

# Digital China Holdings Limited

## 1H21 Results Presentation

Nov 2021

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## 1. Our Business

## 2. Business and Financial Performance



# 1. Our Business

Who We Were | What We Are Developing |  
How The Transformation Works |  
Early Transformation Results

# Who We Were



- Spun off from Legend Holdings in 2000 and listed on the Stock Exchange of Hong Kong since 2001
- For past 20 years, DC Holdings has committed to “Digitalizing China” as its core mission, continuously making technological breakthroughs and creating new innovations
- **Deeply ingrained in China, we look to spearhead the future digital transformation of cities and industries in China with our best-in-class technologies**

## 2000-2001

Spun off from Legend in 2000  
Listed on HKEX in 2001



## 2013

DCITS, a subsidiary of DC Holdings,  
spun off to the A-share market



## 2016

Digital China Group was listed on the  
A-share market



## 1984

Chinese Academy of  
Sciences Computer  
Technology Research  
Institute (predecessor  
of Legend) established

1.0

### 2000-2009

Distributor for Global  
Tech in China

#1 Market Share  
in China

2.0

### 2010-2017

Systems Integrator &  
Information Specialist

#1 Market Share in China  
commercial banks

3.0

### 2018 – Present

Big Data Software and Solutions  
Enterprise

Pioneer in China's big  
data industry

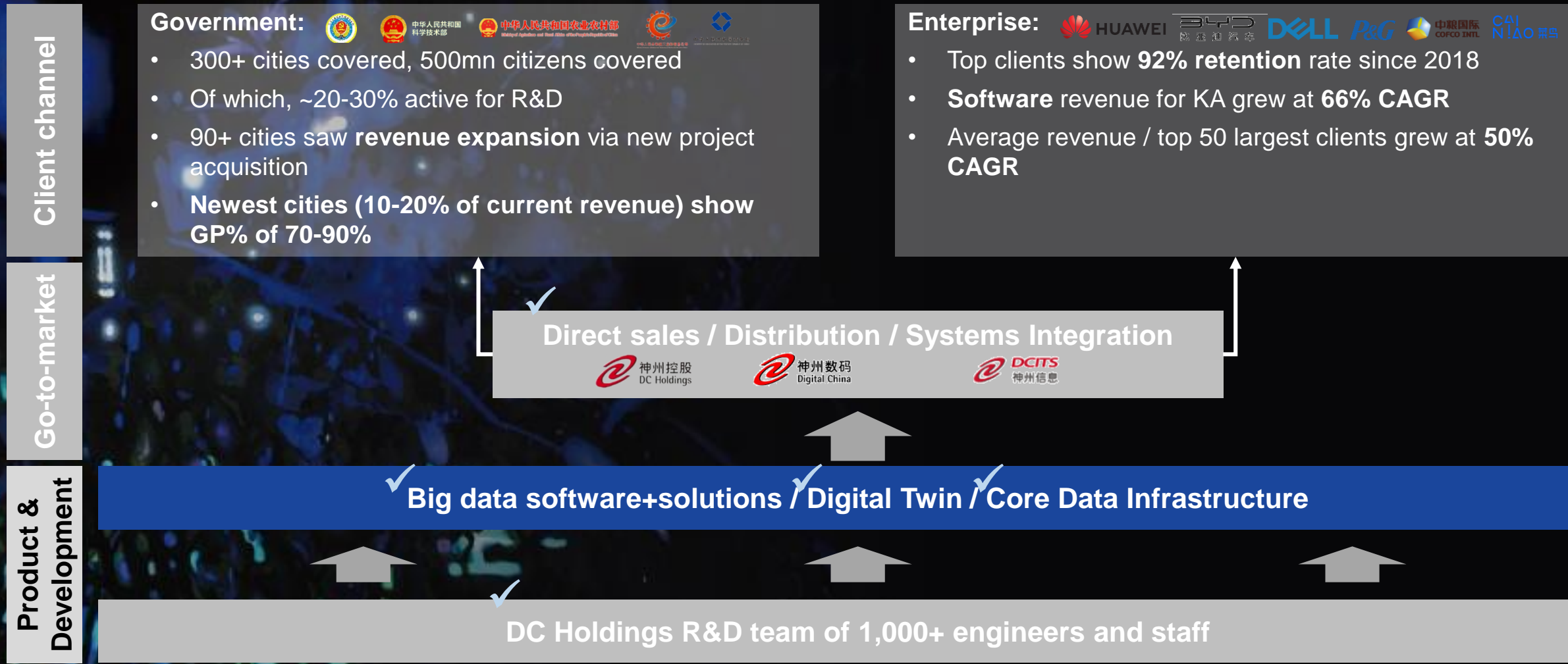
# What We Are Developing in the Digital Economy Era



