

Digital China Holdings Limited
神州數碼控股有限公司



2024 中期報告

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INTERIM REPORT





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Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

The board of directors (the "Director(s)" or the "Board") of Digital China Holdings Limited (神州數碼控股有限公司 *) (the "Company" or "DC Holdings") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2024 together with the comparative figures for the corresponding period for 2023 as follows:

	Notes	Six months ended 30 June (Unaudited)	
		2024 RMB\$'000	2023 RMB\$'000
Revenue	3	7,014,343	6,677,315
Cost of sales and services		(6,056,885)	(5,568,210)
Gross profit		957,458	1,109,105
Other income and gains	3	70,545	241,069
Selling and distribution expenses		(390,346)	(372,930)
Administrative expenses		(171,162)	(155,245)
Other expenses, net		(441,235)	(462,135)
Finance costs		(68,900)	(59,413)
Share of losses of associates and joint ventures		(17,095)	(192,155)
(Loss) profit before tax	4	(60,735)	108,296
Income tax credit (expense)	5	11,395	(27,621)
(Loss) profit for the period		(49,340)	80,675
Attributable to:			
Equity holders of the parent		10,808	40,355
Non-controlling interests		(60,148)	40,320
		(49,340)	80,675
Earnings per share attributable to equity holders of the parent (expressed in RMB per share)	7		
Basic		0.0073	0.0270
Diluted		0.0073	0.0265

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	(Unaudited)	
	2024 RMB'000	2023 RMB'000
(Loss) profit for the period	(49,340)	80,675
Other comprehensive (expense) income		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of financial statements of foreign operations	(10,144)	(25,611)
Share of other comprehensive expense of associates	-	(18,663)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	(10,144)	(44,274)
Other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods:		
Net fair value changes on financial assets measured at fair value through other comprehensive income	(2,507)	25,157
Income tax effect	623	1,069
Net other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods	(1,884)	26,226
Other comprehensive expense for the period, net of tax	(12,028)	(18,048)
Total comprehensive (expense) income for the period	(61,368)	62,627
Attributable to:		
Equity holders of the parent	(3,181)	5,299
Non-controlling interests	(58,187)	57,328
	(61,368)	62,627

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	<i>Notes</i>	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		722,386	738,685
Right-of-use assets		158,671	162,439
Investment properties		4,527,113	4,527,861
Goodwill		1,489,709	1,489,709
Other intangible assets		235,225	235,580
Interests in joint ventures		42,294	43,729
Interests in associates		294,934	306,723
Financial assets at fair value through other comprehensive income		715,316	721,071
Accounts receivables	8	139,987	150,794
Other receivables		440,000	440,000
Deferred tax assets		257,078	231,112
		9,022,713	9,047,703
Current assets			
Inventories		821,062	820,228
Completed properties held for sale		575,849	574,759
Accounts and bills receivables	8	3,548,441	4,029,490
Prepayments, deposits and other receivables		1,450,660	1,275,497
Contract assets		4,217,842	3,598,309
Financial assets at fair value through profit or loss		300,125	320,333
Finance lease receivables		25,412	25,412
Restricted bank balances		41,608	224,774
Cash and cash equivalents		1,906,885	2,883,308
		12,887,884	13,752,110
Current liabilities			
Accounts and bills payables	9	3,311,783	3,952,012
Other payables and accruals		1,056,698	1,427,864
Lease liabilities		63,615	60,821
Contract liabilities		1,801,330	2,271,193
Tax payable		44,752	67,009
Interest-bearing bank and other borrowings		2,309,737	1,401,935
		8,587,915	9,180,834
Net current assets		4,299,969	4,571,276
Total assets less current liabilities		13,322,682	13,618,979

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

<i>Notes</i>	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Non-current liabilities		
Interest-bearing bank and other borrowings	1,813,260	1,881,487
Deferred tax liabilities	468,494	467,336
Deferred income	18,291	18,546
Lease liabilities	50,817	57,450
Other financial liabilities	849,040	828,155
	3,199,902	3,252,974
Net assets		
	10,122,780	10,366,005
Capital and reserves		
Share capital	10	163,826
Reserves	6,035,505	6,131,541
	6,199,331	6,295,367
Equity attributable to equity holders of the parent	3,923,449	4,070,638
Non-controlling interests	6,199,331	6,295,367
	10,122,780	10,366,005
Total equity		
	10,122,780	10,366,005

Condensed Consolidated Statement of Changes In Equity

As at 30 June 2024

	Attributable to equity holders of the parent												
	Issued capital	Share premium account	Capital reserve	Employee share trust	Employee share-based compensation reserve	Asset revaluation reserve	Investment revaluation reserve	Reserve funds	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
At 1 January 2024	163,826	4,139,709	1,595,724	(868,751)	248,415	610,610	(123,672)	744,463	(196,153)	(18,804)	6,295,367	4,070,638	10,366,005
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	10,808	10,808	(60,148)	(49,340)
Change in fair value on financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(1,865)	-	-	-	(1,865)	(19)	(1,884)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	(12,124)	-	(12,124)	1,980	(10,144)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(1,865)	-	(12,124)	10,808	(3,181)	(58,187)	(61,368)
Share-based compensation	-	-	-	-	6,498	-	-	-	-	-	6,498	1,339	7,837
Contribution to employee share trusts	-	-	-	(11,621)	-	-	-	-	-	-	(11,621)	-	(11,621)
Vesting of shares under the restricted share award scheme	-	-	-	12,118	(12,118)	-	-	-	-	-	-	-	-
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	353	353
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,989)	(1,989)
Acquisition of non-controlling interests	-	-	(5,670)	-	-	-	-	-	-	-	(5,670)	(41,580)	(47,250)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(47,125)	(47,125)
Final dividend	-	-	-	-	-	-	-	-	-	(82,062)	(82,062)	-	(82,062)
At 30 June 2024	163,826	4,139,709	1,590,054	(868,254)	242,795	610,610	(125,537)	744,463	(208,277)	(90,058)	6,199,331	3,923,449	10,122,780

Condensed Consolidated Statement of Changes In Equity

As at 30 June 2024

	Attributable to equity holders of the parent												Total equity (Unaudited) RMB'000
	Issued capital (Unaudited) RMB'000	Share premium account (Unaudited) RMB'000	Capital reserve (Unaudited) RMB'000	Employee share trust (Unaudited) RMB'000	Employee share-based compensation reserve				Exchange fluctuation reserve (Unaudited) RMB'000	Retained earnings (Unaudited) RMB'000	Total (Unaudited) RMB'000	Non-controlling interests (Unaudited) RMB'000	
					Asset revaluation reserve	Investment revaluation reserve	Reserve funds						
					(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000					
At 1 January 2023	163,826	4,139,709	1,595,003	(826,355)	237,974	610,610	4,233	646,092	(179,777)	1,970,603	8,361,918	3,950,553	12,312,471
Profit for the period	-	-	-	-	-	-	-	-	-	40,355	40,355	40,320	80,675
Change in fair value on financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	13,330	-	-	-	13,330	12,896	26,226
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	(29,723)	-	(29,723)	4,112	(25,611)
Share of other comprehensive (loss) income of associates	-	-	-	-	-	-	(18,832)	-	169	-	(18,663)	-	(18,663)
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(14,716)	-	-	14,716	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(20,218)	-	(29,554)	55,071	5,299	57,328	62,627
Share-based compensation	-	-	-	-	8,231	-	-	-	-	-	8,231	3,030	11,261
Contribution to employee share trusts	-	-	-	(42,663)	-	-	-	-	-	-	(42,663)	-	(42,663)
Vesting of shares under the restricted share award scheme	-	-	-	10,018	(10,018)	-	-	-	-	-	-	-	-
Capital contribution from non-controlling shareholders of subsidiaries	-	-	982	-	-	-	-	-	-	-	982	32,768	33,750
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(24,876)	(24,876)
Final dividend	-	-	-	-	-	-	-	-	-	(68,597)	(68,597)	-	(68,597)
At 30 June 2023	163,826	4,139,709	1,595,985	(859,000)	236,187	610,610	(15,985)	646,092	(209,331)	1,957,077	8,265,170	4,018,803	12,283,973

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June (Unaudited)	
	2024 RMB'000	2023 RMB'000
Operating activities		
Decrease (increase) in inventories	13,626	(96,349)
Decrease in accounts and bills receivables	405,686	107,406
Decrease in accounts and bills payables	(660,229)	(202,741)
Change in other working capital and adjustments for non-cash transactions	(1,324,675)	(559,044)
Net cash used in operating activities	(1,565,592)	(750,728)
Investing activities		
Purchases of property, plant and equipment	(16,088)	(7,945)
Proceeds from disposal of property, plant and equipment	2,368	2,462
Additions to other intangible assets	(73,877)	(32,485)
Proceeds from deregistration of a joint venture	-	276
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,188	70,335
Purchase of financial assets at fair value through other comprehensive income	-	(14,500)
Proceeds from disposal of financial assets at fair value through profit or loss	191,130	573,251
Purchase of financial assets at fair value through profit or loss	(178,628)	(232,480)
Acquisition of a subsidiary	(4,500)	-
Dividends received from an associate	240	120
Dividend income received from financial assets at fair value through profit or loss	279	-
Dividend income received from financial assets at fair value through other comprehensive income	1,592	-
Investments in an associate	-	(27,134)
Net cash (used in) from investing activities	(73,296)	331,900
Financing activities		
New bank borrowings	1,451,571	1,300,459
Repayment of bank borrowings	(595,675)	(1,585,277)
Interest paid	(48,015)	(38,586)
Acquisition of non-controlling interests	(47,250)	-
Dividends paid to non-controlling shareholders	(47,125)	(23,676)
Purchase of shares under the restricted share award scheme	(11,621)	(42,663)
Contribution from non-controlling shareholders of subsidiaries	353	-
Repayment of lease liabilities	(39,648)	(45,563)
Distribution to non-controlling shareholder upon liquidation/ deregistration of a subsidiary	(2,000)	-
Net cash (from) used in financing activities	660,590	(435,306)
Net decrease in cash and cash equivalents	(978,298)	(854,134)
Cash and cash equivalents at the beginning of the period	2,883,308	2,522,006
Effects of foreign exchange rate changes, net	1,875	4,779
Cash and cash equivalents at the end of the period	1,906,885	1,672,651
Analysis of components of cash and cash equivalents		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	1,906,885	1,672,651

