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DC Holdings

DC Holdings Limited 00861.HK

FY2022 Results Presentation

30 March 2023

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Contents

1 Business Highlights

2022 Company Overview

- Acceleration of big data and A.I. capabilities
- Rapid growth of big data core business
- Optimization of business structure

Growth Drivers

Challenges

- Fed rate hike
- US-China trade war
- Geopolitical conflicts
- Recurrence of COVID-19
- Local government financial pressure

Oppor-tunities

Sustain-ability

Unprecedented level of digitalization policy support, creating a vast digital economy
- Digital industrialization: data + localization
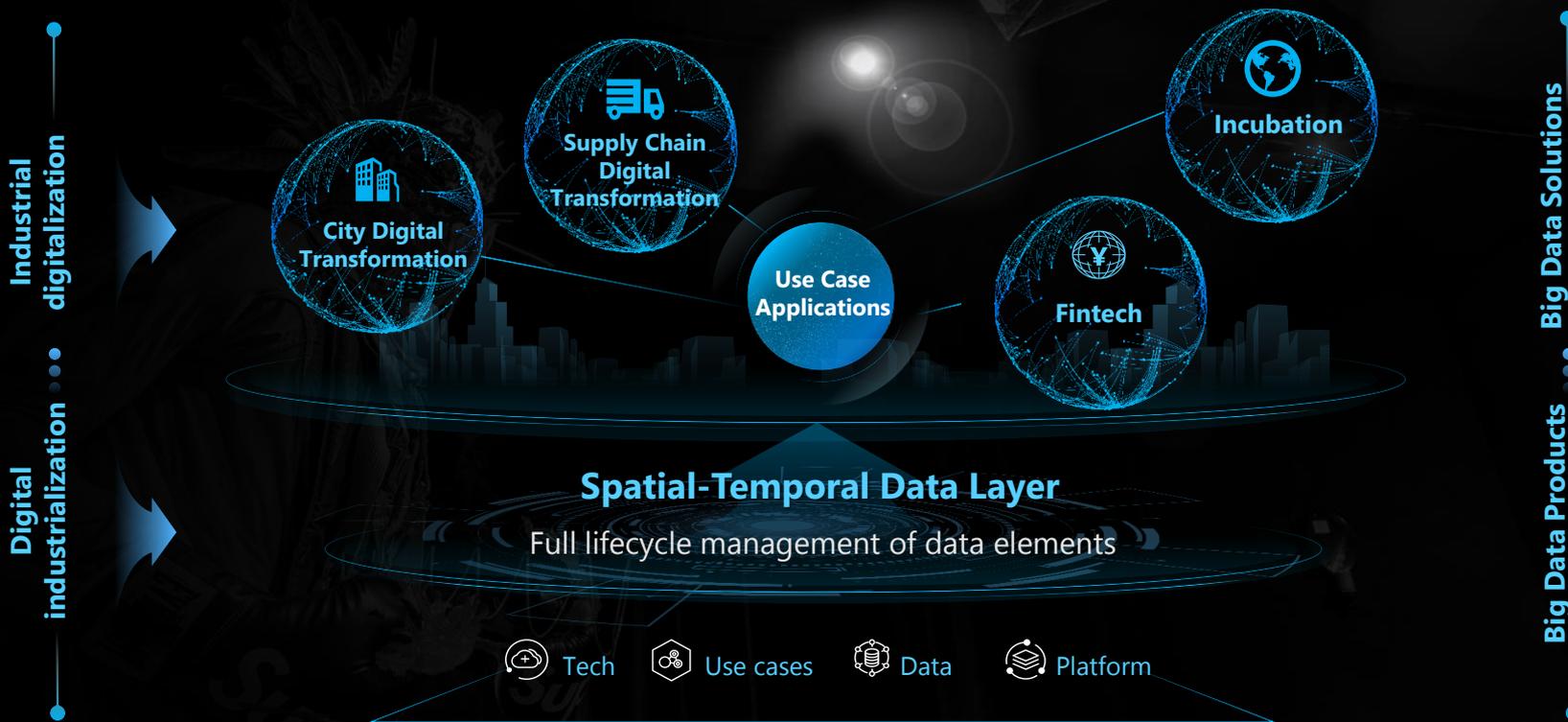- Industrial digitalization: cities\villages\finance \supply chain...

