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**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO  
THE ANNUAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2024**

Reference is made to the 2024 Annual Report published by the Company on 25 April 2025. Unless otherwise defined, capitalized terms herein shall have the same meanings as those defined in the 2024 Annual Report.

According to the 2024 Annual Report, the Company recognised an impairment loss of RMB365 million on goodwill for 2024 (2023: RMB97 million). The increase in goodwill impairment was mainly attributable to Zhongnong Xinda, a wholly-owned subsidiary of DCITS, in which the Company indirectly holds approximately 40% of the equity interest and whose financial results are consolidated into the Company's consolidated financial statements. The equity interests of Zhongnong Xinda were acquired by DCITS pursuant to an agreement dated 22 July 2014 (as supplemented), which constituted a discloseable transaction of the Company at the time and was subject to reporting and announcement requirements under Chapter 14 of the Listing Rules. For the details of the information regarding the acquisition of equity interests in Zhongnong Xinda, please refer to the announcements of the Company dated 22 July 2014, 20 August 2014, 26 August 2014, 2 November 2014, 28 November 2014 and 11 January 2015.

This supplementary announcement aims to provide the Company's shareholders and potential investors with further information regarding the goodwill impairment in the 2024 Annual Report.

**GOODWILL IMPAIRMENT**

The goodwill impairment provision of RMB365 million made by the Company as of 31 December 2024 was mainly due to the decline in Zhongnong Xinda's operating performance in 2024 caused by the overall industry slowdown.

The Company engaged an independent valuer, Beijing Zhongtonghua Asset Appraisal Co., Ltd., to estimate the recoverable amount of Zhongnong Xinda as of 31 December 2024 (the “**2024 Valuation**”), using the value-in-use approach based on the discounted cash flow analysis method. As disclosed in the 2024 Annual Report, the key inputs to the valuation were (i) the financial forecasts for the next five years approved by Zhongnong Xinda's management; and (ii) a pre-tax discount rate of 10.81% (2023: 11.18%). Key assumptions for the valuation included an estimated gross profit margin of 41.28% to 42.08% and revenue growth of 5.00% to 36.44%.

## **(1) Analysis of revenue growth rate used for valuation**

In the revenue growth rate assumptions, the range of 5.00% to 36.44% represents the expected fluctuation range of annual revenue growth rate during the forecast period, with the highest growth rate at 36.44% and the lowest at 5.00%. Based on the contracts that were signed but had not yet completed and business opportunities at the forecast point in time, the highest annual growth rate of 36.44% was estimated based on a comparison between the projected operating revenue of RMB 100 million in 2025 and the actual operating revenue of RMB 73.29 million in 2024. Based on the circumstances of Zhongnong Xinda at the time, its market share is not expected to increase significantly during the forecast period, and therefore the minimum annual growth rate was estimated to be 5.00%. As disclosed in the 2024 Annual Report, the decrease in the estimated recoverable amount of Zhongnong Xinda as of 31 December 2024, as compared to 2023, was mainly due to a decrease in the financial forecast value after considering factors such as (among others) the latest business performance and changes in market conditions as elaborated below. The valuation of Zhongnong Xinda's value-in-use adopted the same financial forecasts, assumptions, and parameter selection (including discount rates) as the 2023 valuation, reflecting Zhongnong Xinda's latest operating performance and market expectations.

### ***Latest business performance of Zhongnong Xinda and changes in market conditions***

Zhongnong Xinda primarily provides IT services to the agricultural sector, including geographic information and property transactions, direct bank-agricultural linkage, big data platforms, and digital agriculture and providing system integration and software development services. The overall industry slowdown of the principal business areas of Zhongnong Xinda began around 2020. The significant discrepancy between Zhongnong Xinda's budget and actual performance in 2024 stemmed mainly from the following factors:

#### ***Market expansion fell short of expectations***

##### **(a) Geospatial Information and Property Transactions**

In 2024, Zhongnong Xinda only achieved breakthroughs in a few regional areas in the geospatial information and property rights transactions. Nationwide, due to intensified competition and the entry of cross-industry competitors such as Guotai Epoint (國泰新點) and Beijing ZBX (中百信), Zhongnong Xinda failed to achieve large-scale expansion, and its overall progress did not meet the initial expectations at the beginning of 2024.