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In preparing the unaudited condensed consolidated interim financial statements, the same basis of presentation, accounting policies and methods of computation as set out in the annual financial statements for the year ended 31 December 2023 had been consistently applied except for adoption in the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and interpretations). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the new and amendments to HKFRSs in the current period has had no material effect on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Segments information of the three business groups are summarised as follows:

- (a) The Big Data Products and Solutions business segment: provides sales of data software products focused on big data and artificial intelligence capabilities as well as data solutions for core use cases namely smart cities, supply chains and fintech.
- (b) The Software and Operating Services business segment: provides end-to-end data-enabled supply chain operating services, as well as software development, testing, operating and maintenance services utilising cloud technology, automation and artificial intelligence. Such services provide important support for the continued deployment of our big data products and solution business.
- (c) The Traditional and Localization Services business segment: provides integration services as well as e-commerce supply chain services focused on integrated solutions, providing a vast sales channel which is critical for the Group's continued deployment of its big data products and solutions as well as software and operating services. The segment also includes business related to investments, property sales and rental, as well as others.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results are evaluated based on the reportable segment profit, which is a measure of adjusted (loss) profit before tax. The segment results are measured consistently with the Group's (loss) profit before tax except that certain interest income, certain finance costs, unallocated corporate income and gains and unallocated corporate expenses are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

2. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2024 and 2023 (Unaudited):

	Big Data Products and Solutions		Software and Operating Services		Traditional and Localization Services		Eliminations		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:										
External	1,277,132	1,091,815	2,159,513	2,172,104	3,577,698	3,413,396	-	-	7,014,343	6,677,315
Inter-segment	3,229	18,093	13,855	25,233	8,503	10,319	(25,587)	(53,645)	-	-
	1,280,361	1,109,908	2,173,368	2,197,337	3,586,201	3,423,715	(25,587)	(53,645)	7,014,343	6,677,315
Segment gross profit	315,241	385,220	263,273	287,858	378,944	436,027			957,458	1,109,105
Segment results	(43,008)	21,897	81,384	107,219	101,875	114,246			140,251	243,362
Unallocated										
Interest income									8,580	6,969
Income and gains									28,853	43,508
Unallocated expenses									(169,519)	(126,130)
Profit from operating activities									8,165	167,709
Finance costs									(68,900)	(59,413)
(Loss) profit before tax									(60,735)	108,296

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents revenue arising on the sale of goods after allowances for returns and trade discounts; provision of services, net of value-added tax and government surcharges; and rental income received and receivable from investment properties for the period.

An analysis of the Group's revenue, other income and gains are as follows:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customer within the scope of HKFRS 15		
Disaggregated by major products or service lines:		
Sales of software products business	34,973	27,661
Software development and technical service business	2,614,386	2,500,584
Supply chain operation and maintenance business	1,036,415	1,070,147
System integration business	1,546,291	1,728,575
E-commerce supply chain business	1,546,481	1,087,557
Others	89,470	95,266
Total revenue from contracts with customers	6,868,016	6,509,790
Revenue from other sources		
Rental income from investment properties under operating lease	140,780	157,267
Financial services business	5,547	10,258
Total revenue from other sources	146,327	167,525
Total revenue	7,014,343	6,677,315

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Revenue from contracts with customers

Disaggregated of revenue by timing of recognition

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	3,217,215	2,939,059
Over time	3,650,801	3,570,731
	6,868,016	6,509,790

(ii) Other income and gains

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Other income		
Government grants	38,022	49,520
Interest on bank deposits	8,580	6,969
Income from wealth management financial products	4,001	8,444
Dividend income from financial assets at fair value through profit or loss	279	-
Dividend income from financial assets at fair value through other comprehensive income	1,592	-
Others	6,015	13,219
	58,489	78,152
Gains		
Fair value gains on investment properties	-	55,314
Net exchange gains	8,624	24,908
Gain on deregistration of a joint venture	-	276
Gain on deemed partial disposal of equity interest in an associate	3,432	-
Fair value gains on financial assets at fair value through profit or loss	-	82,419
	12,056	162,917
Total other income and gains	70,545	241,069

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

4. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit before tax is arrived at after charging (crediting):

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Share of losses of associates	15,660	196,172
Share of losses (profit) of joint ventures	1,435	(4,017)
	17,095	192,155
Amount of inventories recognised as an expense	2,930,134	2,623,025
Depreciation of property, plant and equipment	30,627	26,704
Depreciation of right-of-use assets	39,200	48,806
Loss on disposal of property, plant and equipment	177	127
Interest on discounted bills	9,245	7,531
Interest on bank loans and other loans	35,214	27,997
Interest on lease liabilities	3,556	3,058
Interest on other financial liabilities	20,885	20,827
Research and development costs (excluding amortisation of other intangible assets)	282,488	289,782
Amortisation of other intangible assets	37,232	35,704
(Reversal of) write-down of inventories	(14,460)	6,578
Impairment of accounts and bills receivables, other receivables and contract assets	116,478	121,846
Fair value loss on financial assets at fair value through profit or loss	11,708	-
Others	7,789	8,225
Other expenses, net	441,235	462,135

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

5. INCOME TAX (CREDIT) EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current – People's Republic of China ("PRC")		
Enterprise income tax ("EIT")	8,746	18,526
Land appreciation tax ("LAT")	-	12
	8,746	18,538
Current – Hong Kong	1,160	-
Deferred tax	(21,301)	9,083
	(20,141)	9,083
Total tax (credit) charge for the period	(11,395)	27,621

- (a) PRC EIT represents tax charged on the estimated assessable profits arising in Mainland China. In general, the Group's subsidiaries operating in Mainland China are subject to the PRC EIT rate of 25% except for certain subsidiaries which are entitled to preferential tax rates.
- (b) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds from sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.
- (c) Hong Kong Profits Tax is charged under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 June 2024 and 2023, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% of the estimated assessable profits.
- (d) The share of tax charge attributable to joint ventures of approximately RMB298,000 (six months ended 30 June 2023: tax charge of RMB1,861,000) and the share of tax charge attributable to the associates of approximately RMB174,000 (six months ended 30 June 2023: tax credit of RMB587,000) are included in "Share of losses of associates and joint ventures", in the condensed consolidated statement of profit or loss.

6. DIVIDENDS

During the six months ended 30 June 2024, the shareholders of the Company ("Shareholders") approved the payment of a final dividend of HK6.0 cents per ordinary share of the Company in respect of the year ended 31 December 2023 (six months ended 30 June 2023: a final dividend of HK4.5 cents per ordinary share of the Company in respect of the year ended 31 December 2022) at the annual general meeting of the Company held on 27 June 2024. The final dividend of approximately HK\$100,416,000 was paid on 16 July 2024 (six months ended 30 June 2023: approximately HK\$75,312,000).

Subsequent to the end of the reporting period, the directors of the Company declared an interim dividend of HK1.0 cent per ordinary share of the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: HK1.0 cent) to the Shareholders, absorbing a total amount of approximately HK\$16,736,000 (six months ended 30 June 2023: approximately HK\$16,736,000). Such interim dividend declared after the reporting period has not been recognised as liabilities in the unaudited condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit for the six months ended 30 June 2024 attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue less shares held under the restricted share award scheme (the "RSA Scheme") of 1,476,503,004 (six months ended 30 June 2023: 1,493,622,071) during the six months ended 30 June 2024.

The calculation of the diluted earnings per share is based on the profit for the six months ended 30 June 2024 attributable to equity holders of the parent with an adjustment on effect of dilutive potential ordinary shares of a subsidiary. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue less shares held under the RSA scheme during the six months ended 30 June 2024 as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares related to the Group's share-based incentive schemes into ordinary shares.

The calculations of basic and diluted earnings per share are based on the following data:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Earnings		
Profit for the period attributable to equity holders of the parent, used in the basic earnings per share calculation	10,808	40,355
Effect of dilutive potential ordinary shares of a subsidiary	-	(562)
Earnings for the purpose of diluted earnings per share	10,808	39,793

	(Unaudited)	
	Number of shares	
	Six months ended 30 June	
	2024	2023
Shares		
Weighted average number of shares in issue less shares held under the RSA Scheme during the period, used in the basic earnings per share calculation	1,476,503,004	1,493,622,071
Effect of dilution potential ordinary shares: Share-based incentive schemes	8,511,268	6,429,937
Weighted average number of shares during the period used in the diluted earnings per share calculation	1,485,014,272	1,500,052,008

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

8. ACCOUNTS AND BILLS RECEIVABLES

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Receivables at amortised cost comprise:		
Accounts and bills receivables	4,548,418	4,963,616
Less: loss allowance	(859,990)	(783,332)
Total	3,688,428	4,180,284
Analysis by:		
Current portion	3,548,441	4,029,490
Non-current portion	139,987	150,794
	3,688,428	4,180,284

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally from 15 to 720 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk.

The following is an aged analysis of accounts and bills receivables net of allowance for impairment of accounts and bills receivables present based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Within 30 days	1,181,055	2,546,878
31 to 60 days	197,843	213,040
61 to 90 days	80,174	69,317
91 to 180 days	382,189	262,229
181 to 360 days	1,072,582	376,664
Over 360 days	774,585	712,156
	3,688,428	4,180,284

Included in the Group's accounts and bills receivables as at 30 June 2024 are amounts due from joint ventures, associates and related companies of the Group of approximately RMB18,325,000 (31 December 2023: RMB20,313,000), RMB1,575,000 (31 December 2023: RMB2,064,000) and RMB44,638,000 (31 December 2023: RMB43,284,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

9. ACCOUNTS AND BILLS PAYABLES

The following is an aged analysis of the accounts and bills payables presented based on the invoice date at the end of the reporting period.