- Industry-academia-research-usage
- Deep industry expertise leading development of industry standards
- Advantage in the big data industry supported by an extensive client base and robust ecosystem resources

Digital Economy | Core Strategy of Big Data

In 2018, we developed our core business of big data and A.I. technologies, thereby providing government and enterprise clients with a **full-suite of big data products and solutions**

Industrial digitalization

Digital industrialization

City Digital Transformation

Supply Chain Digital Transformation

Incubation

Use Case Applications

Fintech

Big Data Solutions

Big Data Products

Spatial-Temporal Data Layer

Full lifecycle management of data elements

Tech   Use cases   Data   Platform

Business Highlights | Rapid Growth of Big Data Business

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Both the scale and gross margins of the big data business continue to demonstrate strong growth

Revenue

(RMB million)

YoY **+26%**
CAGR **+19%**

- 2020: 1,709
- 2021: 1,937
- 2022: 2,439

Gross Profit

(RMB million)

YoY **+38%**
CAGR **+34%**

- 2020: 533/31.2%
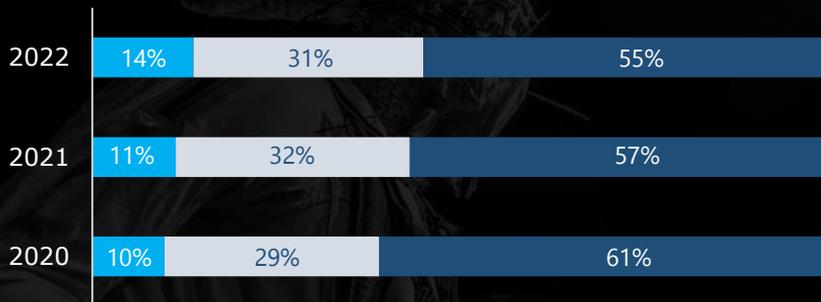- 2021: 693/35.8%
- 2022: 955/39.1%
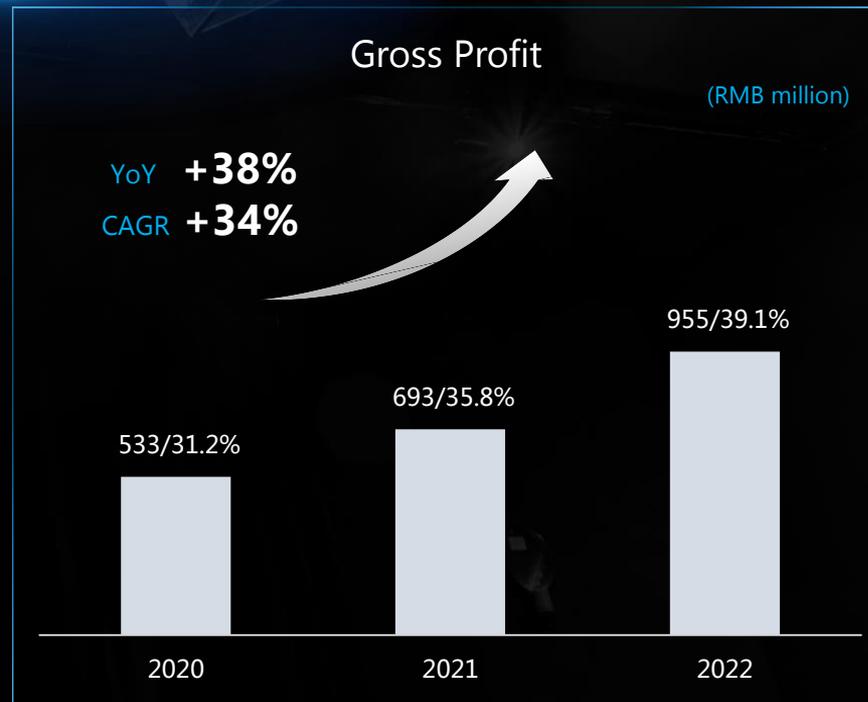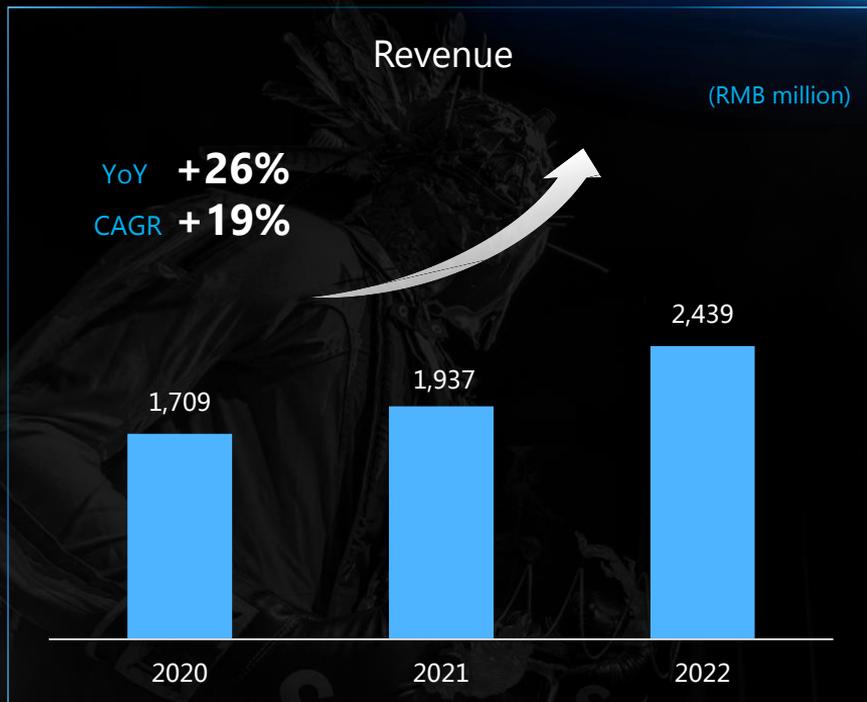
Business Highlights | Ongoing Optimization of Business Structure

