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DIGITAL CHINA HOLDINGS LIMITED

(神州數碼控股有限公司*)

(Incorporated in Bermuda with limited liability)

(Stock Code: 00861)

SALE AND PURCHASE OF SHARES

On 19 May 2010, the Company was informed by its shareholders, RLL and KIL that they have, on the same day, entered into the SPA under which RLL conditionally agreed to sell and KIL conditionally agreed to purchase 100,000,000 Shares, representing approximately 9.8% of the issued share capital of the Company as at the date of this announcement, at HK\$10.5 per Share.

The shareholding interests of RLL and KIL in the issued share capital of the Company will respectively decrease from approximately 13.85% to 4.05% and increase from approximately 8.76% to 18.56% immediately upon Completion.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

SALE AND PURCHASE AGREEMENT DATED 19 MAY 2010

Parties

(A) RLL, as the seller

and

(B) KIL, as the purchaser

Number of Shares subject to the Transaction

RLL has agreed to sell and KIL has agreed to purchase, a total of 100,000,000 Shares, representing approximately 9.8% of the Company's issued share capital as at the date of this announcement, under the SPA.

Purchase Price and Deposit

The Purchase Price shall be HK\$1,050 million in total or HK\$10.5 per Share, representing (i) a discount of approximately 2% to the closing price of HK\$10.68 per Share quoted on the Stock Exchange on 19 May 2010, the latest trading day prior to the signing of the SPA; and (ii) a discount of approximately 7% to the average closing price of HK\$11.32 per Share quoted on the Stock Exchange from 13 May 2010 to 19 May 2010, both dates inclusive, being the last five trading days prior to the signing of the SPA.

Under the SPA, KIL shall pay the Deposit to a designated account of RLL at Completion. The remaining Balance shall be paid by KIL in two instalments, the First Instalment shall be paid by the First Payment Date and the Second Instalment shall be paid by the Second Payment Date.

The Sale Shares shall be sold by RLL to KIL free of encumbrances. Title to the Sale Shares, together with all associated rights and benefits attaching or accruing to them on or after Completion shall pass to KIL on the payment of the Deposit at Completion.

Any outstanding amount of the First Instalment and/or Second Instalment due but not paid by KIL by the First Payment Date and the Second Payment Date respectively will incur default interest and in the event that the First Instalment, Second Instalment and any default interest thereon (or any portion thereof) is not paid by the 30th business day after the Second Payment Date (or such later date as RLL shall agree), (a) RLL may terminate the SPA by written notice and in which case it shall pay KIL an amount which equals to the sum of (i) the Deposit and (ii) any amount of the First Instalment or Second Instalment which KIL has paid and (b) KIL shall transfer the Sale Shares to RLL at nominal consideration within 10 business days of receiving the notice of termination from RLL and pay the stamp duty payable in respect of such transfer.

Completion

Completion is subject to all conditions precedent under the SPA having been satisfied.

Shareholding Structure

The shareholding structure of the Company as at the date of this announcement and immediately after the Completion is set out as follows:

| | At the date of this Announcement (Note 1) | | Immediately after Completion (Notes 1 & 2) | |
|--------------------------|--|--------------|--|--------------|
| | No. of Shares | % (Note 5) | No. of Shares | % (Note 5) |
| RLL | 141,368,642 | 13.85 | 41,368,642 | 4.05 |
| LH | 15,013,077 | 1.47 | 15,013,077 | 1.47 |
| KIL | 89,414,286 | 8.76 | 189,414,286 | 18.56 |
| SIBL | 139,111,744 | 13.63 | 139,111,744 | 13.63 |
| CTL | 52,373,077 | 5.13 | 52,373,077 | 5.13 |
| Directors | | | | |
| Mr. Guo (Note 3) | 1,504,000 | 0.15 | 1,504,000 | 0.15 |
| Other Directors (Note 4) | 56,000 | 0.01 | 56,000 | 0.01 |
| Other Shareholders | <u>581,926,755</u> | <u>57.00</u> | <u>581,926,755</u> | <u>57.00</u> |
| Total | <u>1,020,767,581</u> | <u>100%</u> | <u>1,020,767,581</u> | <u>100%</u> |