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Within 30 days	1,126,115	2,006,503
31 to 60 days	317,560	433,038
61 to 90 days	310,699	129,945
Over 90 days	1,557,409	1,382,526
	3,311,783	3,952,012

The average credit period on purchase of goods is ranging from 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 30 June 2024, included in the Group's accounts and bills payables are amounts due to joint ventures, associates and related companies of the Group of approximately RMB1,517,000 (31 December 2023: RMB1,266,000), RMB92,667,000 (31 December 2023: RMB45,265,000) and RMB209,764,000 (31 December 2023: RMB145,552,000), respectively, which are repayable on credit terms similar to those obtained from the major suppliers of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

10. SHARE CAPITAL

	(Unaudited) 30 June 2024 HK\$'000	(Audited) 31 December 2023 HK\$'000
Authorised:		
2,500,000,000 (31 December 2023: 2,500,000,000) ordinary shares of HK\$0.1 (31 December 2023: HK\$0.1) each	250,000	250,000
	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Issued and fully paid:		
1,673,607,386 (31 December 2023: 1,673,607,386) ordinary shares of HK\$0.1 (31 December 2023: HK\$0.1) each	163,826	163,826

11. COMMITMENTS

	(Unaudited) 30 June 2024 RMB'000	(Audited) 31 December 2023 RMB'000
Contracted, but not provided for, in the unaudited condensed consolidated interim financial statements:		
Land and buildings	3,360	3,360
Capital contributions payable to joint ventures	68,250	81,580
Capital contributions payable to associates	9,510	9,510
Capital contributions payable to financial assets at fair value through other comprehensive income	429	429
	81,549	94,879

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

12. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

In addition to the transactions and balances detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties:

	Notes	(Unaudited)	
		Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
Transactions with joint ventures			
Provision of services from joint ventures	(ii)	236	306
Interest income on loans from joint ventures	(v)	2,330	4,690
Transactions with associates			
Sales of products to associates	(i)	476	2,806
Purchase of products from associates	(iii)	12,899	-
Provision of services to associates	(ii)	984	965
Provision of services by associates	(ii)	204,511	154,811
Rental income from associates	(iv)	2,700	2,746
Transactions with related companies (note (vi))			
Sales of products to related companies	(i)	14,801	2,915
Purchases of products from related companies	(iii)	142,141	147,041
Provision of services to related companies	(ii)	185,111	206,762
Provision of services by related companies	(ii)	77,304	22,386
Rental income from related companies	(iv)	24,159	25,277

Notes:

- (i) The sales were made with reference to the listed prices and conditions offered to the major customers of the Group.
- (ii) The prices for the provision of IT services were determined at rates mutually agreed between the Group and the corresponding related parties.
- (iii) The purchases were made at prices mutually agreed between the Group and the corresponding related parties with reference to the listed price and conditions offered by the related parties to their major customers.
- (iv) The rental income was determined at rates mutually agreed between the Group and the corresponding related parties with reference to the market rental.
- (v) The interest income is calculated with reference to market interest rates and included in revenue from financial service business.
- (vi) Digital China Group Co., Ltd. and its subsidiaries are the related companies of the Group, as Mr. GUO Wei, the Chairman and key management personnel of the Company, exert significant influence to Digital China Group Co. Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2024

12. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

- (i) Details of the Group's accounts and bills receivables and accounts and bills payables balances with the joint ventures, associates and related companies as at the end of the reporting period are included in notes 8 and 9 to these unaudited condensed consolidated interim financial statements, respectively.
- (ii) Digital China Group Co., Ltd. and its subsidiaries are the related companies of the Group, as Mr. GUO Wei, the Chairman and key management personnel of the Company, exerts significant influence to Digital China Group Co. Ltd.

(c) Compensation of key management personnel:

The remuneration of key management personnel (executive directors) of the Company during the period was as follows:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Short term employee benefits	5,232	5,765
Share-based compensation	-	-
Post-employment benefits	41	39
	5,273	5,804

The short term employee benefits and post-employment benefits as shown in the above table represent the consolidated total amount of benefits received by executive directors from the Group and Company, including the Group's subsidiary Digital China Information Service Group Company Ltd. ("DCITS"), as well as other subsidiaries of the Group. Furthermore, share-based compensation is not a cash payment to executive directors, but rather a non-cash item where the fair value of these options, per the relevant accounting treatment, has been recorded as a compensation here.

13. EVENTS AFTER THE REPORTING PERIOD

There has been no significant event of the Group after the Reporting Period and up to the date of this report.

Management Discussion and Analysis

I. Overview

DC Holdings remains committed to its foundational mission of “Digital China”, with a strategic focus on “**Big Data + Artificial Intelligence**”. We develop **data analytics products that enhance decision-making and create intelligent applications for governments and enterprises**.

As a customer-centric technology enterprise, DC Holdings is **dedicated to advancing the commercial use of high-quality data and A.I. technology**. By employing our “**City CTO + Corporate CSO**” model, we strategically empower governments and enterprises through A.I. applications. Our focus on core industry verticals—**smart cities, supply chains, and fintech**—drives digital transformation. We offer a comprehensive and practical solution matrix designed to unlock the value of data assets and address customer pain points. Through digital intelligence, we help our customers achieve success by **improving decision-making and operational efficiency**.

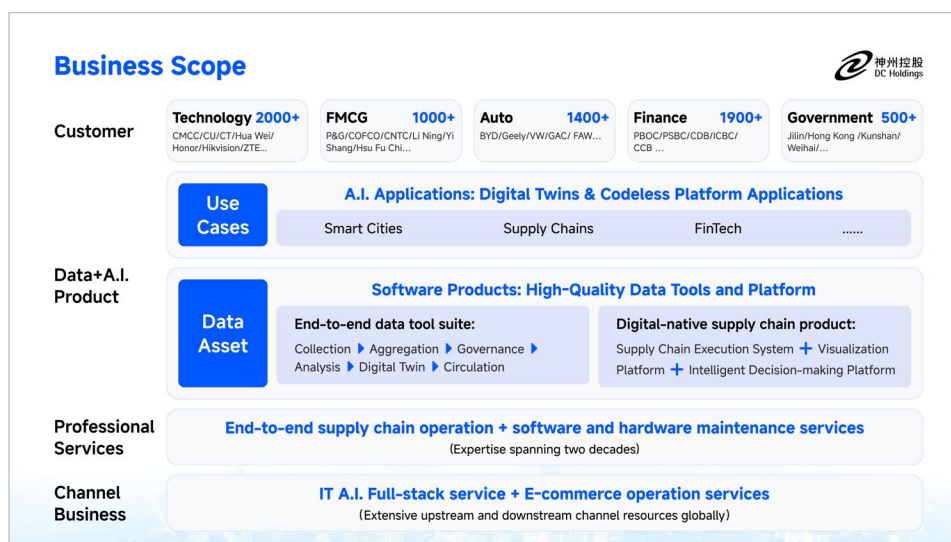
During the six months ended 30 June 2024 (the “**Reporting Period**”), the Group achieved a **total revenue of RMB 7.014 billion, representing a year-on-year increase of 5%**. The gross profit was RMB 957 million, and the net profit attributable to equity holders of the parent company was RMB 10.81 million. The decline in profit compared to the corresponding period of the previous financial year was primarily due to heightened competition faced by the non-wholly owned consolidated subsidiary DCITS and its ongoing increase in investments within various business sectors. **Excluding DCITS, the Group maintained a healthy and steady development. Revenue would be RMB 2.936 billion, representing a year-on-year increase of 20%. The net profit attributable to equity holders of the parent company would be RMB 40.96 million, representing a year-on-year increase of 380%**. Please refer to the table below for details.

Unit:RMB'000/%

	1H24 Revenue	1H23 Revenue	Year-on-year Change	1H24 Profit/(loss)*	1H23 Profit/(loss)*	Year-on-year Change
Group	7,014,343	6,677,315	5%	10,808	40,355	-73%
Of which:						
Excluding DCITS	2,935,956	2,446,449	20%	40,961	8,528	380%
DCITS	4,078,387	4,230,866	-4%	(30,153)	31,827	-195%

*represents profit or loss attributable to equity holders of the parent

II. Data as the Foundation: Achieving Significant Breakthroughs in Big Data Business



Management Discussion and Analysis

DC Holdings offers a **comprehensive suite of products and solutions for big data and A.I.**, including full-stack services for underlying computing infrastructure, one-stop end-to-end supply chain operation services, industry-specific DaaS (Data as a Service) and MaaS (Model as a Service) products, as well as A.I.-driven intelligent application products and solutions tailored to various industries.

In the first half of 2024, **the Group's big data business experienced robust growth. Revenue from big data products and solutions reached RMB 1.277 billion, marking a year-on-year increase of 17% and a 4-year cumulative annual growth rate (CAGR) of 26%.** Gross profit was RMB 315 million, reflecting a year-on-year decrease of 18% and a 4-year CAGR of 9%. This decline was primarily due to reduced demand from clients of DCITS and its ongoing increase in investments within various business sectors. **Excluding DCITS, the revenue from big data products and solutions would show a year-on-year increase of 31% and a 4-year CAGR of 51%, while gross profit would increase by 11% year-on-year, with a 4-year CAGR of 40%.**

Fueled by the robust and rapid growth of the big data business, the Group's overall business structure has been further optimized. **Over the past four years, the revenue share from big data products and solutions has increased from 9% to 18%, while the gross profit share has risen from 18% to 33%.** Additionally, the Group's project pipeline remains strong, **with signed but undelivered contracts totaling RMB 2.424 billion in the first half of 2024, representing a year-on-year increase of 15%.** This solid foundation supports the long-term, stable, and substantial growth of the big data business.