The proportion of big data business has significantly increased, with gross profit exceeding 30%

% of Revenue by Segment

(RMB million)

	2020		
2022	14%	31%	55%
2021	11%	32%	57%
2020	10%	29%	61%

	2020	2021	2022
Big Data Products and Solutions	1,709	1,937	2,439
Software and Operating Services	5,113	5,439	5,546
Traditional and Localisation Services	10,677	9,728	9,766

% of Gross Profit by Segment

(RMB million)

2022	32%	28%	40%
2021	22%	36%	42%
2020	18%	41%	41%
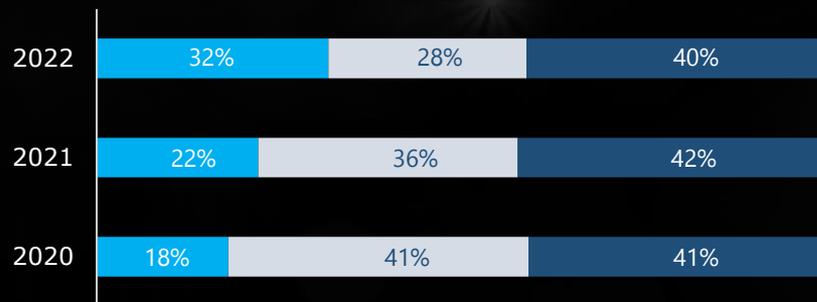
	2020	2021	2022
Big Data Products and Solutions	533	693	955
Software and Operating Services	1,213	1,113	814
Traditional and Localisation Services	1,211	1,329	1,172

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Industry Position | Well-recognized Provider to Top Clients