By leveraging on **two decades of experience** in the China technology scene, we are deploying our **proprietary big data software and solutions** to our enterprise and government clients



# How The Transformation Works



Leveraging on strong execution capability and experience to expand software business

✓ = Part of DC Holdings core business structure

# Early Transformation Results



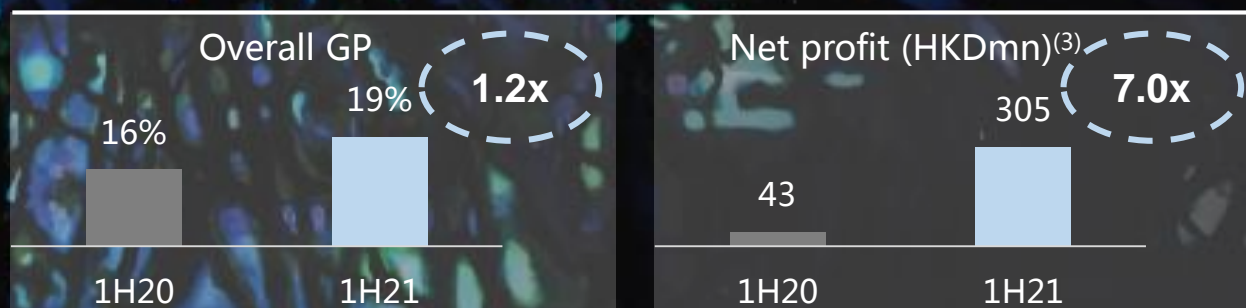
## Supply Chain



## Smart City



## Overall



1) Based on Segment Result of Smart Industrial Chain

2) FY19 uses overall GP (given no sub-segment or cohort during FY19). 80% based on average of 70-90%

3) Refers to profit for the period less net gain or loss on disposal of equity interests in associates



Transformation by 1) **re-balancing** of its enterprise + govt client portfolios; 2) improvement of **client retention**; and 3) significant **margin improvement**



Supply chain performance benefiting from **portfolio re-balancing**, together with significant **increase in software sales by 53% vs. FY20**



Big data software seeing strong results in latest 2020-2021 cities cohort, showing **70-90% project GP margins**



**Revenue expansion** opportunities more evident, with 60% cities showing more than one project



**Stringent cost discipline** in effect, boosting 1H21 **net profit** (excl. investment gains/losses) by **601%**



## 2. Business and Financial Performance

Industry Big Data Model |

City Big Data Usage Model |

Fintech Model

# Our Supply Chain Scale at a Glance

"Supply Chain + Big Data + AIoT" approach to deploy big data applications and intelligent warehousing solutions, aiming to provide our customers with end-to-end supply chain services to achieve overall industrial chain integration:



No. 1 in FMCG & food products (B2C logistics)



Top 3 in beauty, maternal & child clothing



During "Double-Eleven" in 2020, created a new industry record of delivering **4.5 million** orders in a single warehouse



Of all warehouse orders nationwide, **98%** were delivered within 3 days, completed all orders within 4 days



Cities/districts covered:

**3,330+**



No. of warehouses:

**231**



Annual Transport Value:

**RMB500b+**



Annual phones delivered:

**100m+**



Daily packages delivered:

**400k+**



Daily transport miles:

**40m km+**

# Clear Differentiation Between Tech and Logistics



	ITL	Competitor A	Competitor B
<b>Competitive Edge</b>	Tech-enablement and data driven efficiencies	Large warehouse footprint in China	Large last-mile fulfilment resources
<b>Identity</b>	Independent supply chain services operator	Shareholder owned and shareholder driven volume	Composite logistics and freight operator
<b>Operating structure<sup>(1)</sup></b>	5A certified, Asset Light - 231 warehouses Primarily 3PL	5A certified, Asset Heavy - 2,800 warehouses - Own fleet, ~200k couriers	5A certified, Asset Heavy - 420 warehouses - Own fleet, ~390k couriers
<b>GP</b>	<b>17%</b>	<b>4%</b>	<b>10%</b>
<b>EBIT<sup>(2)</sup></b>	<b>5%</b>	<b>(5)%</b>	<b>(1)%</b>
<b>FTEs</b>	2,816	273,602	121,925
<b>Revenue/FTE (RMBmn)</b>	0.77	0.18	0.72
<b>GP/FTE (RMBmn)</b>	0.13	0.01	0.07
<b>EBIT/FTE (RMBmn)</b>	0.04	Loss	Loss

