神州数码
Digital China

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

(1) DISCLOSEABLE TRANSACTIONS
AND
(2) PROPOSED SPIN-OFF

FURTHER ANNOUNCEMENT IN RELATION TO

(A) APPROVED VALUATION ON DCITS;

(B) SUPPLEMENTAL AGREEMENTS TO ABSORPTION AND MERGER AGREEMENT AND PROFIT COMPENSATION AGREEMENT;

AND

(C) PROFIT FORECAST IN RELATION TO DCITS

Reference is made to the announcement of the Company dated 1 August 2013 in relation to, among others, the DCITS Absorption and Merger, the DCITS Disposal and the Shenzhen Techo Telecom Acquisition (the "**Announcement**").

Approved Valuation on DCITS

The Jiangsu SASAC recently completed its review on the Initial Valuation on DCITS and issued the Valuation Approval, under which the Approved Valuation was RMB3,015,135,000 (equivalent to approximately HK$3,768,918,750), representing a difference of RMB1,865,000 or 0.06% as compared to the Initial Valuation in the amount of RMB3,017,000,000.

Supplemental Agreements

On 26 August 2013, DCITS and Shenzhen Techo Telecom entered into a supplemental agreement to the Absorption and Merger Agreement to confirm the Approved Consideration and the total number of Consideration Shares to be allotted and issued to the Existing DCITS Shareholders based on the Approved Valuation. The number of Consideration Shares to be allotted and issued to DCSL will be 194,770,055, representing approximately 45.17% of the total equity interests in Shenzhen Techo Telecom as enlarged by the issue of the Consideration Shares and the Subscription Shares.

Each of the Existing DCITS Shareholders also entered into a supplemental agreement to its respective Profit Compensation Agreement in relation to, among other things, the projected net profits (excluding non-recurring gains and losses) of the assets of DCITS that were evaluated based on the income approach (i.e. excluding minority interests in the Invested Companies) for the three financial years ending 31 December 2013, 2014 and 2015.

DCITS Profit Forecast

The Approved Valuation on DCITS has taken into account the discounted cash flow forecast of the major subsidiaries of DCITS and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, Rules 14.60A and 14.62 of the Listing Rules are applicable and this announcement further sets out the information and documents required under these rules in relation to the DCITS Profit Forecast.

The transactions contemplated under the Absorption and Merger Agreement, the Supplemental AMA, the Supplemental PCA and the Proposed Spin-off are subject to, among other things, approvals of the relevant PRC regulatory authorities. Accordingly, Shareholders and potential investors of the Company should note that the transactions contemplated under the Absorption and Merger Agreement, the Supplemental AMA, the Supplemental PCA and the Proposed Spin-off may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the Announcement. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Announcement.

APPROVED VALUATION ON DCITS

The Jiangsu SASAC recently completed its review on the Initial Valuation on DCITS and issued an approval letter in respect of the valuation on DCITS as at 30 April 2013 (the "**Valuation Approval**"), under which the valuation on DCITS as at 30 April 2013 as set out in the valuation report prepared by China Alliance Appraisal Co., Ltd. ("**CAA**") dated 28 July 2013 (the "**Approved Valuation Report**") was RMB3,015,135,000 (equivalent to approximately HK$3,768,918,750) (the "**Approved Valuation**"), representing a difference of RMB1,865,000 or 0.06% as compared to the Initial Valuation in the amount of RMB3,017,000,000. The discrepancy was mainly due to the change of valuation methodology from income approach as adopted in the Valuation Report to asset-based approach as adopted in the Approved Valuation Report in respect of DCITS (excluding its subsidiaries).

Based on the Approved Valuation Report, the projected financial information of the major subsidiaries of DCITS were amended accordingly in the revised Asset Restructuring Proposal, which is available at: http://disclosure.szse.cn/m/search0425.jsp and an extract of such revised financial information is set out in Appendix I to this announcement.

SUPPLEMENTAL AGREEMENTS

Under the Absorption and Merger Agreement, DCITS and Shenzhen Techo Telecom agreed, among other things, that the total number of Consideration Shares shall be determined based on the final value of Consideration which shall be determined with reference to the Approved Valuation.

(A) Supplemental AMA

On 26 August 2013, DCITS and Shenzhen Techo Telecom entered into a supplemental agreement to the Absorption and Merger Agreement (the "**Supplemental AMA**") to confirm the Approved Consideration and the total number of Consideration Shares to be allotted and issued to the Existing DCITS Shareholders based on the Approved Valuation.