% Revenue	Market Positioning	Key clients
Tech 41%	No.1 in IT/3C- The field of third-party supply chain; Top 3 for 10 straight years in IDC IT Services Enterprise Ranking, No.1 in the Chinese market	中国移动 China Mobile · China unicom中国联通 · 中国电信 CHINA TELECOM · HUAWEI · ZTE中兴 · HIKVISION 海康威视 · 京东方 BOE · 方正科技 FOUNDER · mi · OST · Bai百度 · 阿里巴巴 Alibaba.com · Tencent 腾讯 · JD 京东数科 · Schneider Electric · dahua · STAR-NET 星网锐捷 · SUNPIE · coolpad 酷派 · H3C
Finance 31%	No.3 in IDC China Banking IT Solutions Market, No.1 for 10 straight years in Banking Core System, Open Banking and Channel Solutions	中国银行 BANK OF CHINA · 中国建设银行 China Construction Bank · 中国工商银行 · 中国农业银行 AGRICULTURAL BANK OF CHINA · 北京银行 BANK OF BEIJING · 中国邮政储蓄银行 POSTAL SAVINGS BANK OF CHINA · 华夏银行 HUAXIA BANK · 平安银行 · 中国光大银行 CHINA EVERBRIGHT BANK · 兴业银行 INDUSTRIAL BANK CO.,LTD. · 汇丰 · 广发银行 CHINA GUANGFA BANK · 中信银行 CHINA CITIC BANK · 南京银行 BANK OF NANJING · 广州银行 BANK OF GUANGZHOU
Consumer 10%	Top 3 in maternal, beauty, clothing and FMCG	P&G · 天猫超市 · 中粮 COFCO · LANCÔME PARIS · SK-II · 蕉下 · LI-NING · PurCotton 全棉时代 · TOREAD · Kappa · 良品铺子 BESTORE · KA SHU 三只松鼠
Government 7%	Coverage of more than 10 central ministries and commissions, including National Development and Reform Commission, Ministry of Science and Technology, the Ministry of National Security, the Ministry of Agriculture and Rural Development, State Administration of Taxation, Ministry of Water Resources, Ministry of Labour and Social Security, and more than 300 cities, including Jilin, Fujian, Beijing, Guangzhou, Tangshan and Tianjin	

New Energy	Cross Border E-Commerce	......

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Industry Position | Top Credentials and Awards

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By 2022, we have led and participated in the preparation of **111 national and industrial standards** which govern industries and elements including big data, digital twin, smart cities and zones, intelligent logistics, fintech and others

No.1
2022 TOP 50 digital twin solution providers

2022 Big Data Field
Outstanding Enterprise

No.2
2022 China TOP 100 new technology enterprises

2022 Digital Economy
Top 10 outstanding solutions

2022 Listed Companies Best TMT Company

2022 IDC Smart City Asia Pacific Award

2022 Big Data Innovation Award

No.6
2022 TOP 150 big data service providers

2 Product and Business Review

Business Structure

Data-driven

Service-driven

Efficiency-driven

Big Data Products and Solutions

Software and Operating Services

Traditional and Localisation Services

City Digital Native Transformation

Supply Chain Digital Native Transformation

Fintech

Incubation

Business

Channel

Big Data Products	**Big Data Solutions**
Data Fabric	Digital Cities
Data Hub	Digital Supply Chain
Digital Twin	Fintech

Supply Chain Services	**Software development & technical services**
B2B Logistics	Software Development
B2C Logistics	Software Testing
Cross-border Logistics	Software Operations and Maintenance
Import and Export Services	Hardware Maintenance

E-commerce supply chain	**Systems integration**
One-stop Solutions	Localisation Full Stack Offering

Big Data Products

Products cover the entire life cycle of data elements and generate gross profit margins of 90%

	Data Fabric	Data Hub	Digital Twin
2023	[Pending] Data Integrity Data "Safehouse"	[Pending] Data Hub 2.0 (Data weaving, operations)	[Pending] Algorithm Hub Knowledge Hub
2022		[Developing] Data Lifecycle Data Standards Data Assortment	[Developing] Knowledge Map Low-code Visualization, IoT Platform
2021	[Developed] Data Services Yan Cloud DaaS Advanced Yan Cloud DaaS Localisation	[Developed] Data Hub 1.0	[Developed] CIM Platform (Urban Information Model)

Core Advantages :
- 20+ years of industry experience and unique understanding of data
- Continuously formulating national industry standards
- Innovative R&D via industry-academia-research-usage model
- Comprehensive data management capabilities, exclusive combination of spatial-temporal algorithms + flexible architecture
- Yan Cloud DaaS won the first prize in National Technology Invention, creating a natural competitive edge

