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**DISCLOSEABLE TRANSACTION - FURTHER ACQUISITION
OF EQUITY INTERESTS IN NANJING HOWSO TECHNOLOGY CO., LTD.***

The Board is pleased to announce that DCITS, an indirect non wholly-owned subsidiary of the Company, has entered into the Second Acquisition Agreement to further acquire approximately 1.29% equity interests in Howso Technology for an aggregate consideration of RMB15,539,964.67 (equivalent to approximately HK\$18.49 million) on 25 May 2016. Upon completion of the Acquisition and the Further Acquisition, the Group will hold approximately 97.32% equity interests in Howso Technology.

Reference is made to the announcement of the Company dated 24 May 2016 in relation to the acquisition of 96.03% equity interests in Howso Technology by DCITS. As the Acquisition and the Further Acquisition form a series of transactions and are conducted within the past 12-month period, the Further Acquisition is required to be aggregated with the Acquisition for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. Upon aggregation, as one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the aggregate amount paid or payable by the Group for the Acquisition and the Further Acquisition exceeds 5% but is less than 25%, the Further Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The Board is pleased to announce that DCITS, an indirect non wholly-owned subsidiary of the Company, has entered into the Second Acquisition Agreement to further acquire approximately 1.29% equity interests in Howso Technology for an aggregate consideration of RMB15,539,964.67 (equivalent to approximately HK\$18.49 million) on 25 May 2016. Upon completion of the Acquisition and the Further Acquisition, the Group will hold approximately 97.32% equity interests in Howso Technology.

THE ACQUISITIONS

Acquisition

Reference is made to the announcement of the Company dated 24 May 2016 in relation to, among other things, the acquisition of 96.03% equity interests in Howso Technology by DCITS for an aggregate consideration of RMB1,152,338,870.43 (equivalent to approximately HK\$1,371 million).

Further Acquisition

DCITS has entered into the Second Acquisition Agreement to further acquire approximately 1.29% equity interests in Howso Technology from the Vendor for an aggregate consideration of RMB15,539,964.67 (equivalent to approximately HK\$18.49 million) on 25 May 2016.

THE SECOND ACQUISITION AGREEMENT

The principal terms of the Second Acquisition Agreement are as follows:

- Date** : 25 May 2016
- Parties** : (a) DCITS; and
(b) the Vendor
- Equity interests proposed to be acquired** : DCITS proposed to acquire a total of 1,325,300 shares of Howso Technology from the Vendor, representing approximately 1.29% equity interests in Howso Technology as of the date of this announcement.
- Consideration** : The aggregate consideration of RMB15,539,964.67 (equivalent to approximately HK\$18.49 million), payable within 10 business days after the Second Acquisition Agreement becomes effective by remittance into the Vendor's bank account.
- Basis of the Consideration** : The consideration was determined based on normal commercial terms and after arm's length negotiations between DCITS and the Vendor, with reference to the consideration paid for the Acquisition. The consideration will be satisfied by the Group's internal financial resources.

INFORMATION ON THE PARTIES

The Company is principally engaged in businesses commanding high added value and growth potential such as Internet urban services, Internet agriculture, Internet healthcare, Internet manufacturing, Internet taxation, Internet logistics and related Internet financial services, developed on the basis of its core Sm@rt City operations through the provision of IT services and operations in combination with various industry applications, leveraging our technological expertise in the Internet, Cloud Computing and Big Data.

DCITS is principally engaged in business relating to technology services, agricultural informatization, development of application software and finance specific equipment, and the integrated solutions business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor is an Independent Third Party.

Howso Technology is principally engaged in the network optimization business and the network engineering maintenance business and belongs to the communication network technology services industry. It is expected that, after the completion of the Acquisition and the Further Acquisition, Howso Technology will continue its existing business.

Based on the audited consolidated financial statements of Howso Technology (prepared under China Accounting Standards for Business Enterprises), the consolidated net asset value of Howso Technology is approximately RMB233 million as at 31 December 2015. The following information is a summary of the audited consolidated financial statements of Howso Technology for the two financial years ended 31 December 2014 and 2015:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>RMB</i> <i>(in thousands)</i>	<i>RMB</i> <i>(in thousands)</i>
Net profits before tax	42,053	44,488
Net profits after tax	<u>35,780</u>	<u>38,413</u>

REASONS FOR AND BENEFITS OF THE FURTHER ACQUISITION

The terms of the Second Acquisition Agreement were determined in accordance with arm's length negotiation between DCITS and the Vendor, taking into account the consideration for the Acquisition. Upon completion of the Acquisition and the Further Acquisition, the Group will hold 97.32% equity interests in Howso Technology.

The Further Acquisition will enable the Company to increase its controlling stake in Howso Technology and fully implement the Company's management and operation strategies. The Board is of the view that the terms of the Second Acquisition Agreement are fair and reasonable and the transaction contemplated under the Second Acquisition Agreement is commercially beneficial and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Reference is made to the announcement of the Company dated 24 May 2016 in relation to the acquisition of 96.03% equity interests in Howso Technology by DCITS. As the Acquisition and the Further Acquisition form a series of transactions and are conducted within the past 12-month period, the Further Acquisition is required to be aggregated with the Acquisition for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. Upon

aggregation, as one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the aggregate amount paid or payable by the Group for the Acquisition and the Further Acquisition exceeds 5% but is less than 25%, the Further Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Acquisition”	the acquisition by DCITS of 96.03% equity interests in Howso Technology in accordance with the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 24 May 2016 entered into between DCITS and 12 individuals or entities in relation to, among other things, the Acquisition
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Digital China Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“DCITS”	神州數碼信息服務股份有限公司 (Digital China Information Service Company Ltd.*), a sino-foreign equity joint venture registered in PRC which is an indirect non wholly-owned subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange
“Directors”	the directors of the Company
“Further Acquisition”	the acquisition by DCITS of 1.29% equity interests in Howso Technology in accordance with the Second Acquisition Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Howso Technology”	南京華蘇科技股份有限公司 (Nanjing Howso Technology Co., Ltd.*), a limited liability company established under the laws of PRC
“IT”	information technology

“Independent Third Party”	person, or in the case of company, the company and its ultimate beneficial owner(s), who are independent of and not connected with the Company and its subsidiaries and its connected persons, or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Second Acquisition Agreement”	the acquisition agreement dated 25 May 2016 entered into between DCITS and the Vendor in relation to, among other things, the Further Acquisition
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Ms. Cheng Yanyun (程豔雲), who held approximately 36.76% equity interests in Howso Technology as at the date of this announcement, approximately 35.46% of which are to be transferred to DCITS pursuant to the Acquisition Agreement
“%”	per cent.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.19. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

By Order of the Board
Digital China Holdings Limited
(神州數碼控股有限公司*)
GUO Wei
Chairman

Hong Kong, 25 May 2016

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

Executive Directors: Mr. GUO Wei (Chairman) and Mr. LIN Yang (Chief Executive Officer)

Non-executive Director: Mr. Andrew Y. YAN

Independent Non-executive Directors: Mr. WONG Man Chung, Francis, Ms. NI Hong (Hope), Mr. ONG Ka Lueng, Peter, Dr. LIU Yun, John, Ms. YAN Xiaoyan and Mr. LAI Daniel, BBS, JP.

Website: www.dcholdings.com.hk

** For identification purpose only*