



2020 中期報告
Interim Report

Digital China Holdings Limited

神州數碼控股有限公司

Incorporated in Bermuda with Limited Liability

於百慕達註冊成立之有限公司

Stock Code 股份代號:00861



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The board of directors (the "Director(s)" or the "Board") of Digital China Holdings Limited (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 2020 together with the comparative figures for the corresponding period of the last financial year as follows:

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
REVENUE	3	8,349,929	7,569,721
Cost of sales and services		(7,024,160)	(6,210,828)
Gross profit		1,325,769	1,358,893
Other income and gains	3	176,140	82,576
(Loss) gain on deemed partial disposal of equity interests in associates		(146,238)	6,726
Gain on partial disposal of equity interests in associates		344,148	5,046
Selling and distribution expenses		(540,265)	(602,247)
Administrative expenses		(211,887)	(182,494)
Other expenses, net		(438,460)	(402,764)
Finance costs		(77,020)	(117,117)
Share of loss of associates		(47,053)	(46,927)
Share of loss of joint ventures		(4,893)	(3,232)
PROFIT BEFORE TAX	4	380,241	98,460
Income tax expense	5	(35,492)	(10,630)
PROFIT FOR THE PERIOD		344,749	87,830
Attributable to:			
Equity holders of the parent		243,371	264
Non-controlling interests		101,378	87,566
		344,749	87,830
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic (HK cents)		14.82	0.02
Diluted (HK cents)		14.80	0.02

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	344,749	87,830
OTHER COMPREHENSIVE (LOSS) INCOME		
<i>Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of financial statements	(250,280)	1,587
Share of other comprehensive income of associates	13,555	8,034
Other comprehensive (loss) income may be reclassified to profit or loss in subsequent periods	(236,725)	9,621
<i>Other comprehensive (loss) income not be reclassified to profit or loss in subsequent periods:</i>		
Fair value changes on financial assets measured at fair value through other comprehensive income	12,215	4,157
Gain on property revaluation	6,379	-
Income tax effect	(6,066)	-
Other comprehensive income will not be reclassified to profit or loss in subsequent periods	12,528	4,157
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, NET OF TAX	(224,197)	13,778
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	120,552	101,608
Attributable to:		
Equity holders of the parent	94,914	12,320
Non-controlling interests	25,638	89,288
	120,552	101,608

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		955,271	1,027,562
Right-of-use assets		200,111	233,656
Investment properties		4,549,072	4,598,840
Goodwill		1,847,552	1,887,695
Other intangible assets		153,484	157,765
Interests in joint ventures		168,385	185,890
Interests in associates		2,778,289	3,150,086
Financial assets at fair value through other comprehensive income		602,871	408,572
Finance lease receivables		1,284	2,310
Other receivables		889,454	908,780
Deferred tax assets		151,468	173,125
		12,297,241	12,734,281
CURRENT ASSETS			
Inventories		1,288,038	1,848,844
Completed properties held for sale		–	24,722
Accounts and bills receivables	8	4,791,349	5,362,493
Prepayments, deposits and other receivables		1,354,101	1,499,292
Contract assets		2,145,012	527,073
Financial assets at fair value through profit or loss		685,791	929,091
Finance lease receivables		50,871	54,528
Restricted bank balances		42,873	115,488
Cash and cash equivalents		1,793,099	1,890,171
		12,151,134	12,251,702
Assets classified as held for sale		343,098	565,118
		12,494,232	12,816,820
CURRENT LIABILITIES			
Accounts and bills payables	9	4,181,328	3,832,793
Other payables and accruals		2,142,649	2,046,205
Lease liabilities		84,846	103,070
Contract liabilities		974,115	1,396,496
Tax payable		22,003	66,455
Interest-bearing bank and other borrowings		2,195,699	3,468,959
		9,600,640	10,913,978

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	<i>NOTES</i>	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NET CURRENT ASSETS		2,893,592	1,902,842
TOTAL ASSETS LESS CURRENT LIABILITIES		15,190,833	14,637,123
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,239,998	1,625,741
Deferred tax liabilities		356,325	350,261
Deferred income		37,101	37,033
Lease liabilities		50,723	60,616
		2,684,147	2,073,651
NET ASSETS		12,506,686	12,563,472
CAPITAL AND RESERVES			
Share capital	10	167,141	167,098
Reserves		8,703,718	8,769,325
Equity attributable to equity holders of the parent		8,870,859	8,936,423
Non-controlling interests		3,635,827	3,627,049
TOTAL EQUITY		12,506,686	12,563,472

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2020

	Attributable to equity holders of the parent												
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Employee share trust (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2020	167,098	4,643,858	1,893,085	(60,867)	67,028	496,428	42,506	476,557	(347,914)	1,558,644	8,936,423	3,627,049	12,563,472
Profit for the period	-	-	-	-	-	-	-	-	-	243,371	243,371	101,378	344,749
Other comprehensive income (loss) for the period:													
Change in fair value on financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	11,137	-	-	-	11,137	(3,393)	7,744
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	(176,202)	-	(176,202)	(74,078)	(250,280)	
Share of other comprehensive income of associates	-	-	-	-	-	-	8,053	-	3,771	-	11,824	1,731	13,555
Gain on property revaluation, net of tax	-	-	-	-	-	4,784	-	-	-	-	4,784	-	4,784
Total comprehensive income (loss) for the period	-	-	-	-	-	4,784	19,190	-	(172,431)	243,371	94,914	25,638	120,552
Exercised of share options (note 10)	43	2,062	-	-	(423)	-	-	-	-	-	1,682	-	1,682
Contribution to employee share trust	-	-	-	(69,219)	-	-	-	-	-	-	(69,219)	-	(69,219)
Share-based compensation	-	-	-	-	11,340	-	-	-	-	-	11,340	11,879	23,219
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(28,739)	(28,739)
Final 2019 dividend declared (note)	-	-	-	-	-	-	-	-	-	(104,281)	(104,281)	-	(104,281)
At 30 June 2020	167,141	4,645,920	1,893,085	(130,086)	77,945	501,212	61,696	476,557	(520,345)	1,697,734	8,870,859	3,635,827	12,506,686

Note

At the annual general meeting of the Company held on 30 June 2020, the shareholders of the Company approved the payment of a final dividend of HK6.4 cents per share for the year ended 31 December 2019 approximately HK\$104,281,000 in total.

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2020

	Attributable to equity holders of the parent												Total equity (Unaudited) HK\$'000	
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Employee share trust (Unaudited) HK\$'000	Employee share-based compensation reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Investment revaluation reserve (Unaudited) HK\$'000	Other reserve (Unaudited) HK\$'000	Reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained earnings (Unaudited) HK\$'000	Total (Unaudited) HK\$'000		Non-controlling interests (Unaudited) HK\$'000
At 1 January 2019	167,726	4,665,095	1,893,117	(21,571)	54,917	480,980	43,078	(1,326)	426,875	(212,913)	1,354,365	8,850,343	3,546,353	12,396,696
Profit for the period	-	-	-	-	-	-	-	-	-	-	264	264	87,566	87,830
Other comprehensive income (loss) for the period:														
Change in fair value on financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	1,556	-	-	-	-	1,556	2,601	4,157
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	-	(539)	-	(539)	2,126	1,587
Share of other comprehensive income (loss) of associates	-	-	-	-	-	-	8,543	-	-	2,496	-	11,039	(3,005)	8,034
Total comprehensive income for the period	-	-	-	-	-	-	10,099	-	-	1,957	264	12,320	89,288	101,608
Shares buy-back (note 10)	(628)	(21,237)	-	-	-	-	-	1,326	-	-	-	(20,539)	-	(20,539)
Share-based compensation	-	-	-	-	4,370	-	-	-	-	-	-	4,370	-	4,370
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	14,377	14,377
Capital reduction by a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(3,495)	(3,495)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(22,889)	(22,889)
At 30 June 2019	167,098	4,643,858	1,893,117	(21,571)	59,287	480,980	53,177	-	426,875	(210,956)	1,354,629	8,846,494	3,623,634	12,470,128