The principal terms under the Supplemental AMA are set out below:

Date	:	26 August 2013
Parties	:	(a) Shenzhen Techo Telecom; and (b) DCITS.
Consideration	:	The final value of Consideration is RMB3,015,135,000 (equivalent to approximately HK$3,768,918,750), which is determined based on the Approved Valuation (the "**Approved Consideration**").
Consideration Shares	:	Based on the Approved Consideration, the total number of Consideration Shares is adjusted from 319,597,457 Shares (based on the Initial Consideration) to 319,399,894 Shares, and, subject to approval from CSRC, shall be allotted and issued by Shenzhen Techo Telecom to the Existing DCITS Shareholders in the following manner: (a) 194,770,055 Consideration Shares to DCSL, representing approximately 45.17% of the total equity interests in Shenzhen Techo Telecom as enlarged by the issue of the Consideration Shares and the Subscription Shares; (b) 59,510,588 Consideration Shares to Tianjin Xinrui, representing approximately 13.80% of the total equity interests in Shenzhen Techo Telecom as enlarged by the issue of the Consideration Shares and the Subscription Shares; (c) 52,956,503 Consideration Shares to CSSIPV, representing approximately 12.28% of the total equity interests in Shenzhen Techo Telecom as enlarged by the issue of the Consideration Shares and the Subscription Shares; (d) 9,358,417 Consideration Shares to Infinity I-China, representing approximately 2.17% of the total equity interests in Shenzhen Techo Telecom as enlarged by the issue of the Consideration Shares and the Subscription Shares; and (e) 2,804,331 Consideration Shares to Nanjing Huiqing, representing approximately 0.65% of the total equity interests in Shenzhen Techo Telecom as enlarged by the

issue of the Consideration Shares and the Subscription Shares.

Save and except as amended by the Supplemental AMA, all provisions of the Absorption and Merger Agreement shall remain unchanged and continue to be in force.

(B) Supplemental PCA

Each of the Existing DCITS Shareholders also entered into a supplemental agreement to its respective Profit Compensation Agreement with Shenzhen Techo Telecom in relation to the projected net profits (excluding non-recurring gains and losses) of the assets of DCITS that were evaluated based on the income approach (i.e. excluding minority interests in the Invested Companies) of DCITS for the three financial years ending 31 December 2013, 2014 and 2015.

The principal terms under the supplemental agreement to the Profit Compensation Agreement entered into between DCSL, as one of the Existing DCITS Shareholders, and Shenzhen Techo Telecom (the "**Supplemental PCA**") are set out below:

Date	:	26 August 2013
Parties	:	(a) Shenzhen Techo Telecom; and (b) DCSL.
Estimated Net Profits	:	Based on the Approved Valuation Report, DCSL and Shenzhen Techo Telecom agreed that the projected net profits (excluding non-recurring gains and losses) of the assets of DCITS that were evaluated based on the income approach (i.e. excluding minority interests in the Invested Companies) for each of the three financial years ending 31 December 2013, 2014 and 2015 are to be RMB180,033,900, RMB214,436,700 and RMB242,115,800 respectively.
Undertakings by DCSL	:	Given that the difference between the Initial Valuation and the Approved Valuation is relatively small and that the valuation method adopted to evaluate the major subsidiaries of DCITS remain to be the income approach, DCSL agreed that the undertaking given by it on the Estimated Net Profits under the Profit Compensation Agreement remain unchanged and undertook that: (a) the net profit (excluding non-recurring gains and losses) of the assets of DCITS that were evaluated based on the income approach attributable to its shareholders for the financial year ending 31 December 2013 shall not be less than RMB194,948,400; (b) the net profit (excluding non-recurring gains and losses) of the assets of DCITS that were evaluated based on the income approach attributable to its shareholders for the

financial year ending 31 December 2014 shall not be less than RMB219,268,100; and

(c) the net profits (excluding non-recurring gains and losses) of the assets of DCITS that were evaluated based on the income approach attributable to its shareholders for the financial year ending 31 December 2015 shall not be less than RMB245,580,000.

Save and except as amended by the Supplemental PCA, all provisions of the Profit Compensation Agreement shall remain unchanged and continue to be in force.

Accordingly, pursuant to the provisions under the Profit Compensation Agreement and the Supplemental PCA, where there is a shortfall between the actual cumulative net profit and the cumulative Estimated Net Profit of DCITS at the end of each of the financial year ending 31 December 2013, 2014 and 2015 (the "**Shortfall Amount**"), DCSL agreed to pay a share-based compensation to Shenzhen Techo Telecom by way of selling such number of the Consideration Shares held by it back to Shenzhen Techo Telecom (the "**Compensation Shares**") at an aggregate nominal price of RMB1.00 and such Compensation Shares to be repurchased by Shenzhen Techo Telecom will be cancelled.