DC Holdings continues to enhance its innovative "City CTO + Corporate CSO" model, utilizing its extensive government resources to accelerate expansion into industry and enterprise sectors. This approach has been effectively validated by customers and quickly replicated and promoted.

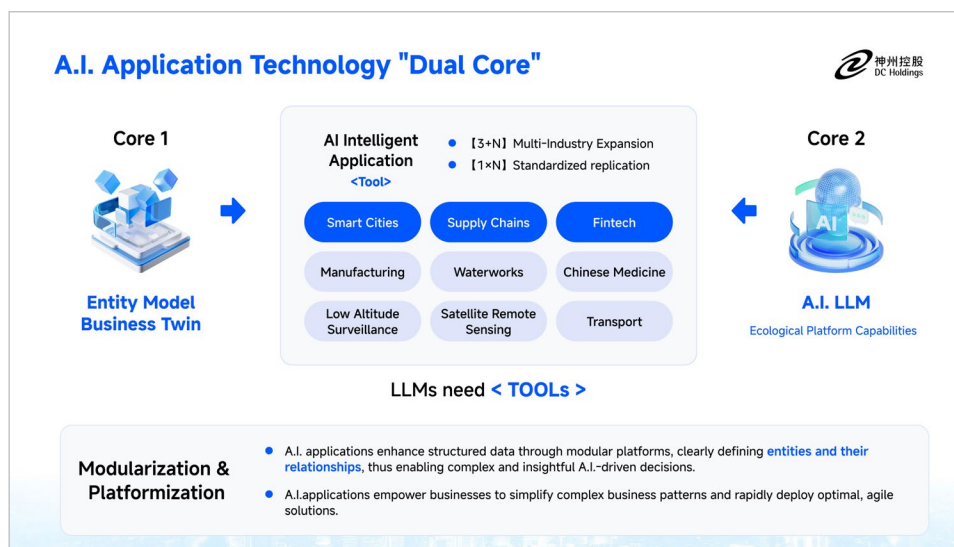
During the Reporting Period, DC Holdings deepened its engagement in urban areas, successfully securing bids for projects such as the Changchun New District A.I. Infrastructure (Smart Computing Center) project, Phase II of the Changchun Computing Center "A.I. + Industry Model" Software and Service project, and the Jilin Province Smart Water project. The Company will continue to iterate various vertical industry software models on its self-developed "Smart Computing Center Integrated Industrial Brain" platform to empower multiple industries. By participating in the comprehensive digital transformation of cities, DC Holdings has established a city data resource operating system. This system can unlock the value of data resources, promoting the integrated application of digital technology in urban governance, industrial, and supply chain scenarios. Leveraging urban digitalization as an entry point, DC Holdings employs big data and A.I. technologies to delineate the core industrial ecosystems of cities. **This approach facilitates the digital transformation of leading enterprises, enabling a strategic shift from early construction-oriented revenues to a model driven by operational income.**

In serving enterprise customers, DC Holdings prioritizes market demand, focusing on addressing customers' digital transformation challenges in end-to-end supply chain operations. **We have successfully signed and implemented big data product and solution orders for several blue-chip customers across the technology, consumer, and manufacturing industries.** For instance, in collaboration with Geehy Microelectronics, a leading domestic chip company, we deployed our proprietary Data Hub to establish a data governance system. This initiative resulted in a unified platform with an organizational structure, streamlined processes, and standardized data protocols, creating an efficient pathway for the customer's data governance. The project has been successfully delivered and fully recognized by the customer. We will continue to iterate modular and platform-based products and solutions, leveraging A.I. to simplify complex business logic for automated decision-making, thereby driving our customers' digital transformation.

In 2024, the National Data Bureau is prioritizing system construction as its focus. It will successively introduce eight institutional documents covering data property rights, data circulation, revenue distribution, security governance, development and utilization of public and enterprise data, high-quality development of the digital economy, and guidelines for data infrastructure construction. With the release of the "Data Element x" Three-Year Action Plan (2024-2026) and the implementation of data resource inventory accounting, **the market business model for data elements is set for significant industrial development.** DC Holdings is seizing this opportunity, leveraging our expertise in data governance and application.

Management Discussion and Analysis

III. Technology as our Core: Securing a Market Advantage with A.I. Applications



In the realm of technology development, DC Holdings is dedicated to standardized products and solutions, driven by a "dual-core" approach: knowledge graph-based digital twins and A.I. large language model-based ecological platform capabilities. This empowers enterprises to rapidly develop A.I.-driven intelligent applications, facilitating the modularity and platformization of products and solutions. Our objective is to leverage A.I. and industry expertise to help enterprises dynamically analyze and refine business processes in complex and evolving market environments. This approach enhances operational efficiency, reduces costs, fosters business innovation, and strengthens core competitiveness.

We integrate this dual-core technology into our big data products and solutions, focusing on key scenarios such as smart cities, supply chains, and fintech. By continuously enhancing autonomous decision-making capabilities in A.I.-driven intelligent applications, we enable rapid development through low-code or codeless solutions for business personnel and architects. Additionally, we promote the "3+N" strategy for expanding into multiple industries and the "1xN" standardized replication on the client side.

Using the supply chain application as an example, DC Holdings has been deeply involved in supply chain operations for over two decades. We manage a storage and transportation network that spans 297 cities and 3,229 districts and counties worldwide, offering end-to-end, comprehensive supply chain operation services. We have developed a complete suite of digital-native supply chain products, including supply chain execution systems, visualization big data platforms, and intelligent decision-making platforms. Currently, DC Holdings is focusing on the digital supply chain, pioneering a "supply chain tower" solution with big data and A.I. at its core.

Management Discussion and Analysis



With the rapid advancement of A.I., corporate demand has shifted **from building isolated data platforms to achieving deep integration with business functions, resulting in comprehensive data intelligence solutions.** Our Supply Chain Control Tower integrates various data sources, including ERP, SCM, WMS and CRM systems, and captures data from daily operational equipment. It offers end-to-end production management with data insights, analysis, and intelligent decision-making through a visual interface.

Our Data Hub product enables real-time aggregation and integration of critical supply chain data, including design, orders, inventory, logistics, manufacturing, and after-sales service. It analyzes and forecasts evolving operational challenges within the supply chain, presenting optimal solutions. This helps manufacturing enterprises increase business agility, resolve data silo issues, and achieve intelligent data analysis and decision support.

Our Supply Chain Control Tower solution for manufacturing enterprises employs the "PFEP" (Plan For Every Part) management tool. This solution **provides end-to-end supply chain data governance capabilities that encompass every stage, from research and development, design, production, storage and distribution, to sales and customer service.** It helps enterprises enhance supply chain transparency, efficiency, and response speed.

PFEP, recognized as a best practice in supply chain management, is extensively applied in the manufacturing sector, particularly for complex products such as electronics, vehicles, aerospace equipment, and large machinery. Manufacturers dealing with rapid product innovation cycles, intricate designs, and a vast array of material BOMs (Bill of Materials) require a highly responsive and precise supply chain. However, the common practice of recording PFEP data in Excel spreadsheets for internal collaboration can easily introduce errors at the data source. Therefore, it is imperative for companies to establish a data management system to standardize supply chain process data.

In response to the challenges and vast opportunities of digital transformation in the manufacturing industry, DC Holdings remains customer-centric and demand-driven. Our Supply Chain Control Tower's resource scheduling, warehousing, and internal and external transportation processes have been successfully implemented at a blue-chip enterprise in food manufacturing. This implementation has enabled customers to achieve 100% business digital platformization, 100% data traceability, 88% improvement in supply chain operational processes, with 59% of the optimized process nodes showing significant performance improvements. Additionally, during the Reporting Period, we have continued to advance digital supply chain solutions in collaboration with several leading smart manufacturing clients. We have provided comprehensive engagement in **R&D, design, production, sales, and customer service, facilitating the rapid deployment and implementation of end-to-end digital supply chain control tower solutions.**

Looking ahead, DC Holdings will accelerate the implementation of the "Corporate CSO" business model, focusing on core scenarios within the digital supply chain. We will maintain close collaboration with logistics and transportation network partners. By leveraging the Supply Chain Control Tower, we aim to support more enterprise clients in end-to-end supply chain operations. Furthermore,

Management Discussion and Analysis

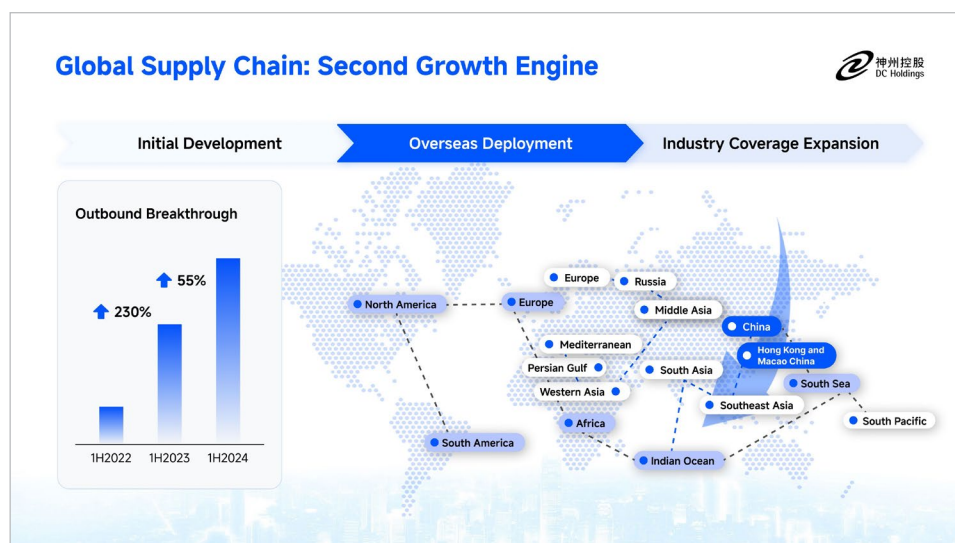
we will continuously refine A.I. applications, evolving from visual analysis to decision support and ultimately to fully autonomous intelligent decision-making. This progression will accelerate the replication and promotion of our comprehensive end-to-end supply chain control tower solutions among our clients.