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating activities		
Decrease in inventories	495,593	54,381
Decrease (increase) in accounts and bills receivables	470,926	(593,942)
Increase in accounts and bills payables	348,535	651,750
Increase in other working capital and adjustments for non-cash transactions	(1,661,811)	(732,438)
Net cash used in operating activities	(346,757)	(620,249)
Investing activities		
Purchase of property, plant and equipment	(19,397)	(13,342)
Proceeds from disposal of property, plant and equipment	1,535	3,856
Proceeds from disposal of investments properties	90,787	-
Additions to other intangible assets	(17,727)	(24,239)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,827	-
Proceeds from disposal of investments in associates	765,213	25,306
Dividend received from associates	20,376	25,413
Dividend received from a joint venture	4,220	-
Investments in an associate	(340)	(39,200)
Dividends income from financial assets at fair value through profit or loss	-	475
Proceeds from disposal of financial assets at fair value through profit or loss	667,515	1,138,308
Purchase of financial assets at fair value through profit or loss	(417,557)	(446,553)
Net cash from investing activities	1,096,452	670,024
Financing activities		
Shares buy-back	-	(20,539)
Exercise of share options	1,682	-
New bank borrowings	1,719,296	2,994,217
Repayment of bank borrowings	(2,302,101)	(3,501,985)
Repayment of corporate bonds	(1,059)	-
Interest paid	(77,020)	(117,117)
Dividends paid to non-controlling shareholders	(28,739)	(22,889)
Purchase of shares under the restricted share award scheme	(69,219)	-
Contribution from non-controlling shareholders of subsidiaries	-	14,377
Repayment of lease liabilities	(59,565)	(49,658)
Capital reduction by a non-controlling shareholder of a subsidiary	-	(3,495)
Net cash used in financing activities	(816,725)	(707,089)
Net decrease in cash and cash equivalents	(67,030)	(657,314)
Cash and cash equivalents at the beginning of the period	1,890,171	2,204,872
Effects of foreign exchange rate changes, net	(30,042)	23,816
Cash and cash equivalents at the end of the period	1,793,099	1,571,374
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	1,793,099	1,571,374

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 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 2019 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 HKAS 1 and HKAS 8

Definition of Material

Amendments to HKFRS 3

Definition of a Business

Amendments to HKFRS 9, HKAS 39 and HKFRS 7

Interest Rate Benchmark Reform

In addition, the Group has early applied amendments to HKFRS 16, COVID-19 Related Rent Concessions, which are effective for annual periods beginning on or after 1 June 2020.

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.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the unaudited condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the unaudited condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments to HKFRS 9 and HKAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the unaudited condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Notes to the Condensed Consolidated Interim Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

Amendments to HKFRS 16 COVID-19 Related Rent Concessions

The amendments to HKFRS 16 provide a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the interim reporting period. During the current interim period, the COVID-19 related rent concessions recognised in the profit or loss amounted to HK\$850,000. There is no impact on the opening balance of equity at 1 January 2020.

2. SEGMENT INFORMATION

Segments information of the four continuing business groups are summarised as follows:

- (a) The "DCITS" segment: Digital China Information Service Company Ltd. (神州數碼信息服務股份有限公司) ("DCITS") mainly engaged in system integration and software development and technical service business, with core bank systems and enterprise service buses as its key products, provides services for customers in the banking industry such as system development, maintenance, industry cloud services and infrastructure development, and also provides technical services, application software development and industry cloud construction and operation services for key industries including government, enterprises and agriculture.
- (b) The "Smart Industry Chain Business" segment: "IT Logistics" is China's leading industrial chain service brand, which is committed to providing customers with one-stop end-to-end services through the strategy of Warehouse + Big Data + Artificial Intelligence, and through the big data of the supply chain to coordinate the upstream and downstream enterprises, enhance the overall efficiency in the industry chain and create a new form of Smart Industry Chain under the overall ecosystem of the entire industry chain. The Group generated revenue from logistics business and e-commerce supply chain services business in this segment.
- (c) "Sm@rt City Business" segment: "Sm@rt City Business", which is based on the big data deep application, and builds a comprehensive urban-level big data platform for the city to solve medical, transportation, energy supply and social security issues by engaged in system integration, software development and technical services business.
- (d) "Other Business" segment: including property investment, sales of properties and "Smart Finance Business" which rely on its various financial licenses, integrates resources of financial institutions such as banking, insurance, securities and trusts, provision of financial services, such as micro-credit loan, leasing, factoring, etc. to internal and external customers; and assets operations, other innovative businesses and incubation and strategic investments.

Notes to the Condensed Consolidated Interim Financial Statements

2. SEGMENT INFORMATION (CONTINUED)

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 profit before tax. The segment results is measured consistently with the Group's 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.

The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2020 and 2019:

	DCITS		Smart Industry Chain Business		Sm@rt City Business		Other Business		Elimination		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
	Six months ended 30 June											
Segment revenue:												
External	4,807,138	4,830,878	3,092,111	2,350,395	151,804	89,411	298,876	299,037	-	-	8,349,929	7,569,721
Inter-segment	1,155	1,432	42,385	3,982	1,762	4,920	16,407	14,222	(61,709)	(24,556)	-	-
	4,808,293	4,832,310	3,134,496	2,354,377	153,566	94,331	315,283	313,259	(61,709)	(24,556)	8,349,929	7,569,721
Segment gross profit	788,985	901,564	359,861	292,700	43,748	14,822	133,175	149,807			1,325,769	1,358,893
Segment results	147,018	154,665	77,811	42,955	(17,137)	(34,342)	285,890	49,708			493,582	212,986
Unallocated												
Interest income											1,667	1,577
Income and gains											416	628
Unallocated expenses											(70,418)	(52,018)
Profit from operating activities											425,247	163,173
Finance costs											(45,006)	(64,713)
Profit before tax											380,241	98,460

Notes to the Condensed Consolidated Interim Financial Statements

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 is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Revenue from contracts with customers		
Disaggregated by major products or services lines:		
System integration business	3,133,679	2,656,443
Software development and technical services business	1,826,116	2,256,696
Logistics business	1,055,692	1,203,337
E-commerce supply chain services business	2,036,419	1,147,058
Others	117,514	100,738
Total revenue from contracts with customers	8,169,420	7,364,272
Revenue from other sources		
Financial services business	13,403	30,138
Rental income from investment properties under operating leases	167,106	175,311
Total revenue from other sources	180,509	205,449
Total revenue	8,349,929	7,569,721
Other income		
Government grants	45,170	21,942
Interest on bank deposits	5,069	6,948
Income from wealth management financial products	11,834	21,745
Dividend income from financial assets at fair value through profit or loss	–	475
Others	3,729	4,423
	65,802	55,533

Notes to the Condensed Consolidated Interim Financial Statements

3. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Gains		
Fair value gains on investment properties	–	17,292
Fair value gains on partial disposal of equity interest in associates	103,369	–
Gain on revaluation of inventories upon transfer to investment properties	6,969	–
Gain on disposal of the equity interest in an associate	–	9,316
Others	–	435
	110,338	27,043
Total other income and gains	176,140	82,576
Disaggregation of revenue by timing of recognition		
	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Timing of revenue recognition		
At a point of time	5,439,934	4,143,811
Over time	2,729,486	3,220,461
Total revenue from contracts with customers	8,169,420	7,364,272

