

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

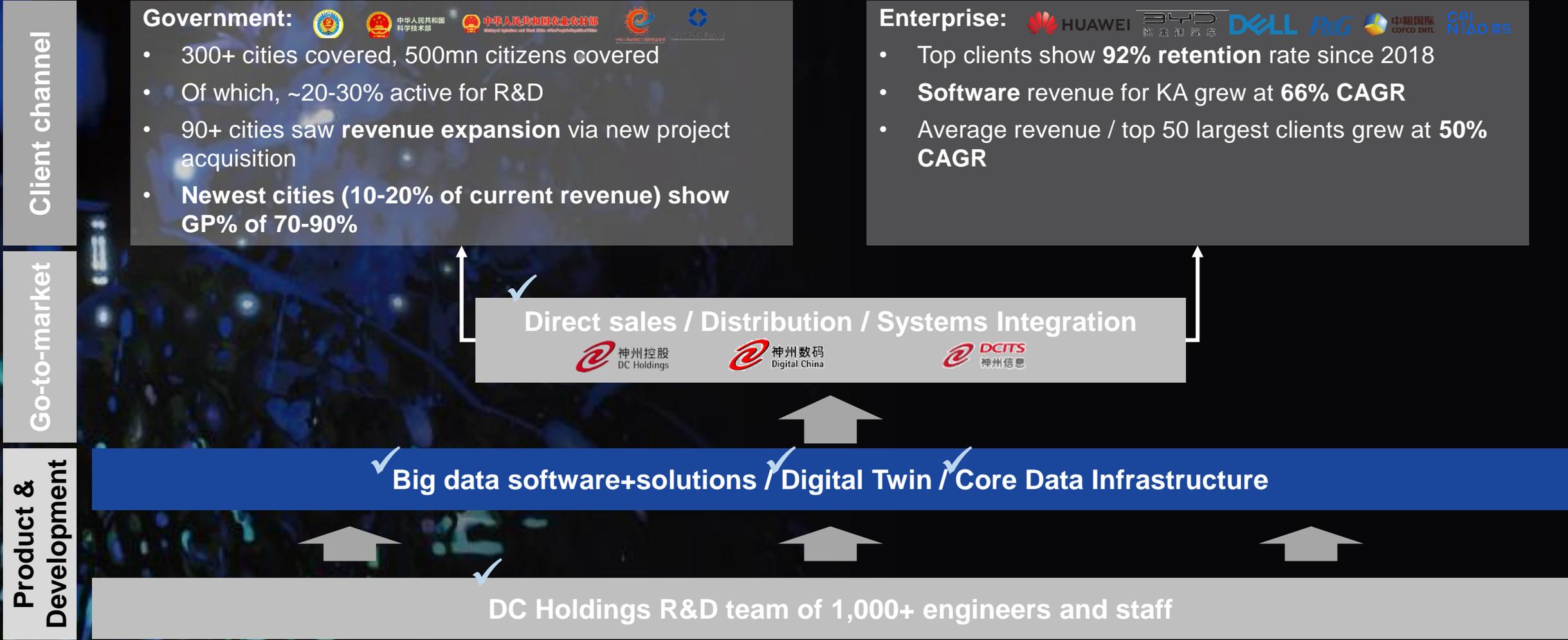
Pioneer in China's big data industry

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

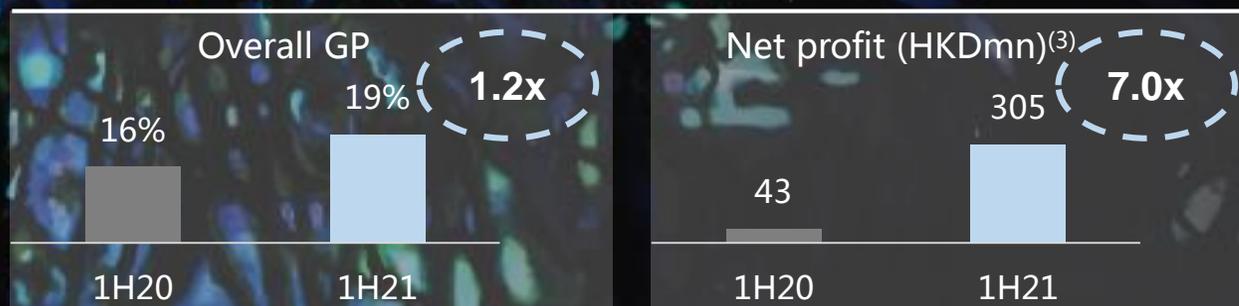
Supply Chain



Smart City



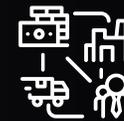
Overall



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



Clear Differentiation Between Tech and Logistics



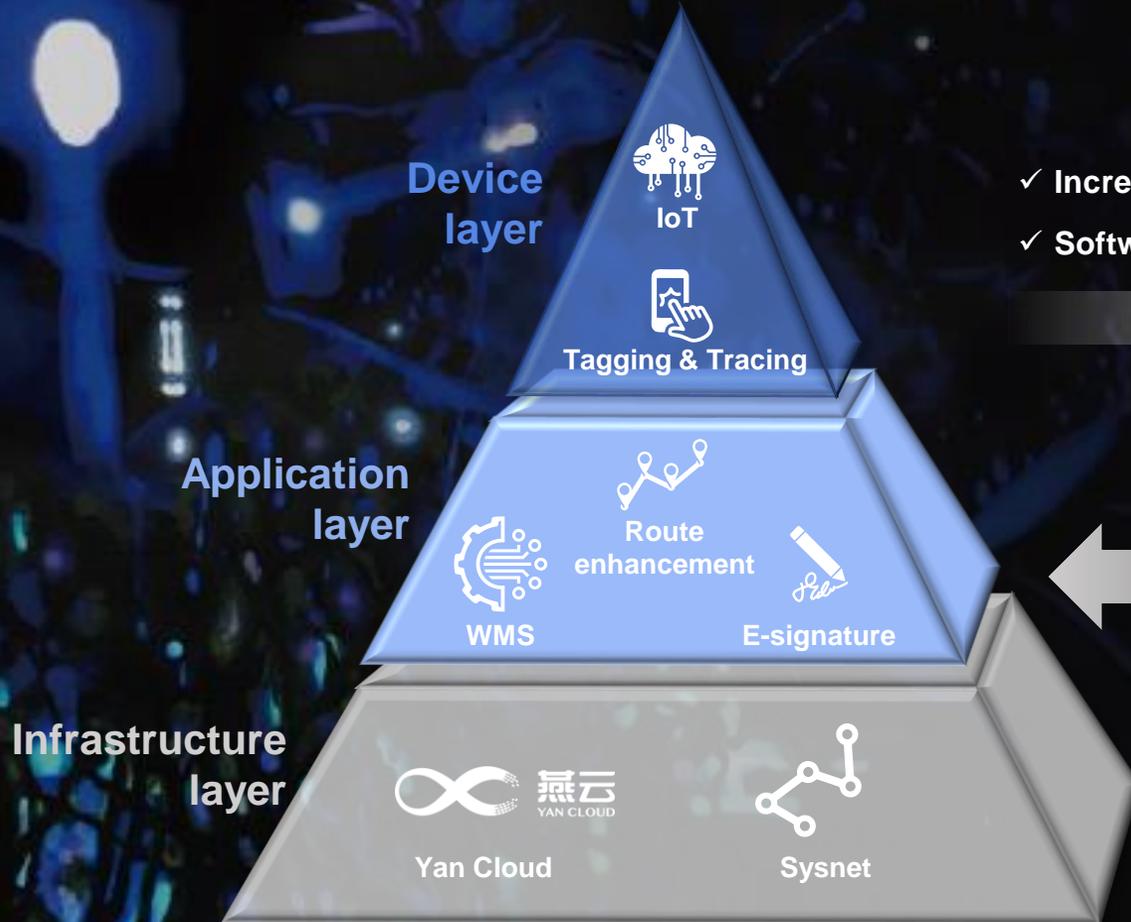
	ITL	Competitor A	Competitor B
Competitive Edge	Tech-enablement and data driven efficiencies	Large warehouse footprint in China	Large last-mile fulfilment resources
Identity	Independent supply chain services operator	Shareholder owned and shareholder driven volume	Composite logistics and freight operator
Operating structure⁽¹⁾	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
GP	17%	4%	10%
EBIT⁽²⁾	5%	(5)%	(1)%
FTEs	2,816	273,602	121,925
Revenue/FTE (RMBmn)	0.77	0.18	0.72
GP/FTE (RMBmn)	0.13	0.01	0.07
EBIT/FTE (RMBmn)	0.04	Loss	Loss