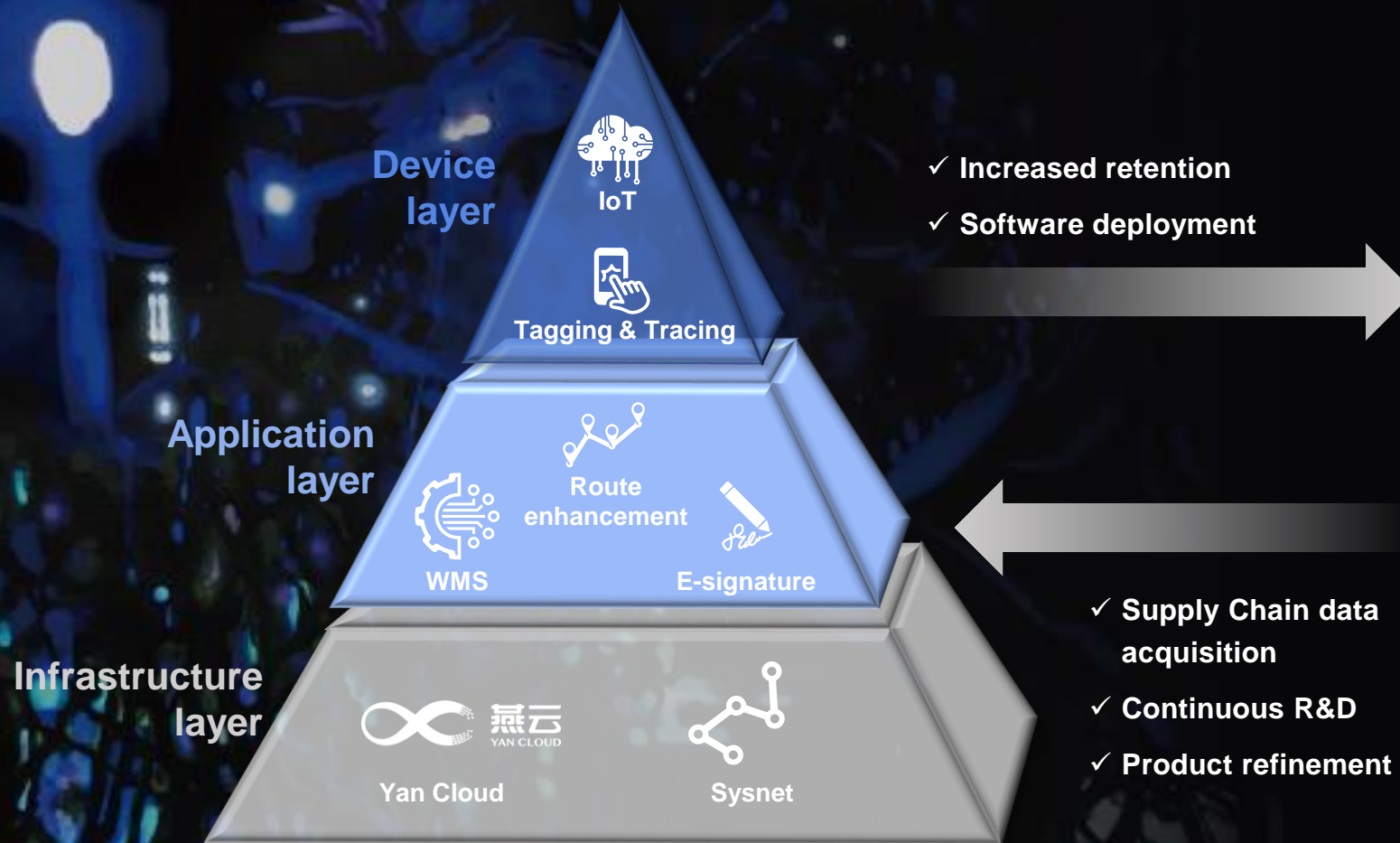
**Tech-driven asset light model enabling best-in-class productivity v.s. peers**

1) Structure based on company information and bank estimates for presence in China

2) EBIT calculated as gross profit, less selling & marketing, R&D and G&A expenses