Notes to the Condensed Consolidated Interim Financial Statements

4. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Amount of inventories recognised as an expense	4,907,653	3,777,589
Depreciation of property, plant and equipment	63,049	69,244
Depreciation of right-of-use assets	62,321	50,367
Amortisation of other intangible assets	18,737	24,612
Provisions for and write-off of obsolete inventories	65,213	29,342
Impairment of accounts and bills receivables, other receivables and contract assets	110,547	140,518
(Reversal of impairment) impairment of finance lease receivables	(509)	533
Loss on disposal of property, plant and equipment	951	2,250
Interest on bank and other borrowings	72,595	111,807
Interest expense on lease liabilities	4,425	5,310
Fair value loss on financial assets at fair value through profit or loss	5,176	9,217
Foreign exchange differences, net	16,302	1,404
COVID-19 related rent concession	(850)	-

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current – People's Republic of China ("PRC")		
Enterprise income tax ("EIT")	10,119	13,418
Land appreciation tax ("LAT")	-	187
	10,119	13,605
Current – Hong Kong	-	70
Deferred tax	25,373	(3,045)
Total tax charge for the period	35,492	10,630

Notes to the Condensed Consolidated Interim Financial Statements

5. INCOME TAX EXPENSE (CONTINUED)

- (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) 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 2020 and 2019, 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 the joint ventures of approximately HK\$22,000 (six months ended 30 June 2019: HK\$290,000) and the share of tax charge attributable to the associates of approximately HK\$3,696,000 (six months ended 30 June 2019: HK\$11,077,000) are included in "Share of loss of joint ventures" and "Share of loss of associates", respectively, in the unaudited condensed consolidated statement of profit or loss.

6. DIVIDENDS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interim dividend	58,567	-

Subsequent to the end of the reporting period, the directors of the Company declared an interim dividend of HK3.6 cents per ordinary share for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil) to the shareholders of the Company. The interim dividend declared after the reporting period has not been recognised as liabilities in the unaudited condensed consolidated financial statements.

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 2020 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 1,642,023,726 (six months ended 30 June 2019: 1,650,994,633) during the six months ended 30 June 2020.

The calculation of the diluted earnings per share is based on the profit for the six months ended 30 June 2020 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 2020 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.

Notes to the Condensed Consolidated Interim Financial Statements

7. EARNINGS PER SHARE (CONTINUED)

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to equity holders of the parent, used in the basic earnings per share calculation	243,371	264
Effect of dilutive potential ordinary shares of a subsidiary	(238)	-
Earnings for the purpose of diluted earnings per share	243,133	264
Number of shares		
	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
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	1,642,023,726	1,650,994,633
Effect of dilutive potential ordinary shares:		
Share-based incentive schemes	688,736	106,329
Weighted average number of shares during the period used in the diluted earnings per share calculation	1,642,712,462	1,651,100,962

Notes to the Condensed Consolidated Interim Financial Statements

8. ACCOUNTS AND BILLS RECEIVABLES

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 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.

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 30 days	2,005,533	3,249,133
31 to 60 days	301,722	318,493
61 to 90 days	175,973	89,379
91 to 180 days	621,273	441,465
Over 180 days	1,686,848	1,264,023
	4,791,349	5,362,493

Included in the Group's accounts and bills receivables are amounts due from joint ventures, associates and related companies of the Group of approximately HK\$69,797,000 (31 December 2019: HK\$65,725,000), HK\$1,739,000 (31 December 2019: HK\$1,638,000) and HK\$29,337,000 (31 December 2019: HK\$19,815,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

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.

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 30 days	1,754,419	1,974,814
31 to 60 days	403,793	442,991
61 to 90 days	483,586	120,659
Over 90 days	1,539,530	1,294,329
	4,181,328	3,832,793

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 settled within the credit timeframe.

Included in the Group's accounts and bills payables are amounts due to associates and related companies of the Group of approximately HK\$1,288,000 (31 December 2019: HK\$5,823,000) and HK\$103,601,000 (31 December 2019: HK\$91,909,000), 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

10. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Authorised:		
2,500,000,000 (31 December 2019: 2,500,000,000) ordinary shares of HK\$0.1 (31 December 2019: HK\$0.1) each	250,000	250,000
Issued and fully paid:		
1,671,407,976 (31 December 2019: 1,670,977,976) ordinary shares of HK\$0.1 (31 December 2019: HK\$0.1) each	167,141	167,098

A summary of the movements in the Company's issued share capital and share premium account during the six months ended 30 June 2020 and 2019 is as follows:

	Number of ordinary shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2019	1,677,261,976	167,726	4,665,095	4,832,821
Share repurchase (<i>note a</i>)	(6,284,000)	(628)	(21,237)	(21,865)
At 30 June 2019	1,670,977,976	167,098	4,643,858	4,810,956
At 1 January 2020	1,670,977,976	167,098	4,643,858	4,810,956
Exercise of share options (<i>note b</i>)	430,000	43	2,062	2,105
At 30 June 2020	1,671,407,976	167,141	4,645,920	4,813,061

Notes:

- (a) During the six months ended 30 June 2019, the Company purchased its own shares of HK\$0.10 each with highest and lowest prices of HK\$3.60 and HK\$3.37 per share respectively for an aggregate cash consideration (including transaction cost) of approximately HK\$20.54 million through The Stock Exchange of Hong Kong Limited.

The shares repurchased during the year ended 31 December 2018 of 373,000 shares and during the six months ended 30 June 2019 of 5,911,000 shares totalling 6,284,000 shares were cancelled in March 2019.

- (b) During the six months ended 30 June 2020, 430,000 share options were exercised at the exercise price of HK\$3.88 to HK\$4.32 per share. The total cash consideration received from the issuance of 430,000 shares was approximately HK\$1,682,000. An amount of HK\$423,000 was transferred from the employee share-based compensation reserve to the share premium account upon the exercise of the share options.

Save as disclosed above, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

Notes to the Condensed Consolidated Interim Financial Statements

11. COMMITMENTS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for, in the unaudited condensed consolidated interim financial statement:		
Land and buildings	148	30,209
Capital contributions payable to joint ventures	33,247	33,969
Capital contributions payable to associates	23,020	23,520
Capital contributions payable to financial assets at fair value through other comprehensive income	470	480
	56,885	88,178

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:

		Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	<i>Notes</i>		
Transactions with joint ventures			
Provision of IT services to joint ventures	(ii)	637	-
Sales of IT products to joint ventures	(i)	188	-
Interest income on loans from joint ventures	(v)	4,929	4,809
Transactions with associates			
Provision of IT services to associates	(ii)	542	47
Rental income from associates	(iv)	4,271	11,415
Sales of IT products to associates	(i)	2,317	5,183
Provision of IT services from associates	(ii)	2,100	-
Transactions with related companies (note (vi))			
Sales of IT products to related companies	(i)	8,380	416
Provision of IT services to related companies	(ii)	195,851	192,899
Purchases of IT products from related companies	(iii)	145,141	169,070
Provision of IT services by related companies	(ii)	17,176	18,177
Rental income from related companies	(iv)	25,467	23,235

Notes to the Condensed Consolidated Interim Financial Statements

12. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties: (Continued)

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.