Business Development:
- Accelerated development and application practice in spatial-temporal intelligence and knowledge map, releasing new products.
- During the reporting period, Big Data products have been implemented and used in party and government organs, social organizations, and financial institutions in various cities throughout the country, including the highly efficient enabling big data operating system of the National Federation of Industry and Commerce, the Jining City Data Center in Shandong Province, the Weihai City Cross System Data Docking Support Platform in Shandong Province, the Wujiang Government Big Data Platform Project in Suzhou, Jiangsu Province, and financial institutions in Hebei Province, Chongqing City, Chengdu City, and other places.
- The CIM platform in Jingyue District Government , built by DC Holdings, was awarded "2022 Digital Economy Top 10 outstanding solutions ", building a Solid Data Base for digitalizing China
- Further improvement in product standardization, with GP margins of 90% , up 7% YoY

Use Case Applications | City Digital Native Transformation

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"City CTO" model continuously drives progression of urban digitalization

Digital Society

- City Brain
- Economic Operations
- Unified Network
- City QC
- IOC Solutions
- Approval Flow
- Smart Party Building
- Smart Pipes network
- Smart Construction

Smart Government

- Citizen Services
- Smart Community
- Unified Network
- Data Accounts
- Smart Aging
- Public Health Platform
- Hospital Supply Chain Data
- Governance

Digital Economy

- Industry Brain
- Carbon Neutrality Brain
- Smart Parks
- Logistics Parks
- Foreign Trade Services
- Smart Heating
- Rare Earth Protection
- Agriculture

Digital Ecosystem

- Water Affairs
- Water Resources
- Environmental Protection
- Intelligent Piping Network
- Carbon Neutrality

Digital Culture

- Smart Library
- Smart Museum
- Smart Culture Exhibition

Core Advantages:

- City CTO positioning covering different fields of digitalization
- 20+ years of practical experience, accumulating deep industry experience and successful track record, and continue to deepen efforts to empower urban digital development
- Rich customer resources and ecosystem partners to accelerate replication and standardization of solutions

Business Development:

- Government business is an entry point to the city, allowing for access to digitization opportunities such as water, water conservancy, transportation, education, environmental protection, agriculture, and taxation.
- During the reporting period, we have executed series of key projects such as the Beijing Haidian District Government Affairs Cloud Service Project, Shanghai Yangpu District One Network Management System, Guangzhou Smart Housing Rental Service Project, Changchun City Brain and Smart Water Project in Jilin Province, Tangshan City Smart City Project in Hebei Province, Weihai City Operation Management and Citizen Service Project in Shandong Province, and Longyan City, Fujian Province; we also jointly completed the research and development of ministerial and county level agricultural and rural big data products with the National Ministry of Agriculture and Rural Affairs, and completed the construction of the agricultural and rural big data platform framework in Zibo City, Shandong Province; and also executed the fourth phase of golden tax projects such as the data (public) support service platform of the State Administration of Taxation

Leveraging on Supply Chain + Big Data + AIoT strategy to provide clients one-stop supply chain solutions
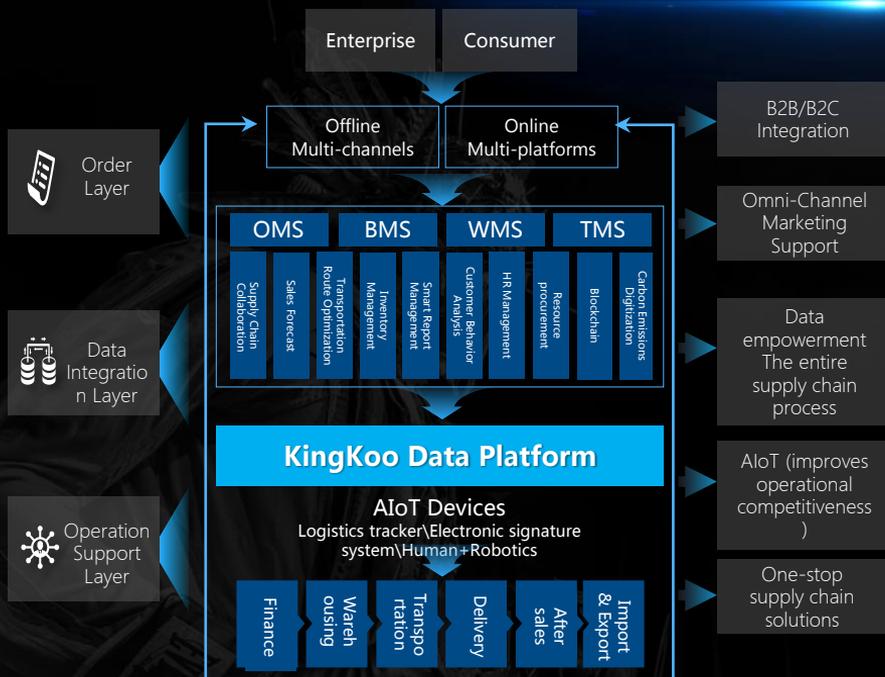
Core Advantages:

- 20+ years of industry experience in both logistics and technology
- Full-scale proprietary supply chain software system with rare B2B/B2C
- integration capability
- Strong practicability given role as both a software developer and user
- Can effectively support 10mn+ of orders
- Independent third-party service provider integrating upstream and downstream ecosystem partners

Business Development:

- Focus on key accounts and provide end-to-end, one-stop supply chain operation services for key accounts such as China Mobile, China Unicom, BYD, Huawei and Dell
- Develop overseas logistics, digital trading and cross-border e-commerce, seeing breakthroughs in South East Asia and Eastern European countries
- Empower leading customers in industries such as fast-moving consumer goods, e-commerce, lifestyle, enabling them to achieve order management, full process visualization, sales forecast and others so as to optimize the supply chain efficiency

Use Case Applications | Fintech

Trusted digital transformation partner for institutions looking to expand digital capabilities

Financial solutions and use-case based applications

Core Banking System	Enterprise Service Platform	Data Service

Financial Data Assets

Integrated Development	Data asset operation	Regulatory Solutions

Financial innovation

Digital RMB	Agriculture	SME Financing

Core Advantages :
- More than 30+ years of experience in the financial industry, covering 1,900 financial institutions
- Continued technological leadership and investment in R&D
- Numerous strategic partners and industry ecological resources
- Diversified business scenarios to support the digital transformation of financial institutions

Business Development:
- New-generation banking core business system products, enterprise-level micro-service platform and enterprise service bus (ESB) continues to lead the market
- Financial data business contracts executed with Postal Savings Bank, China Development Bank, Bank of Beijing, Bohai Bank, China CITIC Bank, Bank of Nanjing, Bank of Shanghai
- Digital RMB implemented in 29 financial institutions such as China Construction Bank, Bank of Beijing; currently in cooperation with Beijing Taxation Bureau and ICBC
- Launched first digital RMB pilot for tax payment in Beijing; in cooperation with ICBC, we have implemented the first domestic prepaid consumption platform based on digital RMB

Use Case Applications | Localization

Capitalize on the localization trend in China and create a firm business base

1 Goal
National localization initiatives worth over
100bn RMB

2 Use Cases

Financial and Key Industries	Government Initiatives

6 Core Capabilities

Business Services	Full-stack Adaptation	Talent Training	Closed Loop Ecosystem	New Tech Demo	Financial Services Ecosystem