DC Holdings continues to enhance its investment in the research and development of "Big Data + A.I." products and solutions through collaborations with academic institutions and research organizations. During the Reporting Period, **R&D expenses amounted to RMB 320 million, placing us at the forefront of the industry.** As of 30 June 2024, **the Group has pioneered or collaborated in the formulation of 161 national and industry standards.** Of these, 84 standards have been officially published, while 77 are currently in the research phase. Additionally, we have accumulated **a total of 2,835 intellectual property rights, including software copyrights and patents.**

Our technological innovation and practical exploration in the fields of artificial intelligence and data elements have been highly recognized by the market. During the Reporting Period, we received several prestigious awards, including 1st place in the "2024 Top 50 Big Data Solutions", 2nd place in the "2024 A.I.+ Excellent Service Provider TOP100 Data Elements", 2nd place in the "New Quality Productivity Benchmark New Generation of Information Technology", 3rd place for "Most Innovative A.I. Product", 3rd place in the "2024 Data Middle Platform TOP50", and 8th place in the "2024 Top 100 Digital Transformation Driving Enterprises". Additionally, we were honored with the "2023 Public Data Operation Solution" award and recognized in the "2024 National 'A.I.+ ' Action Innovation Case 100". These accolades were jointly presented by the Information Research Center of the Chinese Academy of Social Sciences, Internet Weekly, and Deben Consulting.

IV. Unlocking a Second Growth Engine through International Business Expansion

Driven by the acceleration of overseas capacity and technology deployment by Chinese enterprises, DC Holdings has achieved significant results in cross-border overseas business. During the Reporting Period, **the Group's overseas revenue reached RMB 465 million, representing a year-on-year increase of 55%. The proportion of overseas revenue has steadily risen, from just 1% in the first half of 2022 to 7% in the first half of 2024, paving the way for the Group's second growth phase.**



As a Hong Kong-listed company, DC Holdings enjoys a distinct advantage in expanding its presence within the local market. Leveraging two decades of experience in driving digital transformation for mainland China's governments, the Group has actively engaged in technology research and development initiatives across various HKSAR Government departments. The Group successfully delivered Phase 1 of the HKSAR Government's Large Language Model Super Computing Center project in collaboration with NVIDIA. Notably, DC Holdings has emerged as a pivotal partner in shaping the landscape of big data utilization for government services in Hong Kong.

Management Discussion and Analysis

Additionally, in the first half of 2024, DC Holdings secured the bid for the Marine Meteorological Forecasting Project at the Macau University of Science and Technology. This project will provide scientific support for Macau's marine science, environmental conservation, disaster prevention, and maritime traffic management, with the potential to empower other coastal cities with similar needs. The successful bid marks the preliminary establishment of our strategic footprint in the Guangdong-Hong Kong-Macao Greater Bay Area. **It underscores the forward-looking implementation of the "City CTO" model in the region, showcasing both its technological capability and potential for replication within the Greater Bay Area.**

Under China's ambitious "Belt and Road" initiative, DC Holdings has forged strategic alliances with prominent Chinese enterprises such as Huawei, Honor, ZTE, and BYD to expand our global presence. We offer **comprehensive end-to-end supply chain services, including international and domestic transportation, warehousing, import and export facilitation, cross-border e-commerce, and live streaming solutions.** During the Reporting Period, the Group successfully **secured supply chain overseas business tenders from BYD in Thailand and Vietnam,** providing BYD with integrated supply chain services for overseas raw materials and accessories. Having collaborated with BYD domestically for several decades, this successful bid has now established a global partnership with BYD for end-to-end supply chain operations and intelligent digital services.

Moving forward, DC Holdings is dedicated to developing a one-stop cross-border service platform based on the "Corporate CSO" model. We will provide comprehensive end-to-end supply chain solutions for enterprises expanding internationally. By leveraging cutting-edge A.I. technology, we aim to offer decision support and intelligent decision-making in global supply chain management. This will enable our clients to enhance operational efficiency, reduce costs, and foster business innovation.

The year 2024 marks a new chapter in DC Holdings' strategic overseas expansion. Our international growth is guided by a well-defined strategic vision rather than being haphazard. Leveraging a robust network of high-level partnerships cultivated over years of global engagement, we adopt "localization" as our approach, "mutual benefit" as our foundational principle, and **"leading domestic ecosystem and merging with international"** as our core strategy. We are proactively planning and extending our value chain. In the first half of this year, we engaged actively with major local enterprises in Southeast Asia, exploring collaborative opportunities in supply chain management, digital trade, and digital transformation initiatives. We aim to penetrate the local market through core scenarios and will continue to empower local customers with the latest cutting-edge A.I. technologies. Furthermore, DC Holdings is exploring inorganic growth strategies, including capital operations, to strengthen our strategic roadmap through the vertical integration of the industry chain.

As the wave of global intelligent transformation surges, DC Holdings is strategically positioned for substantial growth with its "Big Data + A.I." approach. We aim to leverage our pioneering technologies to expand our presence in the realms of data elements and industry-specific intelligent applications. By embracing the A.I. revolution, we are committed to nurturing the domestic market while accelerating our international expansion.

V. Update on the Settlement Plans Regarding Certain Wealth Management Products Purchased by the Group (the "WMP")

As of 30 June 2024, the net book value of the WMP was approximately RMB 681 million. The Group has obtained the right to proactively dispose of the ultimate underlying assets involved in the WMP and has formulated disposal plans and specific action plans in relation thereto. The Group pushed forward with the disposal of the real estate residential project (the net book value was approximately RMB 84 million), one of the ultimate underlying assets involved in the WMP, in accordance with the action plans. The court has issued a ruling to finalize the restructure plan and the Group is currently planning for marketing activities through multiple channels.

The remaining ultimate underlying assets of the WMP involved a market and a commercial complex (the net book value was approximately RMB 597 million). The market section is operating stably. The commercial complex is now divesting into a new corporate entity in accordance with the final restructure plan approved by the court. The Group is expected to obtain a controlling interest in the new corporate entity such that the Group can facilitate the disposal of the relevant underlying assets and is currently discussing the details of the asset divestiture with asset managers.

The Group will continue to push forward the implementation of the action plans and the Company will make further announcement as and when appropriate in the event of any material development on the action plans.

Management Discussion and Analysis

Capital Expenditure, Liquidity and Financial Resources

The Group mainly finances its operations with internally-generated cash flows, bank borrowings and banking facilities.

The Group had total assets of approximately RMB 21,911 million as at 30 June 2024 which were financed by total liabilities of approximately RMB 11,788 million, non-controlling interests of approximately RMB 3,923 million and equity attributable to equity holders of the parent of approximately RMB 6,200 million. The Group's current ratio as at 30 June 2024 was 1.50 as compared to 1.50 as at 31 December 2023.

During the six months ended 30 June 2024, capital expenditure of approximately RMB 90 million was incurred mainly for the additions of property, plant and equipment and other intangible assets.

As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB 1,907 million, of which approximately RMB 1,840 million were denominated in Renminbi.

The Group's foreign currency exposures mainly arise from net monetary assets in currencies other than the functional currencies of approximately RMB 62,677,000 as at 30 June 2024. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange should the need arise.

The gearing ratio, being aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.67 at 30 June 2024 as compared to 0.52 at 31 December 2023. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of approximately RMB 4,123 million (31 December 2023: approximately RMB 3,283 million) and equity attributable to equity holders of the parent of approximately RMB 6,200 million (31 December 2023: approximately RMB 6,295 million).

As at 30 June 2024, the interest-bearing bank and other borrowings of the Group were shown as follows:

	RMB'000
Current	
Interest-bearing bank borrowings, unsecured	1,669,932
Interest-bearing bank borrowings, secured	568,326
Other borrowings	71,479
	<hr/> 2,309,737
Non-current	
Interest-bearing bank borrowings, secured	1,813,260
	<hr/>
Total	<hr/> 4,122,997 <hr/>

Certain of the Group's bank borrowings of:

1. Approximately RMB 1,676 million extended by financial institutions to certain subsidiaries of the Group were secured by mortgages over the Group's buildings, investment properties and land use rights with an aggregate carrying amount of approximately RMB 3,436 million as at 30 June 2024; and
2. Approximately RMB 600 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 150,590,250 issued shares of DCITS, directly held by a wholly-owned subsidiary of the Company, with an aggregate fair value of approximately RMB 1,404 million as at 30 June 2024.

Management Discussion and Analysis

Included in the Group's current and non-current bank borrowings of approximately RMB 128 million and RMB 1,813 million respectively are long-term loans repayable between 2024 and 2037. As at 30 June 2024, approximately RMB 2,131 million and RMB 1,992 million of the Group's bank borrowing were charged at fixed interest rates and floating interest rates, respectively.

The total available bank credit facilities for the Group as at 30 June 2024 amounted to approximately RMB 14,561 million, of which approximately RMB 2,008 million were in long-term loan facilities and approximately RMB 12,553 million were in trade lines, short-term loans and cash advance. As at 30 June 2024, the total amount drawn down by the Group was approximately RMB 1,947 million in long-term loan facilities and approximately RMB 3,512 million in trade lines, short-term loans and cash advance.

Under the normal course of business, the Group has issued performance bonds to some customers for potential claims of non-performance in order to satisfy the specific requirements of these customers. As no material claims had been made by the customers under such performance bonds in the past, the management considers that the possibility of realisation of any actual material liabilities arising from such performance bonds is remote.

Contingent Liabilities

Patent Infringement Lawsuit Against Digital China Jinxin (Beijing) Technology Co., Ltd.