(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 ended was as follows:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short term employee benefits	3,818	1,900
Post-employment benefits	677	32
	4,495	1,932

13. EVENTS AFTER THE REPORTING PERIOD

There are no events causing material impact on the Group from the end of the reporting period to the date of this report.

Management Discussion and Analysis

Benefiting from the national plan to boost the construction of New Infrastructure, the successful implementation of flagship big data product Yan Cloud DaaS in a number of large-scale smart city 3.0 projects and sustained rapid growth in Smart Industry Chain business. DC holdings achieved substantial growth in its business in the first half year of 2020, kickstarting a period of explosive growth. During the reporting period, the Group's overall business turnover rose 10.31% on a year-on-year basis to approximately HK\$8.35 billion, an increase of approximately HK\$780 million over the same period of last fiscal year. Among them, big data related revenue reaching HK\$50 million; Profit attributable to shareholders of the parent company of the Group was approximately HK\$243 million (excluding the effect of share-based payment expenses, the profit attributable to shareholders of the parent company of the Group was approximately HK\$255 million.), a sharp increase of approximately 921-fold year-on-year. With its outstanding achievements in new digital infrastructure construction, the Group stood out from many companies and ranked first in the "Top 100 Digital Infrastructure 2020" list selected by the Internet Weekly Magazine of the Chinese Academy of Sciences.

1) NEW INFRASTRUCTURE LIFTED SMART CITY REVENUE BY 69.78% YEAR-ON-YEAR, WITH YAN CLOUD DAAS AS A POWERFUL TOOL FOR BIG DATA INFRASTRUCTURE CONSTRUCTION

China is actively promoting the New Infrastructure plan for the digital economy. Currently a number of provinces have already announced trillions of budgets for New Infrastructure buildout. The construction of Smart City and big data infrastructure are essential parts of the New Infrastructure, boosting the group's Smart City business. During the reporting period, the overall turnover of the Smart City business recorded approximately HK\$152 million, an increase of 69.78% year-on-year, and the gross profit was approximately HK\$43.75 million, an increase of 195.16% year-on-year.

Among different cities, governments and large enterprises, data exists in many systems of varying generations and vendors. Real-time data interconnection between various systems often faces the problems of low efficiency and high cost. The major challenge of New Infrastructure construction is the integration of a large number of urban big datasets effectively in real-time format and transforming them into applications that can serve citizens, governments and industries. Yan Cloud DaaS is independently developed by the Group, and is a globally unique big data product, which had been awarded First Prize of National Technological Invention Awards in January 2019. Its unique advantage is that users can, despite a lack of original vendor support, easily integrate systems and data of different generations in a cost-effective way, generating API connection and updating them in real-time format without upgrading the original system. This has become a powerful tool for big data infrastructure construction, driving a number of high-value project awards to the Group, including the smart Tangshan project and the Weihai Smart City project signed in the first half of 2020. The Group took the lead to act as the Chief Technology Officer (CTO) in many cities. Based on the city's own characteristics, the Group implements the top-level design of Smart City 3.0 with Yan Cloud DaaS, which combines urban big data, Internet of Things and other new technologies with urban digital industry development strategies to solve a number of issues surrounding government management, medical care, transportation, environmental protection. During the COVID-19 epidemic, the Yan Cloud DaaS played a crucial role in using big data technologies to effectively track patient data in a large number of cities, implement social distancing measures and monitor price fluctuations of daily necessities. The epidemic has also exposed several pain points in urban management. Local governments across the country are prompted to speed up and expand the construction of new smart infrastructure based on urban big data.

2) SMART INDUSTRY CHAIN: 618 SHOPPING FESTIVAL ACHIEVED ANOTHER ROUND OF SUCCESS, SEGMENT PROFIT INCREASED BY 81.15% YEAR-ON-YEAR

IT Logistics, the operating entity of the Smart Industry Chain business, is a leading company in supply chain management. It implements the "Supply Chain + Big Data + Artificial Intelligence Internet of Things (AIoT)" strategy, and continues to optimize big data applications and smart warehousing solutions for customers to provide end-to-end one-stop supply chain services. During the reporting period, the overall turnover of the smart industry chain business recorded approximately HK\$3.092 billion, a significant increase of approximately 31.56% over the same period of last fiscal year; gross profit was approximately HK\$360 million, an increase of 22.95% year-on-year; segment profit rose sharply by 81.15% to approximately HK\$77.81 million.

The explosive growth of IT Logistics' profit is attributable to the rapid expansion of e-commerce logistics business and the improvement of operating efficiency. IT Logistics seized the opportunities during the epidemic to expand new businesses in online education, medical supplies, and daily live e-commerce fields and achieved substantial growth, despite a general economic downtrend. The contracted sales rose sharply by more than 60% year-on-year. Several contracts have been signed with key customers such as COFCO, Qihoo 360, Perfect Diary, Shuhua Sports, Tianma Microelectronics, and Vertiv etc in the first half of 2020. On the other hand, IT Logistics actively explored the New Infrastructure businesses. Major breakthroughs have been made in the fields of 5G base station equipment, new energy equipment, and electronic component manufacturing to provide New Infrastructure related project solutions. IT Logistics also achieved impressive results during the "618 Shopping Festival", with orders soaring by nearly 50% year-on-year and on time delivery 100% guaranteed.

IT Logistics continues to develop collaborative logistics management software. Through the integration of the Group's "software Internet" products, it improves the efficiency of upstream and downstream collaboration in the supply chain. Better differentiated services are provided to customers through intelligent services based on big data KingKooData products, a series of products such as the "Human+Robot" artificial intelligence robotic solution at the execution level of the smart warehouse, and new IoT products Jieyun Bao and Jieyun Express Signing System. KingKooData, a leading logistics big data product, signed up new service contracts with XGIMI Technology Factory, Digital China Kuntai Factory, Sany Heavy Industry's Yigong Industrial Internet Platform, and successfully launched Shell's refined oil digital platform to help customers improve their entire supply chain management capabilities.

The international business primarily in Southeast Asia's Belt and Road countries will be the profit growth driver of IT Logistics, which has established multiple service points in Indonesia, Malaysia, Myanmar, and Hong Kong. IT Logistics and Malaysia's leading logistics company LINE CLEAR signed a memorandum of understanding on strategic cooperation in July 2020. The two parties will carry out joint cooperation in logistics, warehousing, order fulfillment, distribution and freight business opportunities between China and Malaysia. The tie-up will promote smart industry chain business of both parties in China, Malaysia and further expanding into Southeast Asian countries.

3) DCITS : STRATEGIC FOCUS ON THE FINANCIAL TECHNOLOGY BUSINESS, OF WHICH SIGNED CONTRACT VALUE ROSE BY 36% YEAR-ON-YEAR

DCITS focuses on financial technology and has ranked first in the banking core business and channel management solutions market for eight consecutive years. Driven by the comprehensive transformation of the banking industry to the Internet model and the acceleration of the localization of the banking systems, DCITS's self-developed products in Distributed Core Bank System, Enterprise-Level Microservice Platform and Smart Banking continued to lead in their market segments and achieved steady growth in overall performance.

During the reporting period, revenue was approximately HK\$4.807 billion, which was flat from last year. The underlying revenue in RMB rose by 4.16% from the same period last year. Gross profit was approximately HK\$789 million, a year-on-year decrease of 12.49%. This was mainly due to the temporary impact of the depreciation of RMB and the delayed delivery of some projects to the second half of the year due to the epidemic.