# Digital Native Supply Chain Transformation



## Operation credentials

**National 5A** operator

**Record holder** for Alibaba's "Double-11"

**231** warehouses

**Best Logistics Software** Provider 2021



## Financial performance

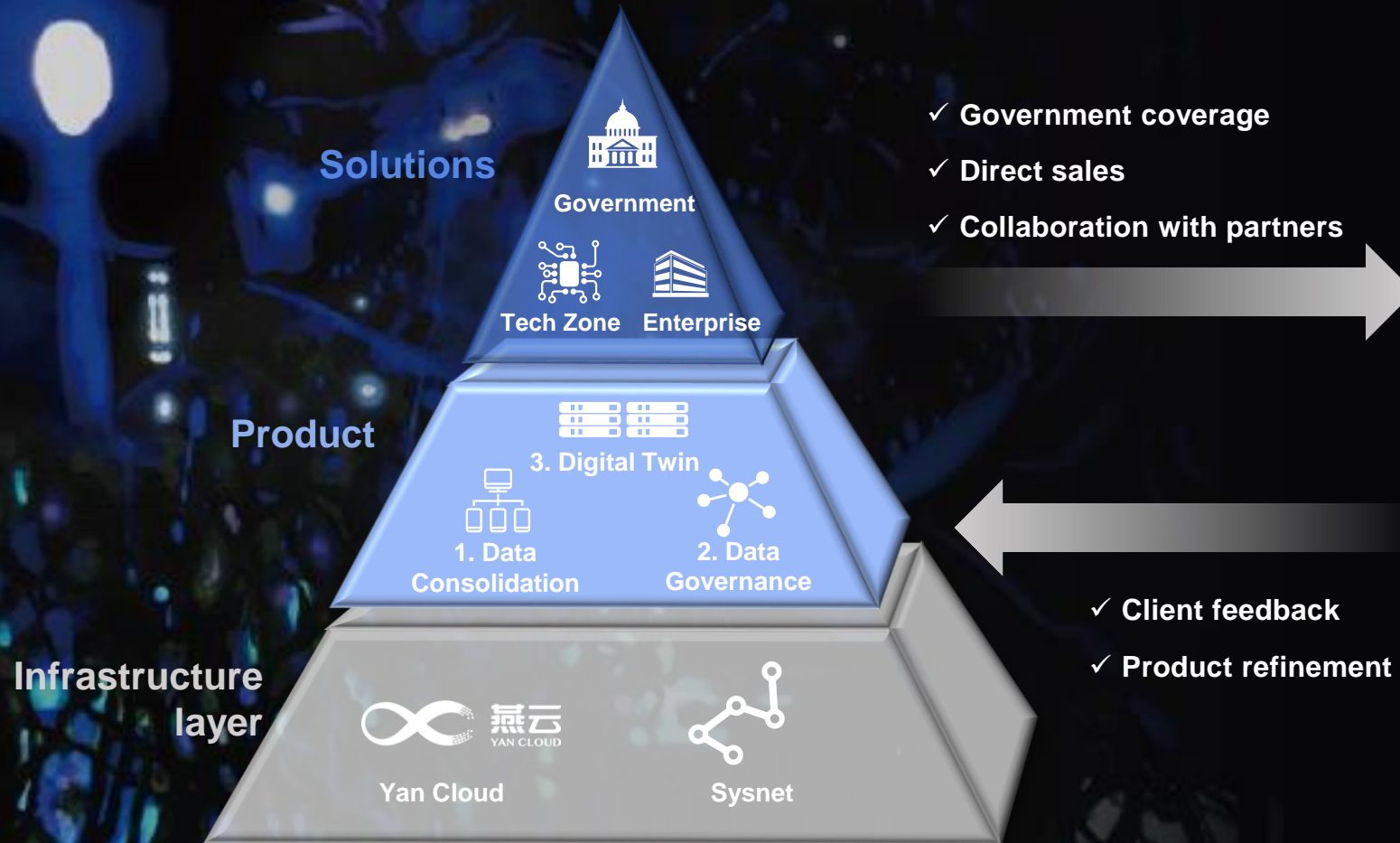
**17%** GP margin; **5%** EBIT margin

**92%** retention for top clients

**66%** growth in software revenue

**50%** average revenue/top 50 largest client growth since '18

# Digital Native City Transformation



- ✓ Government coverage
- ✓ Direct sales
- ✓ Collaboration with partners



## Market coverage

**>300 cities** accessed and **500mn citizens** covered since 2000

**20-30%** chosen for initial R&D phase and usage model discovery

**Customized** products and solutions



## Expansion and penetration

**Software-driven** sales

**Standardized** products and solutions

**Replicability** predicated on experience from cities with similar profile

- ✓ Client feedback
- ✓ Product refinement

# Cooperation and Synergy with the Government



## Outcome = Performance fulfilment

1. Drive successful provincial and city KPI outcomes
2. Enable acceleration of development goals



# Decades of Experience through DCITS



## Heritage

- **Heritage drawn from Legend Holdings**, where Chinese banks represented the largest customers of IT hardware and software
- Developed a **deep understanding of the Chinese banking market**
- **Channel establishment** and primary distributor for global tech brands

## Business Expansion

- Primarily **systems integration business** with strong **direct sales force**
- **60% banking market coverage** in China
- No.1 for 8 consecutive years for Solution Market Share of Banking Industry in China (IDC)
- Expanded into **software development** and **software services**
- Expanded into different **industry verticals** such as agriculture

## Synergy with 861

- Provides 861 with **strong direct sales force**
- **Strong channel** to discover new usage models with financial technology
- Forbes China “2021 China Most Innovative Enterprises List” and “Blockchain 50 Index”
- First **offshore tender win** in 1H21 for the Hong Kong government for 861 x DCITS

# 1H2021 Key Highlights



**Operating Profit<sup>(1)</sup>**  
(HK\$ million)

**688**  
**+29% ▲**

**Gross Profit**  
(HK\$ million)

**1,615**  
**+22% ▲**

**Business Profit<sup>(2)</sup>**  
(HK\$ million)

**305**  
**+601% ▲**

**Big Data Revenue**  
(HK\$ million)

**155**  
**+185% ▲**

**Supply Chain GP**  
(HK\$ million)

**431**  
**+20% ▲**

**Supply Chain Net Profit<sup>(3)</sup>**  
(HK\$ million)

