement of its strategies and performance targets. The Board considers that the terms and conditions of the Subsidiary Option Scheme are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

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

DCITS is an indirect non-wholly owned subsidiary of the Company, whose shares are listed on the Shenzhen Stock Exchange. DCITS has taken "Digital China" as its mission, adhering to the corporate values of "Satisfying Clients, Creating Value, Pursuing Excellence, Facilitating Openness and Win-Win Cooperation". DCITS focuses on the digital-cloud integration financial technology strategy and has launched four major businesses, namely scenario finance, data asset, digital finance, and cloud + IT application innovation through digital technology + data element integrated innovation. DCITS is committed to becoming a leading partner in finance digital transformation, by using digital technology to realize inclusive financing, boost financial digital transformation, and better serve the economy.

The following table sets forth the relevant audited financial information of DCITS Group for the two financial years immediately preceding the date of this announcement:

	For the year ended 31 December 2022	For the year ended 31 December 2021
	<i>(RMB '000)</i>	
Profit before tax	187,016	411,181
Profit after tax	206,442	387,843

The audited net asset value of DCITS Group as at 31 December 2022 was approximately RMB6,134,000,000.

LISTING RULES IMPLICATIONS

The Subsidiary Option Scheme does not constitute a share scheme under Chapter 17 of the Listing Rules. Accordingly, the adoption of the Subsidiary Option Scheme by DCITS is not subject to approval of the Shareholders.

As at the date of this announcement, the Company is interested in 39.6% of the total issued share capital of DCITS. Assuming that (i) all the 37,170,000 DCITS Shares which may be granted under the Subsidiary Option Scheme will be satisfied by the issue and allotment of New DCITS Shares; and (ii) there is no other changes in the number of issued DCITS Shares and the Company's shareholding in DCITS from the date of this announcement up to the issue and allotment of the New DCITS Shares, the Company's shareholding in DCITS will decrease to 38.16% upon the issue and allotment of the New DCITS Shares. Accordingly, the adoption of the Subsidiary Option Scheme by DCITS constitutes a Deemed Disposal by the Company of 1.44% of its equity interest in DCITS under Rule 14.29 of the Listing Rules. DCITS will remain as an indirect non-wholly owned subsidiary of the Company upon the Deemed Disposal.

Pursuant to the Subsidiary Option Scheme, the aggregate fair value of the Share Options that may be granted under the Subsidiary Option Scheme, calculated based on the total number of DCITS Shares which may be granted to the Participants under the Subsidiary Option Scheme and the exercise price of each Share Option, shall be RMB 506,998,800. As the highest applicable percentage ratio in respect of the Deemed Disposal exceeds 5% but is less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements, but is exempt from the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of the Directors
“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

“DCITS”	Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司*), an indirect non-wholly owned subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000555)
“DCITS Group”	DCITS and its subsidiaries
“DCITS Share(s)”	the share(s) in the share capital of DCITS
“Deemed Disposal”	The deemed disposal by the Company of 1.44% of its equity interest in DCITS upon the issue and allotment of new DCITS Shares pursuant to the Subsidiary Option Scheme
“Director(s)”	director(s) of the Company
“New DCITS Share(s)”	new DCITS Share(s) which may be issued and allotted by DCITS in accordance with the Subsidiary Option Scheme
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholders”	holders of the shares of the Company
“Share Option(s)”	the share option(s) to be granted to the Participants under the Subsidiary Option Scheme each carrying the right to acquire or subscribe for one DCITS Share subject to the terms of the Subsidiary Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Option Scheme”	the share option scheme adopted by DCITS on 7 July 2023
“%”	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, 7 July 2023

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. CHEN Timothy Yung-cheng

Website: www.dcholdings.com

**For identification purpose only*