Despite the influence of the COVID-19 epidemic, DCITS achieved a year-on-year increase of 36% in FinTech contracted value. As the only company in the market that has both a mature distributed technology platform and a distributed core bank system, DCITS has the most use cases in distributed platform and core business systems in the industry. During the reporting period, DCITS won the bid and signed contracts with Postal Savings Bank of China, Qujing Bank, Bank of Tangshan and other banks for the consulting and construction of core systems. Based on the concept of open banking, the company relies on the independently developed Internet financial platform and Internet open platform to realize the introduction of third-party scenarios, data introduction, marketing and customer acquisition, etc. In the first half of 2020, it was successfully implemented in Fujian Rural Credit Union, Bank of Beijing, Xishang Bank and other banks.

DCITS has participated in a commercial bank's Digital Currency Electronic Payment (DCEP) test and related promotion work, involving an electronic payment scenario test of encrypted digital currency. Digital wallet is one of the important systems required for the promotion of DCEP. DCITS has processed the relevant technical capabilities which can help commercial banks realize the implementation and promotion of digital currency in the future.

4) BUSINESS OUTLOOK: REALIZING "DIGITAL CHINA" WITH INDEPENDENT INNOVATIONS IN CORE TECHNOLOGIES, WITH A FOCUS ON LIFTING SHAREHOLDER RETURNS

Under the COVID-19 epidemic, all industries are adapting to a new environment and business model, and the positive effect of big data technology in enabling different industries has been especially pronounced in this special environment. DC holdings, as a leading big data service group, notices the huge market opportunities under the New Infrastructure policy and the epidemic environment. It is expected that the Group will experience rapid growth in the next few years. Looking forward, the Group will not forget its original aspirations and keep them in mind and strive to achieve the dream of Digital China with its core innovations in independent technologies such as Yan Cloud DaaS, AIoT, biometrics and security technology, while at the same time achieving profit growth and improvement in shareholder returns.

5) UPDATE ON THE SETTLEMENT PLANS REGARDING CERTAIN WEALTH MANAGEMENT PRODUCTS PURCHASED BY THE GROUP (THE "WMP")

As at 30 June 2020, the outstanding unpaid principal of the WMP was approximately HK\$1,791 million (RMB1,634 million). The Group has set up disposal plans and specific action plans on the ultimate underlying assets involved in the WMP. In accordance with the action plans, the Company will prioritize the disposal of the real estate residential project involved in the underlying assets (the amount of the principal and interest involved is approximately HK\$212 million (RMB193 million)).

The real estate residential project has been under the asset restructuring and disposal procedure. In the previous year, the disposal personnel overcame the impact of rainstorms on proposed construction schedule and substantially completed the resumed construction works. In the first half of this year, despite the outbreak of COVID-19 pandemic, the sales works have been progressing smoothly with various marketing strategies adopted by the disposal personnel; the completion check and acceptance works of the real estate project has been completed; and the mortgage loan procedures have been completed. Some of the real estates have obtained the ownership certificates and converted into the existing real estate assets, and the application of ownership certificates for the remaining real estates is still in progress. If the realisation and repayment plans are carried out in accordance with relevant laws and regulations, the Group will recover a total amount of approximately HK\$212 million (RMB193 million) involved in the real estate residential project which is one of the underlying assets.

The realisation and repayment plans of the remaining ultimate underlying assets (the amount involved is approximately HK\$1,580 million (RMB1,441 million)) are still being pushed forward with positive progress. The Group will continue to pursue its execution according to the action plans. Further announcement will be made by the Company in due course in the event of any material development on the action plans.

The carrying amount of the WMP, as disclosed in the interim financial statements of the Group in 2020, requires no adjustment to the provision for the WMP in the interim period of 2020 based on the management's judgment on the ultimate underlying assets and the assets disposal progress.

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 HK\$24,791 million at 30 June 2020 which were financed by total liabilities of HK\$12,284 million, non-controlling interests of HK\$3,636 million and equity attributable to equity holders of the parent of HK\$8,871 million. The Group's current ratio at 30 June 2020 was 1.30 as compared to 1.17 at 31 December 2019.

During the six months ended 30 June 2020, capital expenditure of HK\$86.43 million was mainly incurred for the acquisition of properties, office equipment and IT infrastructure facilities.

As at 30 June 2020, the Group had cash and bank balances of HK\$1,836 million, of which about HK\$1,747 million were denominated in Renminbi.

The aggregate borrowings of the Group as a ratio of equity attributable to equity holders of the parent was 0.50 at 30 June 2020 as compared to 0.57 at 31 December 2019. The computation of the said ratio was based on the total interest-bearing bank and other borrowings of HK\$4,436 million (31 December 2019: HK\$5,095 million) and equity attributable to equity holders of the parent of HK\$8,871 million (31 December 2019: HK\$8,936 million).

Management Discussion and Analysis

At 30 June 2020, the denomination of the interest-bearing bank and other borrowings of the Group was shown as follows:

	Denominated in Renminbi HK\$'000	Denominated in Hong Kong dollars HK\$'000	Total HK\$'000
Current			
Interest-bearing bank borrowings, unsecured	1,025,365	50,000	1,075,365
Interest-bearing bank borrowings, secured	1,006,410	63,500	1,069,910
Other borrowings	50,424	-	50,424
	2,082,199	113,500	2,195,699
Non-current			
Interest-bearing bank borrowings, secured	2,188,528	45,590	2,234,118
Corporate bond	5,880	-	5,880
	2,194,408	45,590	2,239,998
Total	4,276,607	159,090	4,435,697

Certain of the Group's bank borrowings of:

1. Approximately HK\$2,250 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 HK\$3,799 million at 30 June 2020; and
2. Approximately HK\$1,054 million extended by financial institutions to certain subsidiaries of the Group were secured by pledge of 189,209,087 issued shares of DCITS, a non-wholly-owned subsidiary of the Company, directly held by a wholly-owned subsidiary of the Company, with an aggregate carrying amount of HK\$3,190 million at 30 June 2020.

Included in the Group's current and non-current bank and other borrowings of approximately HK\$172 million and HK\$2,234 million respectively represented the long-term loans which are repayable from the year 2020 to year 2034. All of the Group's bank borrowings were charged at floating interest rates except for the loan balances with an aggregate amount of approximately HK\$2,287 million which were charged at fixed interest rates as at 30 June 2020.