In March 2016, Shenzhen Yihua Computer Co., Ltd. (hereinafter referred to as "**Yihua**") initiated legal proceedings against Oki Electric Industry (Shenzhen) Co., Ltd. (hereinafter referred to as "**OKI**") and Digital China Jinxin (Beijing) Technology Co., Ltd. (hereinafter referred to as "**DC Jinxin**") in a patent infringement dispute. Yihua alleged that the defendants had violated its proprietary rights by infringing upon five utility patents. The patent numbers involved in the five cases are ZL201420112570.5, ZL201210385756.3, ZL201420060123.X, ZL200910108145.2, and ZL201420020564.7. Pursuant to the alleged infringements, Yihua sought judicial relief, demanding that OKI desist from the manufacturing, marketing, and promising sales of the products in question, while DC Jinxin was enjoined from selling and promising the sale of such products. Additionally, Yihua claimed monetary compensation for economic losses and reasonable expenses incurred in the protection of its rights, totaling RMB 7 million from both OKI and DC Jinxin.

In January 2019, the Shenzhen Intermediate People's Court of Guangdong Province issued the first-instance judgment for the five cases, ordering OKI to desist from the production and sale of the infringing products and compensate RMB 4.4 million. The judgement also ordered DC Jinxin to halt the sales and not to promise sales of such products and to compensate Yihua RMB 1 million. The judgment dismissed all other claims advanced by Yi Hua.

OKI and DC Jinxin filed an appeal against the first-instance judgment. In December 2020, the Supreme People's Court rendered a civil ruling, which held that the five cases had failed to scrutinize the "OEM Supply Agreement" between OKI and Yi Hua. The Supreme People's Court determined that the initial factual findings were unclear and affected the infringement assessment. Consequently, it vacated the first-instance judgment and ordered a retrial. Yihua withdrew the litigations in November 2023.

However, in December 2023, Yihua filed a legal action with the Shenzhen Intermediate People's Court against OKI and DC Jinxin again, alleging infringement of its five previously identified invention patents. Yihua sought an injunction requiring OKI to desist from the production and sale of the infringing products and DC Jinxin to halt the sales and not to promise sales of such products. Additionally, Yihua demanded compensation from OKI and DC Jinxin for economic losses and reasonable expenses associated with efforts to mitigate the infringement, totaling RMB 275.3 million. As at 30 June 2024, only notifications of filing had been received while no court session had been scheduled. Based on the advice from the legal advisor, it is less likely for DC Jinxin to fail in defending these cases.

Save as disclosed above, the Group had no material contingent liabilities as at 30 June 2024.

Commitments

Details of the Group's commitment at 30 June 2024 are set out in note 11 to the unaudited condensed consolidated interim financial statements.

Management Discussion and Analysis

Human Resources and Remuneration Policy

As at 30 June 2024, the Group had 17,307 (30 June 2023: 16,033) full-time employees. The majority of these employees work in the PRC. The Group offers remuneration packages in line with industry practice. Employees' remuneration includes basic salaries and bonuses. The Group has recorded an increase by 14.73% in staff costs of approximately RMB 1,744 million for the six months ended 30 June 2024 as compared to approximately RMB 1,520 million for the corresponding period of the last financial year. In order to attract and retain a high caliber of capable and motivated workforce, the Company offers share-based incentive schemes to staff based on the individual performance and the achievements of the Company's targets. The Group is committed to providing its staff with various in-house and external training and development programs.

The remuneration of the directors and senior management are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each director and senior management member as well as their individual performance.

Update on the use of proceeds from the Rights Issue

In September 2017, the Company completed a rights issue (the "**Rights Issue**") and raised funds of approximately RMB 1,149 million. The table below set out the use of net proceeds (the "**Net Proceeds**") from the Rights Issue:

Intended use of the net proceeds from the Rights Issue	Net proceeds RMB'million	Utilised amount as at 1 January 2024 RMB'million	Actual application during the six months ended 30 June 2024 RMB'million	Un-utilised amount as at 30 June 2024 RMB'million	Expected to be utilised by 30 June 2025 RMB'million
(i) Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified <i>(Note)</i>	664	(454)	-	210	210
(ii) Repayment of debt and interest expenses					
(a) Repayment of principal and interest expenses to Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司) due in October 2017	160	(160)	-	-	-
(b) Repayment of principal and interest expenses to Western Securities Co., Ltd. (西部證券股份有限公司) due in October 2017	250	(250)	-	-	-
(iii) General working capital purposes	75	(75)	-	-	-
Total	1,149	(939)	-	210	210

Note: As at the date of this report, the Healthcare Big Data Investment is still at its preliminary discussion stage and no legally binding agreement has been entered into by the Group.

The Company does not have any intention to change the purposes of the Net Proceeds as set out in the rights issue prospectus dated 23 August 2017, and will gradually utilise the un-utilised amount of the Net Proceeds in accordance with the intended purpose mentioned above. As at 30 June 2024, an aggregate of approximately RMB 939 million of the Net Proceeds has been utilised.

As at 30 June 2024, the un-utilised Net Proceeds from the Rights Issue amounted to approximately RMB 210 million. During the Reporting Period, due to the slow economic recovery following the COVID-19 pandemic, the investment atmosphere was relatively sluggish, and the management of the Company became more cautious in investing in mergers and acquisitions. Therefore, the un-utilised Net Proceeds had not been utilised in full as at 30 June 2024. As it will take time for the socioeconomic activities to resume and investor confidence to restore, it is expected that the un-utilised Net Proceeds would not be fully utilised by 31 December 2024. All of such un-utilised Net Proceeds will be utilised for financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified. It is expected that the un-utilised Net Proceeds will be fully utilised by 30 June 2025.

For further details of the Rights Issue, please refer to the announcements dated 21 July 2017, 24 August 2017 and 15 September 2017, the rights issue prospectus dated 23 August 2017 and the annual report for the year ended 31 December 2017 and 31 December 2018 and 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 of the Company.

Other Information

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1.0 cent per ordinary share of the Company ("**Share(s)**") for the six months ended 30 June 2024 ("**Interim Dividend**") (for the six months ended 30 June 2023: HK1.0 cent per Share) to the Shareholders whose names appear on the register of members of the Company on Monday, 23 September 2024. The Interim Dividend will be payable on or about Monday, 14 October 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 September 2024 to Thursday, 26 September 2024, both days inclusive for ascertaining Shareholders' entitlement to the Interim Dividend. No transfer of Shares will be registered during such period. In order to qualify for the Interim Dividend, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 20 September 2024 for registration.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of each Director and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have taken under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix C3 to the Rules Governing the Listing of Securities in the Stock Exchange (the "**Listing Rule(s)**") (the "**Model Code**") adopted by the Company were as follows:

Other Information

Name of Director	Capacity	Personal interests	Corporate interests	Number of outstanding share options	Total (Note 1)	Approximate percentage of aggregate interests (%) (Note 6)
GUO Wei	Beneficial owner and interests of controlled corporations	107,996,707	183,784,857 (Note 2)	67,116,974 (Note 3&4)	358,898,538	21.44
LIN Yang	Beneficial owner	3,571,734	-	14,448,974 (Note 3&4)	18,020,708	1.08
LIU Yun, John	Beneficial owner	100,000 (Note 5)	-	1,332,000 (Note 4)	1,432,000	0.09
KING William	Beneficial owner	100,000 (Note 5)	-	1,332,000 (Note 4)	1,432,000	0.09

Notes:

- All of the interests disclosed herein represent long position in the Shares.
- These 183,784,857 Shares were beneficially held by Mr. GUO Wei's controlled corporations, Kosalaki Investments Limited ("KIL") and Digital China Group Co., Ltd. (神州數碼集團股份有限公司) ("DCG") (listed on the Shenzhen Stock Exchange) and its subsidiaries. Mr. GUO Wei is the sole shareholder and a director of KIL, and is a substantial shareholder as to approximately 23.12% and also a director of DCG. Therefore, Mr. GUO Wei was deemed to be interested in the Shares in which such controlled corporations were interested.
- On 25 January 2017, the 12,500,000 share options granted to each of Mr. GUO Wei and Mr. LIN Yang were adjusted to 13,116,974 share options as a result of the completion of rights issue on 18 September 2017. These share options are exercisable from 25 January 2017 to 24 January 2025 at an exercise price of HK\$6.394 per Share for subscription of Shares.
- Representing 54,000,000 share options that were granted to Mr. GUO Wei and 1,332,000 share options that were granted to each of Mr. LIN Yang, Dr. LIU Yun, John and Mr. KING William on 13 July 2020 which remained outstanding as at 30 June 2024. These share options are exercisable from the date of satisfaction of certain conditions stated in the offer letter dated 13 July 2020 to 12 July 2028 at an exercise price of HK\$6.60 per Share for subscription of Shares.
- On 2 June 2020, 100,000 shares were granted to each of Dr. LIU Yun, John and Mr. KING William under the restricted share award scheme of the Company and were vested in January 2021 pursuant to the terms and conditions of the scheme.
- The approximate percentage of interests is based on the aggregate nominal value of the Shares/underlying Shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under Section 352 of the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors and chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, to the best knowledge of the Directors, the following persons or corporations, not being a Director or chief executive of the Company, had the following interests and short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Name	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of aggregate interests (%) <i>(Note 8)</i>
Kosalaki Investments Limited	Beneficial owner	114,876,857 <i>(Note2)</i>	6.86
Dragon City International Investment Limited	Beneficial owner	165,054,500	9.86
YIP Chi Yu	Interest of a controlled corporation/Interest of spouse	165,054,500/2,325 <i>(Note3)</i>	9.86
HUANG Shaokang	Beneficial owner/Interest of spouse	2,325/165,054,500 <i>(Note4)</i>	9.86
Guangzhou City Infrastructure Investment Group Limited* (廣州市城市建設投資集團有限公司) ("GZ Infrastructure")	Interests of controlled corporations	331,201,928 <i>(Notes5(a))</i>	19.80
Guangzhou City Investment Co., Ltd.* (廣州市城投投資有限公司) ("GZ Investment")	Interests of controlled corporations	331,201,928 <i>(Note5(b))</i>	19.80
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) ("GZ Jiapeng")	Interest of a controlled corporation	299,760,000 <i>(Note5(c))</i>	17.92
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")	Beneficial owner	299,760,000 <i>(Note5(d))</i>	17.92
Guangzhou Radio Group Co., Ltd.* (廣州無線電集團有限公司) ("Guangzhou Radio Group")	Interests of controlled corporations	181,120,250 <i>(Note6)</i>	10.83
GRG Banking Equipment Co., Ltd.* (廣州廣電運通金融電子股份有限公司) ("GRG Banking Corp.")	Interests of controlled corporations	181,120,250 <i>(Note7)</i>	10.83
Law Debenture Trust (Asia) Limited as Trustee of Digital China Holdings Limited's Restricted Share Award Scheme Trust	Trustee	184,352,900	11.02

