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神州控股
DC Holdings

DIGITAL CHINA HOLDINGS LIMITED
(神 州 數 碼 控 股 有 限 公 司*)
(*Incorporated in Bermuda with limited liability*)
(Stock Code: 00861)

PROFIT ALERT

This announcement is made pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the "**Board**") of Digital China Holdings Limited (the "**Company**") would like to inform the shareholders of the Company and potential investors, that based on the Board's preliminary review of the unaudited consolidated management accounts of the Company and its subsidiaries (the "**Group**") for the twelve months ended 31 December 2016 (the "**Period"**), it is expected that the profit attributable to equity holders of the Group for the Period would be in the range of approximately HK$370 million to HK$410 million.

The profit attributable to equity holders for the Period would include a profit from a discontinued operation of approximately HK$560 million realized from the disposed traditional distribution businesses by the Company during the Period and a loss of approximately HK$150 million to HK$190 million incurred from the continuing operations during the Period.

With regard to the continuing operations during the Period, the gross profit was increased by approximately HK$295 million as compared to the corresponding period of 2015, but the expenses/loss were substantially increased as compared to the corresponding period of 2015, mainly due to:

(1) an increased expenses of approximately HK$350 million resulting from the increase in the Group's staff members and the expenses incurred in areas such as research and development, marketing and human resources for the continuing operations, due to the need of promoting the Company's strategic development;
(2) the increases of loan interest rates and the size of loan facilities resulting in an increase of finance costs of approximately HK$125 million;
(3) the issue of new shares under the management subscription scheme incurring an increase of approximately HK$50 million of share-based expenses (a non-cash item); and
(4) the dilution of the Company's shareholding in an associate resulting in a negative impact on profits of approximately HK$70 million.

The information contained in this announcement is only a preliminary assessment by the management based on information that is currently available, including the unaudited consolidated management accounts of the Group for the twelve months ended 31 December 2016, which may be subject to adjustments. The Group's annual results for the twelve months ended 31 December 2016 are still in the process of being audited. The Group's audited financial information will be disclosed in the annual results announcement to be published by end of March 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 20 January 2017

At the publication of this announcement, the Board comprises eight directors, namely:

Executive Directors: Mr. GUO Wei (Chairman), Mr. LIN Yang (Chief Executive Officer) and Mr. WANG Xinhui (President)

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

Website: www.dcholdings.com.hk

** For identification purpose only*