Management Discussion and Analysis

Pursuant to the "Capital Contribution and Shareholders' Agreement of Shenzhou Lingyun (Beijing) Technology Co., Ltd." (the "**Capital Contribution and Shareholders' Agreement**"), upon fulfillment of the condition pertaining to an undertaking regarding business results, investors subscribing for shares with new capital contributions shall provide, according to their capital contribution ratios, loans with a total amount of approximately RMB33.00 million (equivalent to approximately HK\$36.17 million) in the form of convertible bonds to Shenzhou Lingyun (Beijing) Technology Co., Ltd.* (神州靈雲(北京) 科技有限公司) ("**Shenzhou Lingyun**"). Subject to the fulfillment of the undertaking regarding Shenzhou Lingyun's the business results for the years 2016 to 2020 in full, the investors have agreed to convert the full amount of the convertible bond loans into investments in Shenzhou Lingyun, which shall be credited, upon conversion, to Shenzhou Lingyun's capital reserve. In the event that the business result undertaking is not fulfilled, Shenzhou Lingyun shall repay the aforesaid convertible bond loans within 30 days upon receipt of notices from the investors. From 2017 to 2019, the investors have provided the convertible bond loans of approximately RMB32.60 million (equivalent to approximately HK\$35.73 million) to Shenzhou Lingyun, including approximately RMB26.40 million (equivalent to approximately HK\$28.94 million) provided by the Company and approximately RMB6.20 million (equivalent to approximately HK\$6.79 million) by other investors. In April 2020, the Company and other investors signed the "Transfer Agreement" with Kang Jun, and all parties agreed to make compensation according to the compensation arrangement agreed in the Capital Contribution and Shareholders' Agreement, and Shenzhou Lingyun shall repay the convertible bond loans of approximately RMB20.47 million (equivalent to approximately HK\$22.44 million) to the investors, of which approximately RMB18.39 million (equivalent to approximately HK\$20.16 million) shall be paid to the Company and approximately RMB2.08 million (equivalent to approximately HK\$2.28 million) to other investors; At the same time, the parties transferred their equities in Shenzhou Lingyun together with their contractual rights and contractual obligations under the Capital Contribution and Shareholders' Agreement to Kang Jun, and withdrew from Shenzhou Lingyun, with a total consideration transferred of approximately RMB15.21 million (equivalent to approximately HK\$16.67 million). As of June 30, 2020, Shenzhou Lingyun has repaid the convertible bond loans of approximately RMB8.19 million (equivalent to approximately HK\$8.97 million), of which approximately RMB7.36 million (equivalent to approximately HK\$8.06 million) was repaid to the Company and approximately RMB0.83 million (equivalent to approximately HK\$0.91 million) to the remaining investors. As of the date of this report, Shenzhou Lingyun has repaid the convertible bond loans of approximately RMB11.47 million (equivalent to approximately HK\$12.57 million), of which approximately RMB9.39 million (equivalent to approximately HK\$10.29 million) was repaid to the Company and approximately RMB2.08 million (equivalent to approximately HK\$2.28 million) to the remaining investors; Kang Jun has paid the transfer price of approximately RMB3.36 million (equivalent to approximately HK\$3.68 million), of which approximately RMB3.04 million (equivalent to approximately HK\$3.33 million) was paid to the Company and approximately RMB0.32 million (equivalent to approximately HK\$0.35 million) to the remaining investors.

The total available bank credit facilities for the Group at 30 June 2020 amounted to approximately HK\$12,185 million, of which approximately HK\$2,805 million were in long-term loan facilities, approximately HK\$4,147 million were in trade lines and approximately HK\$5,233 million were in short-term and revolving money market facilities. At 30 June 2020, the facility drawn down from the Group was approximately HK\$2,187 million in long-term loan facilities, approximately HK\$1,275 million in trade lines and approximately HK\$2,193 million in short-term and revolving money market facilities.

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

On 7 November 2018, China Potevio Co., Ltd. filed a litigation with Beijing's Second Intermediate People's Court on the grounds that DCITS assisted Shenzhen Shengwugang Investment Co., Ltd. (深圳市生物港投資有限公司) ("**Shengwugang Company**") in capital withdrawal, requiring DCITS to bear joint and several liability for compensation in relation to the assistance given to Shengwugang Company for capital withdrawal of approximately RMB25,000,000 together with interests. At the end of December 2018, DCITS filed jurisdiction objection litigation with Beijing's Second Intermediate People's Court, which has been rejected by Beijing's Second Intermediate People's Court. DCITS filed litigation with Beijing Municipal High People's Court against the ruling rejecting the jurisdiction objection, which has been rejected by Beijing Municipal High People's Court in May 2019.

On 29 October 2019, Beijing Second Intermediate People's Court issued the first instance judgment ((2018) Jing 02 Min Chu No. 344), which stated that DCITS shall undertake the supplementary liability for the unsettled part of the debt Shengwugang Company owned to China Potevio Co., Ltd. under Guangdong Shenzhen Intermediate People's Court (2007) Shen Zhong Fa Wei Zhi Zi No. 539 Enforcement Case after the enforcement (with the amount limited to approximately RMB68,125,000), which is limited to the extent of the principal and interest of the advance totaling approximately RMB35,120,000. DCITS has appealed to the court, and provision amounting to approximately RMB21,382,000 has been made in accordance to the above judgement.

Capital Commitment

Details of the Group's capital commitment at 30 June 2020 are set out in note 11 to the condensed consolidated interim financial statements.

Significant Investments

During the six month ended 30 June 2020, the Group did not hold any material investment.

Disposal of Equity Interest in a Subsidiary

On 14 January 2020, the Group entered into a sale and purchase agreement with the SK China Company Limited pursuant to which the Group has agreed to sell, and the SK China Company Limited has agreed to acquire, the entire equity interest in Beijing Lizhi Weixin Technology Co., Ltd.* (北京勵致維欣科技有限公司) ("**Beijing Lizhi Weixin**"), being an indirect non-wholly owned subsidiary of the Company, which in turn holds 32,720,636 shares in Digital China Health Technologies Co., Ltd.* (神州數碼醫療科技股份有限公司) ("**Digital China Health**"), representing approximately 14.05% of the entire issued share capital of Digital China Health.

Immediately after completion of the disposal, the Group will retain approximately 5.99% of the total issued shares in Digital China Health, and Digital China Health will cease to be an associate of the Company. The Group will also cease to have any equity interest in Beijing Lizhi Weixin, and Beijing Lizhi Weixin will cease to be a subsidiary of the Company. Please refer to the announcement of the Company dated 15 January 2020 for details of the disposal.

Human Resources and Remuneration Policy

At 30 June 2020, the Group had approximately 12,300 (30 June 2019: approximately 11,600) 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 a 5.42% decrease in staff costs to approximately HK\$1,082 million for the six months ended 30 June 2020 as compared to approximately HK\$1,144 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.

Management Discussion and Analysis

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 HK\$1,335 million. The table below set out the use of net proceeds (the "Net Proceeds") from the Rights Issue:

	Un-utilised amount as at 1 January 2019 HK\$'million	Actual application for the year ended 31 December 2019 HK\$'million	Un-utilised amount as at 31 December 2019 HK\$'million	Actual application for the six months ended 30 June 2020 HK\$'million	Un-utilised amount as at 30 June 2020 HK\$'million
Intended use of the net proceeds from the Rights Issue					
Financing the Healthcare Big Data Investment or any other potential investments and acquisitions as and when any suitable opportunity is identified	571	(198)	373	-	373

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 utilize the un-utilised amount of the Net Proceeds in accordance with the intended purposes mentioned above. At 30 June 2020, an aggregate of approximately HK\$962 million has been utilised from the Net Proceeds.

As at 30 June 2020, the un-utilised Net Proceeds from the Rights Issue amounted to approximately HK\$373 million. In 2020, due to the impact of the COVID-19 epidemic, 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 are not expected to be utilised in full by the end of 2020. 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 2022.

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 of the Company.

Other Information

INTERIM DIVIDEND

On 26 August 2020, the Board has declared an interim dividend of HK3.6 cents per Share for the six months ended 30 June 2020 ("Interim Dividend") (for the six months ended 30 June 2019: Nil) to Shareholders whose names appear on the register of members of the Company on Wednesday, 16 September 2020. The Interim Dividend will be payable on or about Wednesday, 7 October 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 September 2020 to Tuesday, 22 September 2020 for ascertaining Shareholders' entitlement to the Interim Dividend. No transfer of Shares will be registered on that days. 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 16 September 2020 for registration.