1 Full-Stack Capability Technology Base
(Kunpeng, Loongson, Feiteng, Haiguang)
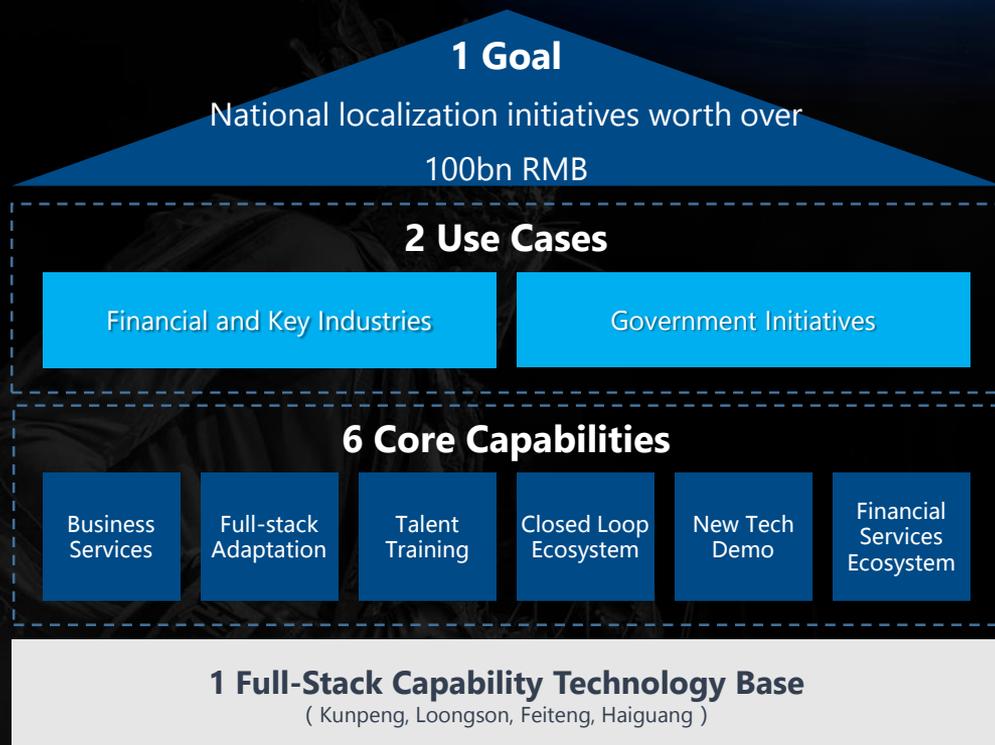
Core Advantages :
- Possess full-stack service capabilities of localization: consulting and planning, implementation, execution and testing, operation and maintenance
- Completed the integration of localized software and hardware with more than 20 mainstream localization ecosystem partners
- Till date, already provided localization-related services to more than 150 industry customers

Business Development:
- Financial innovation: localization clients include Bank of China, ICBC, Postal Savings Bank, Bank of Communications, China Development Bank, Huaxia Bank, Bank of Beijing, Bank of Shanghai, Taikang Insurance and Galaxy Securities.
- Others: PetroChina and Shanghai Pharmaceuticals have made great strides in localization, where we have provide services covering digital energy, governance, manufacturing, medical care, education, communications and others
- We will continue to use this as an important channel for big data business development to create a comprehensive localization business

Innovative R&D | Industry-Academia-Research-Application

Self-Innovation

First prize of the State Technological Innovation Award
Over 80% of headcount in technical research and development
2,598 accumulated intellectual property rights

Setting Standards

111+ standards drafted
National and industry standards such as Digital Twin/Smart City and Park/Intelligent Logistics/Finance

Ecosystem Empowerment

Future Urban Research Institute
Shangdi Big Data Research Institute
New Power Digital Finance Research Institute
DC Innovation Ecosystem Incubation Fund
Two Hackathons
Joint laboratory for universities

Industry Deep-dive

Research and development based on actual use cases and customer needs
Promote the continuous improvement of product standardization
Rapid product promotion and replication

Performance | Big Data Business Continues to Grow Rapidly

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Consolidated Revenue
(RMB million)

17,750

+4% ▲

Big Data Revenue
(RMB million)

2,439

+26% ▲

Signed but not sold
(RMB million)

6,558

+5% ▲

Profit before tax
(RMB million)

501

-47% ▼

Proposed Total DPS
(HK cents)

6.8

32%
(Payout ratio)

Operating cash flow
(RMB million)

526

+16% ▲

Note: Five consecutive years of continuous dividend distribution, FY22 final dividend of 4.5 Hong Kong cents included in total DPS, representing a full year payout ratio of 32%. Research and development expenses amounted to 721 million yuan, a year-on-year increase of 6%. Total of 2,598 intellectual property rights, a year-on-year increase of 16%

3 Outlook and Aspirations

Historic Opportunity for Digitalization in China

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Digital Industrialization

Localization (信创)

Data element market construction

Digital China

Industry Digitalization

Digital City, Digital Village, Digital Finance,

Digital Supply Chain, Digital Trade ……

February 2023, the CPC Central Committee and the State Council issued *the Overall Plan for the Digitalization of China*