##### **(b) Direct bank-agricultural linkage**

Direct bank-agricultural linkage refers to a direct connection between the agricultural and rural sectors and the financial system. It aims to simplify the interaction processes between agriculture, rural areas, farmers, and financial institutions through information technology, thereby improving the efficiency of financing for agriculture, rural areas, and farmers. In 2024, due to restrictions imposed by the State Financial Regulatory Commission on the capital expenditures of financial institutions, including the procurement of hardware and software for government use, several provinces that had previously expressed their willingness to cooperate were unable to proceed as planned.

(c) Big data platform

In terms of promoting business replication and developing follow-up projects, Zhongnong Xinda has successfully promoted many projects such as the Rural Revitalization Platform (鄉村振興平台). However, due to adjustments in the Ministry of Agriculture and Rural Affairs' work requirements and tightening of local government funding, client projects have been delayed, resulting in the failure to sign contracts for projects such as the Agricultural and Rural Big Data Platform (農業農村大數據平台) base.

(d) Digital agriculture

In 2024, as the "Notice from the Financial Affairs Department of the Ministry of Agriculture and Rural Affairs on Preparing the Reserve of Centrally Budgeted Investment Agricultural Construction Projects for 2024-2025 (農業農村部計劃財務司關於做好2024—2025年中央預算內投資農業建設項目儲備工作的通知)" was implemented across provinces and municipalities nationwide, the notice stipulated that centrally budgeted investments must not be used for civil engineering works or non-digital equipment, and that funds used for software development (including software procurement) could not exceed RMB3.0 million. During implementation, local governments further reduced the scale of investment in digital agriculture. Against this backdrop, actual business development faced dual pressures from client demand and local funding constraints, and therefore Zhongnong Xinda was unable to secure contracts of various digital agriculture projects.

*Delivery and acceptance fell short of expectations*

As of the end of 2023, contracts that had been signed but were not yet completed of Zhongnong Xinda amounted to RMB163.0 million, which was expected to support the estimated revenue of approximately RMB 89.3 million in 2024. However, during actual execution of these contracts, factors such as insufficient client funds, slowdown in clients' demand, and bank investment falling short of expectations (insufficient account openings and deposits) led to slower-than-expected delivery and acceptance, resulting in revenue not being recognised as scheduled.

Zhongnong Xinda's revenue in 2023 and 2024 amounted to approximately RMB211.7 million and RMB73.3 million, respectively, representing a year-on-year decrease of approximately RMB138.4 million, primarily due to the aforementioned reasons. Accordingly, there was a significant difference between Zhongnong Xinda's budget and actual performance in 2024.

**(2) Gross margin analysis used for valuation**

In the gross profit margin assumptions, the range of 41.28%-42.08% represents the expected fluctuation range of the gross profit margin during the forecast period. Gross profit margins of Zhongnong Xinda for 2022, 2023 and 2024 were 55.27%, 44.99%, and 37.69%, respectively, with an average gross profit margin of 45.98%. When formulating the 2024 budget, management determined the forecast period's gross profit margin with reference to historical levels, ensuring it would not exceed the average gross profit margin of the said three years. Management carefully assessed and determined the gross profit margin for the forecast period.

Gross profit margin of Zhongnong Xinda decreased by 7.3 percentage points from 2023 to 2024. The main reason for the decrease in gross profit margin was the increase in delivery costs due to factors such as the slowdown of client's demand and the investment in strategic projects with low gross profit margins.