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

At 30 June 2020, the interests and short positions of each Director and chief executive of the Company and their associates in the shares of the Company (the "Share(s)"), 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 10 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:

Name of Director	Capacity	Personal interests	Corporate interests	Number of outstanding share options	Total (Note 1)	Approximate percentage of aggregate interests (%) (Note 5)
GUO Wei	Beneficial owner and interests of a controlled corporation	94,328,707	86,767,857 (Note 2)	13,116,974 (Note 3)	194,213,538	11.58
LIN Yang	Beneficial owner	3,571,734	-	13,116,974 (Note 3)	16,688,708	0.99
WONG Man Chung, Francis	Beneficial owner	100,000 (Note 4)	-	-	100,000	0.01
NI Hong (Hope)	Beneficial owner	100,000 (Note 4)	-	-	100,000	0.01
LIU Yu, John	Beneficial owner	100,000 (Note 4)	-	-	100,000	0.01
KING William	Beneficial owner	100,000 (Note 4)	-	-	100,000	0.01

Other Information

Notes:

1. All of the interests disclosed herein represent long position in the Shares.
2. These 86,767,857 Shares were beneficially held by Kosalaki Investments Limited ("KIL"), of which Mr. GUO Wei is the controlling shareholder and also a director of KIL, therefore, Mr. GUO Wei was deemed to be interested in such Shares in which KIL was interested.
3. On 25 January 2017, the share options were granted to Mr. GUO Wei and Mr. LIN Yang. 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 ordinary shares of the Company.
4. On 2 June 2020, these shares were granted under the restricted share award scheme of the Company and will be vested in accordance with the terms and conditions of the scheme.
5. 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, at 30 June 2020, 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.

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

At 30 June 2020, 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 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 (Note 1)	Approximate percentage of aggregate interests (%) (Note 7)
Kosalaki Investments Limited (Note 2)	Beneficial owner	86,767,857	5.17
Dragon City International Investment Limited	Beneficial owner	187,578,500 (Note 3)	11.23
YIP Chi Yu (Note 3)	Interests of a controlled corporation/Interest of spouse	187,578,500/ 2,325	11.23
HUANG Shaokang (Note 3)	Beneficial owner/ Interest of spouse	2,325/ 187,578,500	11.23
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	434,474,928 (Note 4(a))	26.00
Guangzhou City Investment Co., Ltd.* (廣州市城投投資有限公司) ("GZ Investment")	Interests of controlled corporations	419,356,928 (Note 4(b))	25.00
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")	Interests of a controlled corporation	387,735,000 (Note 4(c))	23.12
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	387,735,000 (Note 4(b))	23.12
GRG Banking Equipment Co., Ltd.* (廣州廣電運通金融電子股份有限公司) ("GRG Banking Equip.")	Beneficial owner	301,068,250 (Note 5)	18.02
Guangzhou Radio Group Co., Ltd.* (廣州無線電集團有限公司) ("Guangzhou Radio Group")	Interests of a controlled corporation	301,068,250 (Note 5)	18.02

Other Information

Notes:

1. All of the interests disclosed herein represent long position in the Shares.
2. KIL is controlled by Mr. GUO Wei who is a director of the Company and KIL.
3. The interest includes (i) 133,361,633 Shares held directly by Dragon City International Investment Limited ("**Dragon City**"), which is controlled by Ms. YIP Chi Yu; (ii) 54,216,867 underlying Shares held directly by Dragon City in respect of an unlisted equity derivative instrument; and (iii) 2,325 shares held directly by Mr. HUANG Shaokang, a spouse of Ms. YIP Chi Yu.
4.
 - (a) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Infrastructure on 6 September 2019, GZ Infrastructure was interested in 434,474,928 Shares in aggregate, of which, 396,962,000 Shares were held by GZ Jiazi and 37,512,928 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., which is wholly-owned by GZ Infrastructure. GZ Infrastructure was deemed to be interested in 434,474,928 Shares.
 - (b) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Investment on 10 April 2018, GZ Investment was interested in 419,356,928 Shares in aggregate, of which, 387,735,000 Shares were held by GZ Jiazi and 31,621,928 Shares were held by Suitong HK.
 - (c) Pursuant to a Form 2 – Corporate Substantial Shareholders Notice filed by GZ Jiapeng on 10 April 2018, GZ Jiapeng was interested in 387, 735,000 Shares.
5. These 301,068,250 Shares were beneficially held by GRG Banking Equipment* (廣州廣電運通金融電子) (listed on The Shenzhen Stock Exchange), in which Guangzhou Radio Group* (廣州無線電集團) is a 52.96% controlling shareholder.
6. 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.

Save as disclosed above, at 30 June 2020, the Company had not been notified by any persons 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.

- The English name of the company is a direct transliteration of its Chinese registered name.

SHARE-BASED INCENTIVE SCHEMES

Share-based Incentive Schemes of the Company

(A) Share Option Scheme

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

The following table shows the movements in the share options under the 2011 Share Option Scheme during the six months ended 30 June 2020 and the outstanding share options at the beginning and end of the period:

Grantee	Number of share options				Outstanding as at 30/06/2020	Exercise price per share HK\$	Closing price per share immediately before the date of grant HK\$	Date of grant	Exercisable period	Notes
	Outstanding as at 1/1/2020	Granted during the period	Exercised 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)
LIN Yang	13,116,974	-	-	-	13,116,974	6.394	6.73	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
Other employees	62,646,667	-	-	(56,665,327)	5,981,340	6.394	6.73	25/1/2017	25/1/2017-24/1/2025	(i), (ii)
Other employees	5,000,000	-	-	(1,000,000)	4,000,000	4.818	4.87	21/5/2018	21/5/2019-20/5/2026	(ii)
Other employees	5,700,000	-	(400,000)	(3,300,000)	2,000,000	3.88	3.88	20/11/2018	20/11/2019-19/11/2026	(ii)
Other employees	6,970,000	-	(30,000)	(100,000)	6,840,000	4.32	4.26	28/3/2019	28/3/2020-27/3/2027	(ii)
Other employees	3,200,000	-	-	-	3,200,000	4.04	3.95	2/9/2019	2/9/2020-1/9/2027	(ii)
Other employees	30,000	-	-	-	30,000	4.172	4.10	7/11/2019	7/11/2020-6/11/2027	(ii)
Other employees	-	7,570,000	-	-	7,570,000	4.17	4.16	27/04/2020	27/04/2021-26/04/2028	(ii)
Other employees	-	2,620,000	-	(50,000)	2,570,000	4.48	4.27	11/06/2020	11/06/2021-10/06/2028	(ii)
In aggregate	109,780,615	10,190,000	(430,000)	(61,115,327)	58,425,288					

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 and the numbers of outstanding share options were adjusted accordingly.
- (ii) The options granted in 2018, 2019 and 2020 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. The options granted in 2017 are exercisable in whole or in part at anytime during the exercisable period.

Other Information

The fair values of share options granted under the Share Option Scheme were estimated as at the dates of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Granted during the six months ended 30 June	2020	2019
Exercise price (HK\$ per share)	4.17-4.48	4.32
Dividend yield (%)	2.65 per annum	3 per annum
Expected volatility (%)	37.9-38.1 per annum	39.3 per annum
Expected life (year)	8	8
Risk-free interest rate (%)	0.46-0.56 per annum	1.38 per annum
Weighted average share price (HK\$ per Share)	4.17-4.48	4.32

The expected volatility is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual income.

No other feature of the share options granted was incorporated into the measurement of fair value.

(B) *Restricted Share Award Scheme*

The restricted share award scheme of the Company (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 of the Company and its subsidiaries (the "Participants") with the Shares. 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 Shares by aligning their interests with those of the Shareholders.

Pursuant to the RSA Scheme, existing Shares will be purchased by the trustee of the RSA Scheme from the market 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 restricted share units ("RSU(s)") and each RSU shall represent one ordinary share of the Company.