March 2023, the *Party and State Institutional Reform Plan* proposed the establishment of the National Data Bureau

The unprecedented focus at the national strategic level and the presence of a digital economy has brought unparalleled development opportunities for DC Holdings

Development Engine

Combining publicly available data with our proprietary data to enable a comprehensive offering

City CTO

Data Intelligence Software & Services

Enterprise CSO

- Government/economy/society
- Innovative digitalization use cases
- Utilize the government as an entry point to develop new opportunities
- Strengthen the City CTO model
- Expand 2G software suite capabilities

- Accelerate our big data strategy to become a technology-driven enterprise
- Strengthen core technology capabilities
- Improve the big data product and solution matrix
- Combine publicly available data with our proprietary data to enable a comprehensive offering

- Drive supply chain digitalization
- Cover the whole process management of the supply chain
- Develop an enterprise CSO model
- Expand 2B software suite capabilities

Accelerate Overseas Deployment

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- The Belt and Road Initiative provides digital supply chain opportunities targeted in developing Southeast Asia and Africa markets

- Utilizing Hong Kong's unique global status, we will expand our overseas intelligent supply chain services and leverage our supply chain SaaS capabilities

- Drive the development of Hong Kong's digital supply chain, and focus on the Northern Metropolis of Hong Kong and strive to be the CTO behind Hong Kong's smart city blueprint, continuously empowering the digitalization of Hong Kong and overseas governments
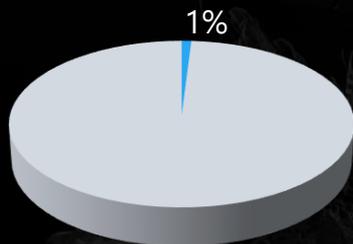
Continuous Innovation in Our Business Model

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Government:
300+ cities
10+ central ministries

Data sourcing, collection and consolidation

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Data mining, analysis, management, security and sharing

Data Fabric

Data Hub

Digital Twin

Sanitized data components and data services

Enterprise

Enterprise

Enterprise

Enterprise

Enterprise

Business Growth Trajectory

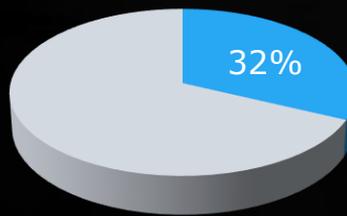## 2018-2024 Big Data Business's Gross Profit Contribution

2018A

1%

■ Big Data Business ■ Others

- Main business focus on system integration and software development, accounting for more than 70% of the revenue
- Less than 1% of revenue and gross profit from big data business

2022A

32%

■ Big Data Business ■ Others

- Strong focus on big data business, intensifying efforts in core use cases (city digital native transformation, supply chain digital native transformation, and Fintech). Promote product standardization, and encourage rapid business growth in big data segment business

2024E

50%
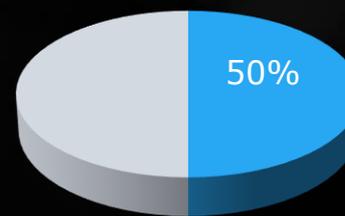
■ Big Data Business ■ Others

- Highly standardized products and services
- Optimized sales channels
- Continuously expand big data product and solution matrix to discover and enable more new use cases

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Appendix: Financial Summary

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(RMB 000s)	Revenue			Gross Profit			Segment Results		
	FY22	FY21	FY20	FY22	FY21	FY20	FY22	FY21	FY20
Big Data Products and Solutions	2,438,536	1,937,068	1,709,425	954,540	692,914	533,208	32,809	-64,398	-189,812
Software and Operating Services	5,545,843	5,439,234	5,112,697	814,060	1,113,083	1,212,937	358,708	567,438	372,923
Traditional and Localization Services	9,765,603	9,728,255	10,676,848	1,171,567	1,329,442	1,210,633	521,487	891,983	1,232,429
Total	**17,749,982**	**17,104,557**	**17,498,970**	**2,940,167**	**3,135,439**	**2,956,778**	**913,004**	**1,395,023**	**1,415,540**