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

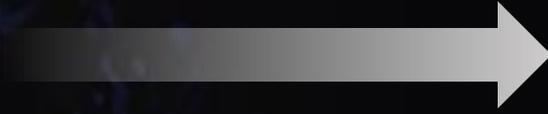
1) Structure based on company information and bank estimates for presence in China

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

Digital Native Supply Chain Transformation



- ✓ Increased retention
- ✓ Software deployment



Operation credentials

National 5A operator

Record holder for Alibaba's "Double-11"

231 warehouses

Best Logistics Software Provider 2021



Financial performance

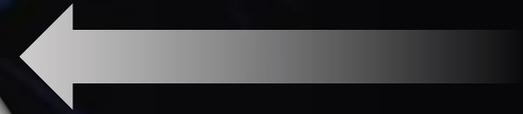
17% GP margin; **5%** EBIT margin

92% retention for top clients

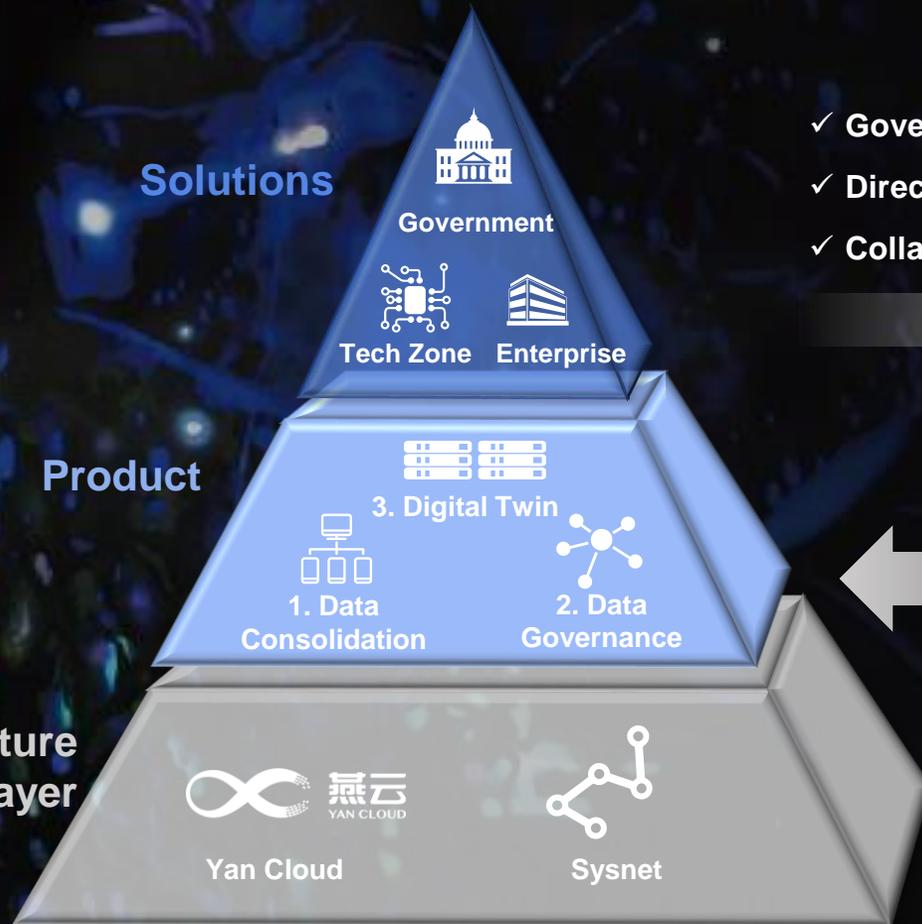
66% growth in software revenue

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

- ✓ Supply Chain data acquisition
- ✓ Continuous R&D
- ✓ Product refinement



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



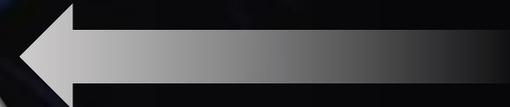
Expansion and penetration

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⁽¹⁾
(HK\$ million)

688

+29% ▲

Gross Profit
(HK\$ million)

1,615

+22% ▲

Business Profit⁽²⁾
(HK\$ million)

305

+601% ▲

Big Data Revenue
(HK\$ million)

155

+185% ▲

Supply Chain GP
(HK\$ million)

431

+20% ▲

Supply Chain Net Profit⁽³⁾
(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



Grant of Share Options ⁽¹⁾
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