The trustee of the RSA Scheme purchased 14,392,000 Shares (six months ended 30 June 2019: 2,924,000) at total cost of approximately HK\$69,219,000 (including relevant transaction fees) (six months ended 30 June 2019: 11,201,000) and 2,150,000 RSU were granted to the Participants during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

During the six months ended 30 June 2020, the Group recognised share-based payment expenses of HK\$23,219,000 (six months ended 30 June 2019: HK\$4,370,000) in the unaudited condensed consolidated statement of profit or loss.

Equity Incentive Schemes of a subsidiary

(C) Share Option Incentive Scheme of DCITS

The shareholders of the Company and Digital China Information Service Company Ltd. ("DCITS") approved the adoption of a share option incentive scheme (the "Share Option Incentive Scheme") on 10 September 2019 and 16 September 2019 respectively.

The following table shows the movements in the share options under DCITS Share Option Incentive Scheme during the six months ended 30 June 2020 and the outstanding share options at the beginning and end of the period:

Grantee	Number of the share options				Outstanding as at 30/06/2020	Exercise price per share RMB	Date of grant	Exercisable period
	Outstanding as at 1/1/2020	Granted during the period	Exercise during the period	Lapsed during the period				
DCITS director	-	-	-	-	-	-	-	-
DCITS other employees	22,270,000	-	-	(250,000)	22,020,000	12.76	17/9/2019	Grantees may exercise their share options with reference to the Option Registration Date (i.e. 30/10/2019) in two tranches. <i>(Note)</i>

Note:

Subject to the fulfillment of the conditions for exercising the share options under the Share Option Incentive Scheme, grantees may exercise their share options within 24 months after the expiry of 12 months from the Option Registration Date in two tranches as follows:

Tranche	Exercisable period	Percentage of share option exercisable
First tranche	From the first trading day after the expiry of 12 months from the Option Registration Date to the last trading day within 24 months from the Option Registration Date	50%
Second tranche	From the first trading day after the expiry of 24 months from the Option Registration Date to the last trading day within 36 months from the Option Registration Date	50%

Other Information

The fair values of the share options granted during 2019 under the DCITS Share Option Scheme were estimated as at the dates of grant, using a binomial model, taking into account of the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Granted during:	2019
Exercise price (RMB per share)	12.76
Dividend yield (%)	0.205-0.2546 per annum
Expected volatility (%)	21.7765-25.9667 per annum
Expected life (year)	1-2
Risk-free interest rate (%)	1.5-2.1 per annum
Weighted average share price (RMB per share)	12.99

The expected volatility based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

(D) *Restricted Share Incentive Scheme of DCITS*

The shareholders of DCITS approved the adoption of a restricted share incentive scheme (the "**Restricted Share Incentive Scheme**") on 16 September 2019.

The underlying shares of the Restricted Share Incentive Scheme shall be the A ordinary shares to be issued by DCITS to the participants of the Restricted Share Incentive Scheme.

Since the adoption of the Restricted Share Incentive Scheme, 6,950,000 restricted shares (representing approximately 0.72% of the total share capital of DCITS of 963,431,273 shares as at the date of grant and approximately 0.72% of the total share capital of DCITS of 970,381,273 share as at 30 June 2020) have been granted by DCITS under the Restricted Share Incentive Scheme to the incentive participants. The grant price of such restricted shares was RMB6.345 (According to the provisions of the Restricted Share Incentive Scheme, the grant price of the restricted shares was adjusted due to DCITS's dividends). The number of restricted shares granted to the incentive participants as at 31 December 2019 and 30 June 2020 were totally 6,950,000. There was no movement in the restricted shares granted under the Restricted Share Incentive Scheme during the six months ended 30 June 2020.

Other Information

The fair values of the restricted share granted during 2019 under the DCITS Restricted Share Incentive Scheme were estimated as at the dates of grant, using a binomial model, taking into account of the terms and conditions upon which the restricted shares were granted. The following table lists the inputs to the model used:

Granted during:	2019
Dividend yield (%)	0.205-0.2546 per annum
Expected volatility (%)	21.7765-25.9667 per annum
Risk-free interest rate (%)	1.5-2.1 per annum
Weighted average share price (RMB per share)	12.99

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the restricted shares granted was incorporated into the measurement of fair value.

Other Information

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
Mr. WONG Man Chung, Francis	<ul style="list-style-type: none">- Appointed as the chairman of the remuneration and evaluation committee and a member of the nomination committee of Shanghai Dongzheng Automotive Finance Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange) with effect from 30 June 2020- Appointed as the independent non-executive director, chairman of the audit committee, a member of the risk management committee and a member of the remuneration and evaluation committee of Shanghai Dongzheng Automotive Finance Co., Ltd. (whose shares are listed on the Main Board of the Stock Exchange) with effect from 24 February 2020- Appointed as the independent non-executive director, chairman of the audit committee and a member of the remuneration committee of IntelliCentrics Global Holdings Ltd. (whose shares are listed on the Main Board of the Stock Exchange) with effect from 23 January 2020
Miss NI Hong (Hope)	<ul style="list-style-type: none">- Resigned as executive director and the chief investment officer and re-designated as non-executive director of Cogobuy Group with effect from 10 June 2020
Dr. LIU Yun, John	<ul style="list-style-type: none">- Proposed as a board member of dormakaba Holding AG (whose shares are listed in the SIX Swiss Exchange) at its forthcoming annual general meeting to be held in October 2020- Resigned as chief advisor of Reignwood Holdings Pte Ltd. (Singapore) with effect from 1 January 2020- Resigned as board member and the chief executive officer of VOSS with effect from 1 July 2020
Mr. YU Ziping	<ul style="list-style-type: none">- Retired as non-executive Director of the Company with effect from 30 June 2020

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as its code of conduct for securities transactions of the Directors. 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 2020.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. WONG Man Chung, Francis (who is the Chairman of the Audit Committee), Ms. NI Hong (Hope) and Ms. YAN Xiaoyan. The Audit Committee has reviewed with the senior management of the Company their respective findings, the accounting treatment, principles and practices adopted by the Group, legal and regulatory compliance and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020, with no disagreement.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "Code Provision(s)") set out in the "Corporate Governance Code and Corporate Governance Report" contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020, except the following deviations from certain Code Provisions with considered reasons as given below:

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

Mr. GUO Wei, the Chairman of the board of directors of the Company (the "Board") has been taking up the dual role as Chairman 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.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All of the non-executive Directors of the Company were not appointed for any specific term. Since all Directors (save for the Chairman of the Board or the Managing Director) are subject to retirement by rotation at each annual general meeting in accordance with the new bye-laws of the Company (the "New Bye-Laws") and shall be eligible for re-election. The Board considers that the retirement of Directors by rotation at each annual general meeting in accordance with the New Bye-Laws has given the Shareholders the right to approve the continuation of the service of the Directors.

Code Provision A.4.2 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 New Bye-Laws, 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, the Chairman of the Board or 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 of the Company, 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 A.5.1 stipulates that the listed company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The Company does not establish a nomination committee at present. The Company considers that the setting up of a nomination committee may not be necessary as the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as addition to the Board according to the New Bye-Laws, therefore, the Board has been able to assume the responsibilities of a nomination committee. The Board will identify and assess whether the candidate has the balanced composition of skills and experience appropriate for the requirements of the businesses of the Company and suitably qualified to become board members.

Other Information

Code Provision D.1.4 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 its any Non-executive Directors or Independent Non-executive Directors. 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 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.

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

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

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 throughout the six months ended 30 June 2020.

By Order of the Board

GUO Wei

Chairman and Chief Executive Officer

Hong Kong, 26 August 2020

Website: www.dcholdings.com



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