Other Information

Notes:

1. All of the interests disclosed herein represent long position in the Shares.
 2. Mr. GUO Wei, a director of the Company, is the sole shareholder and a director of KIL. The Shares registered in the name of KIL was also disclosed as the interest of Mr. Guo in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above.
 3. Dragon City International Investment Limited ("**Dragon City**") is controlled by Ms. YIP Chi Yu and Mr. HUANG Shaokang is the spouse of Ms. YIP Chi Yu. By virtue of the SFO, Ms. Yip Chi Yu was deemed to be interested in the Shares in which Dragon City and Mr. Huang Shaokang was interested.
 4. Mr. HUANG Shaokang is the spouse of Ms. YIP Chi Yu. By virtue of the SFO, Mr. Huang Shaokang was deemed to be interested in the Shares in which Ms. Yip Chi Yu was interested.
 5.
 - (a) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Infrastructure, on 28 January 2021, GZ Infrastructure was interested in 331,201,928 Shares in aggregate, of which, 299,760,000 Shares were held by GZ Jiazi and 31,441,928 shares were held by Suitong Hong Kong Company Limited* (穗通(香港)有限公司) ("**Suitong HK**"). GZ Jiazi is owned as to 99.96% by GZ Investment and 0.04% by GZ Jiapeng, which is in turn wholly-owned by GZ Investment. Suitong HK is also wholly-owned by GZ Investment. GZ Investment is 80% owned by 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 is wholly-owned by GZ Infrastructure. By virtue of the SFO, GZ Infrastructure was deemed to be interested in the Shares in which GZ Jiazi and Suitong HK were interested.
 - (b) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Investment, on 28 January 2021, GZ Investment was interested in 331,201,928 Shares in aggregate, of which, 299,760,000 Shares were held by GZ Jiazi and 31,441,928 Shares were held by Suitong HK. By virtue of the SFO, GZ Investment was deemed to be interested in the Shares in which GZ Jiazi and Suitong HK were interested.
 - (c) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Jiapeng, on 28 January 2021, GZ Jiapeng was interested in the Shares in which GZ Jiazi was interested by virtue of the SFO.
 - (d) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Jiazi, on 28 January 2021, GZ Jiazi was beneficially interested in 299,760,000 Shares.
 6. Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by Guangzhou Radio Group, on 16 February 2021, GRG Banking Corp., a company listed on The Shenzhen Stock Exchange, owned as to 52.96% by Guangzhou Radio Group, was interested in 181,120,250 Shares.
 7. Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GRG Banking Corp. on 16 February 2021, GRG Banking Corp. was interested in 181,120,250 Shares of which 7,078,000 Shares were held by GRG Banking Equipment (HK) Co., Limited (廣電運通國際有限公司) which is wholly-owned by GRG Banking Corp..
 8. The approximate percentage of interests is based on the aggregate nominal value of the Shares/underlying Shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under Section 336 of the SFO.
- * The English name of the company is a direct transliteration of its Chinese registered name.

Save as disclosed above, as at 30 June 2024, the Company had not been notified by any persons and corporations who had interests or short positions in Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

Other Information

SHARE-BASED INCENTIVE SCHEMES

(A) SHARE OPTION SCHEME

The Company's share option scheme was adopted on 15 August 2011 (the "2011 Share Option Scheme").

The 2011 Share Option Scheme seeks to recognise and acknowledge the contributions or potential contributions made or to be made by the qualified persons to the Group, to motivate the qualified persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationships with the qualified persons whose contributions are or may be beneficial to the growth of the Group.

The 2011 Share Option Scheme has a life span of ten years and has expired on 14 August 2021. Since then, no further share options can be granted under the same. However, the period during which an option may be exercised in accordance with the terms of the 2011 Share Option Scheme shall be the period set out in the relevant offer letter, provided that such period must expire on the date falling on the tenth anniversary of the offer date.

The following table shows the movements in the Company's share options granted under the 2011 Share Option Scheme according to dates of grant during the six months ended 30 June 2024:

Grantee	Number of share options					Outstanding as at 30/06/2024	Exercise price per share HK\$	Closing price immediately before the date of grant HK\$	Weighted average closing price of shares immediately before the date of share options being exercised during the period HK\$	Date of grant	Exercisable period	Notes
	Outstanding as at 1/1/2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period							
Directors												
GUO Wei	13,116,974	-	-	-	-	13,116,974	6.394	6.73	-	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
	54,000,000	-	-	-	-	54,000,000	6.60	6.54	-	13/7/2020	(iv)	(v)
LIN Yang	13,116,974	-	-	-	-	13,116,974	6.394	6.73	-	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
	1,332,000	-	-	-	-	1,332,000	6.60	6.54	-	13/7/2020	(iv)	(v)
LIU Yun, John	1,332,000	-	-	-	-	1,332,000	6.60	6.54	-	13/7/2020	(iv)	(v)
KING William	1,332,000	-	-	-	-	1,332,000	6.60	6.54	-	13/7/2020	(iv)	(v)
WONG Man Chung, Francis	1,332,000	-	-	-	-	1,332,000	6.60	6.54	-	13/7/2020	(iv)	(v), (k)
NI Hong (Hope)	1,332,000	-	-	-	-	1,332,000	6.60	6.54	-	13/7/2020	(iv)	(v), (k)
CHEN Timothy Yung-cheng	500,000	-	-	-	-	500,000	4.82	4.81	-	16/7/2021	(vi)	(vii), (k)
Other employees	5,981,340	-	-	-	-	5,981,340	6.394	6.73	-	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
Other employees	1,999,000	-	-	-	-	1,999,000	4.818	4.87	-	21/5/2018	21/5/2019-20/5/2026	(iii)
Other employees	4,467,600	-	-	-	(320,000)	4,147,600	4.32	4.26	-	28/3/2019	28/3/2020-27/3/2027	(iii)
Other employees	2,000,000	-	-	-	-	2,000,000	4.04	3.95	-	2/9/2019	2/9/2020-1/9/2027	(iii)
Other employees	4,445,000	-	-	-	(500,000)	3,945,000	4.17	4.16	-	27/4/2020	27/4/2021-26/4/2028	(iii)
Other employees	1,319,000	-	-	-	-	1,319,000	4.48	4.27	-	11/6/2020	11/6/2021-10/6/2028	(iii)
Other employees	7,684,000	-	-	-	(800,000)	6,884,000	6.60	6.54	-	13/7/2020	(iv)	(v)
Other employees	1,512,000	-	-	-	(30,000)	1,482,000	6.60	6.54	-	13/7/2020	13/7/2021-12/7/2028	(iii)
Other employees	4,610,000	-	-	-	(70,000)	4,540,000	5.44	5.37	-	31/3/2021	31/3/2022-30/3/2029	(iii)
Other participants	1,000,000	-	-	-	-	1,000,000	5.44	5.37	-	31/3/2021	(viii)	(viii), (x)
Other employees	5,713,000	-	-	-	(80,000)	5,633,000	4.48	4.10	-	28/7/2021	28/7/2022-27/7/2029	(iii)
Other participants	1,000,000	-	-	-	-	1,000,000	4.48	4.10	-	28/7/2021	(ix)	(ix), (x)
In aggregate	129,124,888	-	-	-	(1,800,000)	127,324,888						
Exercisable at the end of the period						119,219,888						
Weighted average exercise price (HK\$)	6.130	-	-	-	5.38	6.140						

Other Information

The following table shows the movements in the Company's share options granted under the 2011 Share Option Scheme (by each class of grantees) during the six months ended 30 June 2024:

Class of grantees	Number of share options					Outstanding as at 30 June 2024
	Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	
Directors	87,393,948	-	-	-	-	87,393,948
Other employees	39,730,940	-	-	-	(1,800,000)	37,930,940
Sub-total	127,124,888	-	-	-	(1,800,000)	125,324,888
Other participants (Note (x))	2,000,000	-	-	-	-	2,000,000
Total	129,124,888	-	-	-	(1,800,000)	127,324,888

Notes:

- (i) As a result of the rights issue which was completed on 18 September 2017, the exercise price was adjusted from HK\$6.71 to HK\$6.394 under the 2011 Share Option Scheme, and the numbers of outstanding share options were adjusted accordingly.
- (ii) All options granted under the 2011 Share Option Scheme are exercisable in whole or in part at anytime during the exercisable period.
- (iii) The options granted under the 2011 Share Option Scheme are subject to a vesting period of five years with 20% becoming exercisable on the first anniversary, 20% on the second anniversary, 20% on the third anniversary, 20% on the fourth anniversary and 20% on the fifth anniversary of the respective dates of grant.
- (iv) Exercisable period is from the date of satisfaction of certain conditions to 12 July 2028. For details of the conditions please refer to Note (v).
- (v) The vesting and exercise of the share options shall be conditional upon 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 achieving certain levels, as well as satisfaction of, among others, certain performance conditions (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2020, 2021 and 2022 as set out in relevant grant letters (if any). As certain of the conditions had been satisfied, the relevant portion of the share options was vested on the respective relevant dates.
- (vi) Exercise period is from the date of satisfaction of certain conditions to 15 July 2029. For details of the conditions please refer to note (vii).
- (vii) The vesting and exercise of the share options shall be conditional upon 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 achieving certain levels, as well as satisfaction of, among others, certain performance conditions (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) for the year ended 31 December 2021 and 2022 as set out in the relevant grant letters (if any). As certain of the condition had been satisfied, the relevant portion of the Share options was vested on the relevant date.
- (viii) The vesting and exercise of the share options shall be conditional upon satisfaction of, among others, certain performance targets (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective grant letters. Therefore, exercisable period is from the date of satisfaction of these conditions to 30 March 2029.
- (ix) The vesting and exercise of the share options shall be conditional upon satisfaction of, among others, certain performance targets (including, among others, levels of key performance indicators, profit performance target(s) and/or individual results performance target etc.) as set out in the respective grant letters. Therefore, exercisable period is from the date of satisfaction of these conditions to 27 July 2029.
- (x) Other participants mean service providers who provide services to the Group.
- (xi) Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng retired as independent non-executive director of the Company upon the conclusion of the annual general meeting of the Company held on 27 June 2024.