**131**  
**+68% ▲**

1) Refers to Operating Profit before working capital changes

2) Refers to profit for the period less net gain or loss on disposal of equity interests in associates

3) Adopts Segment Results number

# 2H21 Aspirations and Outlook

## Research and Development

- Continuous **client feedback and refinement**
- **Recruitment of new talent**, retention of existing senior management

## Product and Solutions

- Common data software architecture
- Standardization

## **Big data software/solutions**

- Evidence of **high margin** projects via Smart City channel
- Robust **software sales growth** within Supply Chain channel

## **Core offering**

- Best-in-class warehouse management to sustain strong **retention rates**
- Steady growth in software development and services generating stable **+ve cashflow**

## **Traditional offering**

- Leverage systems integration capabilities to **boost software sales**
- Logistics fulfilment for **product lifecycle** data acquisition

## **Government:**

- Continue to invest into City CTO model to build new use cases
- Focus on replication to new cities
- Use of partners to speed up scaling

## **Enterprise:**

- Improve cross-sell and software penetration of KA clients
- Quality revenue expansion and optimize client portfolio, steadily grow margins

## **Digital Twin:**

- Coverage of both 2B and 2G use cases
- Official roll-out between 2021 and 2022



# Core Management Team



**Guo Wei**

Chairman of the Board, CEO

Responsible for overall strategy and management. Chairman of DCITS and DCG. Previously ED and SVP at Lenovo Group



**Lin Yang**

Vice Chairman of the Board

With DC Holdings since 2001, previously served as Executive Vice President. Previously senior executive at Lenovo Group



**Maria Kwok**

COO

20 years of management experience at Fortune 500 companies; Ex-Intel President of Solutions; Ex-Microsoft President of Greater China M&A and Strategy



**Yale Shen**

CTO

20 years of management experience at Fortune 500 companies; Ex-Cisco Chief Cloud Architect; Ex-Microsoft Head of Technical Team for M&A and Strategic Planning



**Sun Yang**

SVP

Ex-China Orient AM Assistant General Manager; Ex-Orient BRH Deputy GM; Ex-Dongfang Bangxin Chairman

**500mn  
2020**

**613mn**

Consistently paying dividends  
since 2019

**800mn  
2021**

Interim dividend 2 cents / share

**1.2bn  
2022**

**Grant of Share Options <sup>(1)</sup>**

**Exercise price/share: HKD6.6**

**Condition: 2020/2021/2022 net profit exceeds HKD500mn / HKD800mn / HKD1,200mn respectively**

1) Announcement dated 25 Aug 2020



Thank You