### **(3) Changes in estimated gross profit margin and revenue growth rate in 2024 compared to 2023**

In the valuation of Zhongnong Xinda for 2023 (the "2023 Valuation"), the estimated gross profit margin ranged from 48.67% to 49.86% and revenue growth ranged from 0.87% to 10%. The valuation calculation method and assumptions used in the 2023 Valuation were consistent with those used for 2024. As explained above, the reason for the lower estimated gross profit margin in the 2024 Valuation compared to the 2023 Valuation was mainly due to the anticipated business decline of Zhongnong Xinda in 2024 and the general downturn of the industry situation. On the other hand, the reason for the higher estimated revenue growth rate in the 2024 Valuation compared to the 2023 Valuation was mainly because (i) the revenue of Zhongnong Xinda in 2024, which serves as the base year for calculating the estimated revenue growth rate under the 2024 Valuation, was substantially lower than that of 2023. The higher estimated revenue growth rate in the 2024 Valuation therefore merely reflects a mathematical effect arising from the lower base year revenue; and (ii) Zhongnong Xinda had a projected revenue for 2025 of RMB 100 million, resulting in a 36.44% growth rate as compared with that of 2024. The main assumptions for the projected operating revenue for 2025 are as follows:

- (i) The projected revenue of RMB 100.0 million for 2025 is primarily based on contracts signed with clients but not yet completed and business opportunities at the forecast point in time. Furthermore, due to factors such as the slowdown of client demand and lower-than-expected bank investments in 2024, service delivery and acceptance fell short of expectations, resulting in revenue not being recognized as scheduled in 2024.
- (ii) In addition, in October 2024, the Ministry of Agriculture and Rural Affairs issued the "Notice on the National Smart Agriculture Action Plan (2024-2028) (全國智慧農業行動計劃(2024-2028年))," which required accelerating the development of the National Agricultural and Rural Big Data Platform. It is expected that, by the end of 2028, a fully functional, collaborative, and practical national agricultural and rural big data platform would be basically completed. In 2025, the General Government's No. 1 Document further proposed stabilizing and improving rural land contracting relationships, which advocated that (a) adhering to the principle of "major stability with minor adjustments", the pilot program for extending land contracts for another 30 years after their expiration will be promoted in an orderly manner and expanding the pilot scope to the entire province; (b) properly resolving conflicts and disputes during the contract extension; and (c) ensuring that the vast majority of farmers' contracted land is extended smoothly and remains stable. Based on the above and considering the progress of projects followed up by Zhongnong Xinda, Zhongnong Xinda's business scale is expected to increase and generate revenue.

## **GENERAL**

The above supplementary information does not affect other information in the 2024 Annual Report. Except for the above disclosure, all other information in the 2024 Annual Report remains unchanged.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2024 Annual Report”	The annual report of the Company for the year ended 31 December 2024
“Board”	the board of Directors
“Company”	Digital China Holdings Limited (神州數碼控股有限公司*), a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“DCITS”	Digital China Information Service Group Company Ltd.* (神州數碼信息服務集團股份有限公司), an indirect non-wholly owned subsidiary of the Company with its shares listed on the Shenzhen Stock Exchange (stock code: 000555)
“Directors”	the directors of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
%	per cent

By order of the Board  
**Digital China Holdings Limited**  
(神州數碼控股有限公司\*)  
**GUO Wei**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 May 2026

*At the publication of this announcement, the Board comprises ten Directors, namely:*

*Executive Directors: Mr. GUO Wei (Chairman and Chief Executive Officer), Mr. LIN Yang (Vice Chairman) and Mr. CAI Yinghua (President and Chief Operating Officer)*

*Non-executive Directors: Ms. CONG Shan and Mr. LIU Jun Qiang*

*Independent Non-executive Directors: Dr. LIU Yun, John, Mr. KING William, Dr. GUO Song, Mr. CHAN Wai Hong, Michael and Dr. LI Jing*

*Website: [www.dcholdings.com](http://www.dcholdings.com)*

*\*For identification purpose only*