No share options were granted to participants other than those set out in the tables above. As at 1 January 2024 and 30 June 2024, no share option was available for grant under the 2011 Share Option Scheme.

Share options granted to the participants under the 2011 Share Option Scheme do not confer rights on the grantees to dividends or to vote at general meetings.

During the six months ended 30 June 2024, RMB1,129,000 (six months ended 30 June 2023: RMB2,082,000) was recognised as share option expenses.

Other Information

(B) RESTRICTED SHARE AWARD SCHEME ("RSA Scheme")

The RSA Scheme was adopted on 28 March 2011 for the purpose of rewarding and motivating, among others, directors (including executive and non-executive) and employees or consultants of the Company and its subsidiaries (the "Participants") with the shares of the Company. The RSA Scheme is intended to attract and retain the best available personnel, and encourage and motivate the Participants to work towards enhancing the value of the Group and the Company's shares by aligning their interests with those of the shareholders of the Company. The RSA Scheme shall be valid and effective from the date of adoption until termination by the board of directors in accordance with the rules constituting the RSA Scheme.

Pursuant to the RSA Scheme, existing shares of the Company will be purchased by the trustee of the RSA Scheme (the "Trustee") from the market at the prevailing market price or at price within a specified price range out of cash contributed by the Group and be held in trust for the relevant Participants until such shares are vested with the relevant Participants in accordance with the provisions of the RSA Scheme. The Shares granted under the RSA Scheme and held by the trustee until vesting are referred to as the restricted share units ("RSUs") and each RSU shall represent one ordinary share of the Company.

Neither the Participants nor the trustee may exercise any of the voting rights in respect of any RSUs that have not yet been vested.

The Company shall comply with the relevant Listing Rules when granting the RSUs. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

There were 150,000 RSUs being granted during the six months ended 30 June 2024. The fair values of the RSUs granted under the RSA Scheme at granted date during the period amount to approximately RMB315,000 (six months ended 30 June 2023: RMB6,469,000).

During the six months ended 30 June 2024, the Group recognised expenses of RMB4,520,000 (six months ended 30 June 2023: RMB4,280,000) in relation to RSUs granted by the Company in the unaudited condensed consolidated statement of profit or loss.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out as below:

Name of Director	Details of Changes
GUO Wei	- Resigned as the Chief Executive Officer of Digital China Group Co., Ltd., (formerly known as Shenzhen Shenxin Taifeng Group Co., Ltd.) a company listed on The Shenzhen Stock Exchange with effect from 25 April 2024
WONG Man Chung, Francis	- Retired as the independent non-executive Director, Chairman of the audit committee of the Board (" Audit Committee "), member of the remuneration committee of the Board (" Remuneration Committee ") and nomination committee of the Board (" Nomination Committee ") with effect from the conclusion of the annual general meeting held on 27 June 2024 (" AGM ")
NI Hong (Hope)	- Retired as the independent non-executive Director and member of the Audit Committee with effect from the conclusion of the AGM
CHEN Timothy Yung-cheng	- Retired as the independent non-executive Director and member of the Nomination Committee with effect from the conclusion of the AGM
GUO Song	- Appointed as independent non-executive Director with effect from 19 August 2024
CHAN Wai Hong, Michael	- Appointed as an independent non-executive Director and chairman of the Audit Committee with effect from 19 August 2024
LI Jing	- Appointed as an independent non-executive Director and a member of the Audit Committee with effect from 19 August 2024
LIN Yang	- Appointed as member of the Remuneration Committee with effect from 19 August 2024
LIU Yun, John	- Appointed as member of the Nomination Committee with effect from 19 August 2024
KING William	- Appointed as member of the Nomination Committee with effect from 19 August 2024

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct for Directors' securities transactions. Having made specific enquiry with the Directors, all of the Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2024.

Other Information

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. CHAN Wai Hong, Michael (who is the Chairman of the Audit Committee), Mr. KING William and Dr. LI Jing. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 and this interim report, and have discussed with the senior management of the Company on their respective findings, the accounting treatment, principles and practices adopted by the Group, legal and regulatory compliance, as well as other auditing, internal control, risk management and financial reporting matters. The Audit Committee did not have any disagreement on the accounting treatment adopted by the Group in its unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024.

CORPORATE GOVERNANCE

Compliance with the Listing Rules

Following the retirements of each of Mr. WONG Man Chung, Francis, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng as independent non-executive Directors of the Company upon the conclusion of the AGM:

- (i) the Board did not have at least three independent non-executive Directors as required under Rule 3.10(1) of the Listing Rules;
- (ii) the Board did not have at least one independent non-executive Director having appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules;
- (iii) the Audit Committee was not chaired by an independent non-executive Director and was not comprising a minimum of three members and out of which at least one independent non-executive Director had appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.21 of the Listing Rules;
- (iv) the Nomination Committee was not comprising a majority of independent non-executive Directors as required under Rule 3.27A of the Listing Rules; and
- (v) the Remuneration Committee and Nomination Committee did not consist of not less than three members as required by the terms of reference of each of the committees adopted as required under Rule 3.26 and Paragraph B.3.1 of Appendix C1 to the Listing Rules.

On 19 August 2024, (i) Dr. GUO Song was appointed as an independent non-executive Director of the Company; (ii) Mr. CHAN Wai Hong, Michael, who possesses appropriate professional qualifications or accounting or related financial management expertise, has been appointed as an independent non-executive Director and chairman of the Audit Committee; (iii) Dr. LI Jing has been appointed as an independent non-executive Director and a member of the Audit Committee; (iv) Dr. LIU Yun, John and Mr. KING William, independent non-executive Directors, have been appointed as members of the Nomination Committee; and (v) Mr. LIN Yang, an executive Director, has been appointed as a member of the Remuneration Committee.

Following the above appointments, the Company has complied with Rules 3.10(1), 3.10(2), 3.21, 3.27A of the Listing Rules, and the terms of reference of each of the Remuneration Committee and Nomination Committee adopted as required under Rule 3.26 and Paragraph B.3.1 of Appendix C1 to the Listing Rules. For further details regarding the above appointments, please refer to the announcement of the Company dated 19 August 2024.

Compliance with the Corporate Governance Code

The Company has complied with the code provisions (the "Code Provision(s)") contained in Part 2 of Appendix C1 set out in the "Corporate Governance Code" (the "Code") to the Listing Rules throughout the six months ended 30 June 2024 (the "Reporting Period"), except the following deviations from certain Code Provisions with considered reasons as given below:

Code Provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. GUO Wei, the Chairman of the Board has been taking up the dual role as Chairman of the Board and Chief Executive Officer of the Company since 8 June 2018. Mr. GUO Wei has extensive experience in business strategic development and management and is responsible for overseeing the whole business, strategic development and management of the Group. The Board believes that the dual role of Mr. GUO Wei will enable the consistency between the setting up and the implementation of the business strategy and benefit the Group and the Shareholders as a whole.

Other Information

Code Provision B.2.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the amended and restated bye-laws of the Company adopted on 28 June 2023, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, save that the Chairman of the Board and the Managing Director shall not, whilst holding such office, be subject to retirement by rotation. Therefore, Mr. GUO Wei, the Chairman of the Board, shall not be subject to retirement by rotation. Given the existing number of Directors, not less than one-third of the Directors are subject to retirement by rotation at each annual general meeting, by which each Director (other than the Chairman of the Board) will retire by rotation once every three years at the minimum.

Code Provision C.3.3 stipulates that directors should clearly understand delegation arrangements in place. Listed company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has not entered into any written letter of appointment with any of its non-executive Directors or independent non-executive Directors and their terms of office are not subject to a fixed term of service. However, the Board recognises that (i) the relevant Directors have already been subject to the laws and regulations applicable to directors of a company listed on the Stock Exchange, including the Listing Rules as well as the fiduciary duties to act in the best interests of the Company and its Shareholders; (ii) all of them are well established in their professions and/or currently hold or have held directorships in other listed companies; and (iii) the current arrangement has been adopted by the Company for years and has proved to be effective. Therefore, the Board considers that the relevant Directors are able to carry out their duties in a responsible and effective manner under the current arrangement.

Code provision C.1.6 stipulates that, among other things, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders.

During the six months ended 30 June 2024, Miss NI Hong (Hope) and Mr. CHEN Timothy Yung-cheng were unable to attend the AGM due to other business or personal affairs.

The Board is aware of this non-compliance and will continue to bring the importance of attending annual general meetings to the attention of the non-executive Directors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

There was no significant investment and material acquisition or disposal of subsidiaries, associated companies and joint ventures during the six months ended 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

There has been no significant event of the Group after the Reporting Period and up to the date of this interim report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the six months ended 30 June 2024.

By Order of the Board

GUO Wei

Chairman and Chief Executive Officer

Hong Kong, 30 August 2024

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