Notes:

- (1) The number and percentage of Shares held as at the date of this announcement and immediately after Completion are calculated based on the interests in Shares which the Company was notified pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register which the Company is required to keep pursuant to sections 352 and

336 of Part XV of the SFO, or which the Company was notified pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

- (2) The percentage of Shares held immediately after Completion is calculated by assuming that no Shares will be issued pursuant to the share option scheme of the Company between the date of this announcement and date of Completion (both days inclusive). As at the date of this announcement, there were outstanding options issued pursuant to the share option scheme of the Company which entitle the holders of such options to receive 7,770,000 Shares upon full exercise of such options.
- (3) Mr. Guo is deemed interested in the 89,414,286 Shares held by KIL under the SFO as at the date of this announcement.
- (4) This consists of the Shares held by Lin Yang, a Director. Andrew Y. Yan, also a Director, is deemed interested in the 139,111,744 Shares held by SIBL under the SFO as at the date of this announcement.
- (5) The percentage of Shares held is calculated based on the issued share capital of the Company as at the date of this announcement, being 1,020,767,581 Shares.

DEFINITIONS

| | |
|----------------------|---|
| “Balance” | The balance of HK\$850 million after deducting the Deposit from the Purchase Price |
| “business days” | a day (other than Saturday or Sunday or mandatory holidays or days on which a tropical cyclone warning Number 8 or above or a “black” rain warning signal is issued in Hong Kong at any time between 9am and 5pm) on which Hong Kong clearing banks are open for the transaction of normal banking business |
| “BVI” | British Virgin Islands |
| “Company” | Digital China Holdings Limited (神州數碼控股有限公司*), an exempted company incorporated under the laws of Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange |
| “Completion” | Completion of the Transaction |
| “CTL” | Charmway Trading Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Hony Capital Fund III, L.P. |
| “Deposit” | HK\$200 million |
| “Director(s)” | the director(s) of the Company |
| “First Instalment” | HK\$600 million |
| “First Payment Date” | the 20th business day after Completion |
| “HK\$” | Hong Kong dollars |

| | |
|-----------------------|---|
| “KIL” | Kosalaki Investments Limited, a company incorporated in the BVI with limited liability, of which Mr. Guo is the controlling shareholder. |
| “LH” | 聯想控股有限公司 (for identification purposes, in English, Legend Holdings Limited), an investment holding company established in the PRC and with its subsidiaries primarily engaged in information technology, equity investment and real estate investment |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Guo” | Mr. Guo Wei, an executive director, the Chairman and Chief Executive Officer of the Company |
| “Purchase Price” | The total purchase price for the Sale Shares of HK\$1,050 million |
| “RLL” | Right Lane Limited, a company incorporated in Hong Kong with limited liability, which is wholly-owned by LH |
| “Sale Shares” | 100,000,000 Shares, beneficially owned by RLL as at the date of this announcement |
| “Second Instalment” | HK\$250 million |
| “Second Payment Date” | the 90th business day after Completion |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SIBL” | Sparkling Investment (BVI) Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by SAIF Partners III L.P. |
| “Share(s)” | share(s) of nominal value of HK\$0.10 each in the capital of the Company |
| “Shareholders” | shareholders of the Company |
| “SPA” | the sale and purchase agreement dated 19 May 2010 entered into between RLL and KIL in relation to the Transaction |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “trading day” | has the meaning ascribed to it in the Listing Rules |
| “Transaction” | the sale and purchase of the Sale Shares |
| “%” | 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, 19 May 2010

As at the date of this announcement, the Board comprises ten directors namely:

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

Non-executive Directors: Mr. Andrew Y. YAN, Mr. TANG Xudong, Mr. SHENG Gang and Mr. QIU Zhongwei

Independent Non-executive Directors : Mr. HU Zhaoguang, Professor WU Jinglian, Mr. WONG Man Chung, Francis and Mr. KWAN Ming Heung, Peter

Website: www.digitalchina.com.hk

** For identification purposes only*