(C) Financial implications of the DCITS Disposal and the Proposed Spin-off

Based on the Approved Valuation, 194,770,055 Consideration Shares will be allotted and issued to DCSL, representing approximately 45.17% of the then total equity interests in Shenzhen Techo Telecom following Completion. Since the Company holds approximately 60.98% equity interests in DCITS prior to Completion, it is expected that the dilution in holding in the equity interests in DCITS (which will be merged with Shenzhen Techo Telecom upon Completion) would give rise to a negative accounting impact which will be reflected in the consolidated accounts of the Company for the financial year in which the Completion occurs.

DCITS PROFIT FORECAST

The Approved Valuation on DCITS has taken into account the discounted cash flow forecast of the major subsidiaries of DCITS and therefore constitutes a profit forecast under Rule 14.61 of the Listing Rules (the "**DCITS Profit Forecast**").

In accordance with Rules 14.60A and Rule 14.62 of the Listing Rules, set out below is the information in relation to the DCITS Profit Forecast:

(A) Assumptions

The principal assumptions, including commercial assumptions, on which the DCITS Profit Forecast was based, include:

(a) the valuation is carried out for the specific valuation purposes set out in the Approved Valuation Report;

(b) there will be no material change that is unforeseeable to the external economic environment after the base date of the valuation (i.e. 30 April 2013);

(c) the operational businesses of the entities being evaluated are lawful, and there will be no unforeseeable factors that prevent it from operating as a going concern, and the valuated assets remain unchanged in their current purposes of use and will continue to be used where they are currently located;

(d) the relevant basic and financial information provided by the entities being evaluated and the entrusting party are true, accurate and complete;

(e) the financial reports and transaction data of the comparable companies that are relied upon by CAA are true and reliable;

(f) unless otherwise specified, the valuation has not considered the impact of any mortgage or guarantee obligations on the appraisal value, nor the impact on asset prices due to changes in national macro-economic policy, or the occurrence of acts of God and any other force majeure event; and

(g) the shareholders of DCITS will acquire net cash flow during the financial year in equal portions.

(B) Independent Assurance Report

SHINEWING (HK) CPA Limited ("**ShineWing HK**"), certified public accountants in Hong Kong, has also examined the calculations of the discounted future estimated cash flows of the major subsidiaries of DCITS on which the valuation prepared by CAA of the entire equity interest in DCITS were based.

The Company received an independent assurance report issued by ShineWing HK regarding the calculations of the discounted future estimated cash flows of the major subsidiaries of DCITS dated 26 August 2013 (the "**Independent Assurance Report**"), in which ShineWing HK is of the opinion that, so far as the accounting policies and calculations are concerned, the DCITS Profit Forecast has been properly compiled in accordance with the assumptions as set out in this announcement and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

(C) Board Letter

The Board has reviewed the DCITS Profit Forecast and discussed the bases and assumptions upon which the DCITS Profit Forecast was based. The Board has also considered the Independent Assurance Report. On the basis of the foregoing, the Board confirmed that the DCITS Profit Forecast has been made after due and careful enquiry and issued a letter to the Stock Exchange (the "**Board Letter**") accordingly.

The Independent Assurance Report and the Board Letter are included in Appendix II and Appendix III, respectively, to this announcement for the purposes of Rules 14.60A and 14.62 of the Listing Rules. The Company has submitted the Independent Assurance Report and the Board Letter to the Stock Exchange in compliance with Rules 14.62(2) and (3) of the Listing Rules.

(D) Expert and Consents

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification
CAA	Qualified Valuer in PRC
ShineWing HK	Certified Public Accountants

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of CAA and ShineWing HK is a third party independent of the Group and its connected persons.

As at the date of this announcement, none of CAA and ShineWing HK has any shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for securities in any member of the Group.

Each of CAA and ShineWing HK has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which they are included.

The transactions contemplated under the Absorption and Merger Agreement, the Supplemental AMA, the Supplemental PCA and the Proposed Spin-off are subject to, among other things, approvals of the relevant PRC regulatory authorities. Accordingly, Shareholders and potential investors of the Company should note that the transactions contemplated under the Absorption and Merger Agreement, the Supplemental AMA, the Supplemental PCA and the Proposed Spin-off may or may not take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK$ at an exchange rate of RMB1:HK$1.25. No representation is made that any amounts in RMB and HK$ 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, 26 August 2013

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

Executive Directors: Mr. GUO Wei (Chairman), Mr. LIN Yang (Chief Executive Officer) and Mr. YAN Guorong (President)
Non-executive Director: Mr. Andrew Y. YAN
Independent Non-executive Directors: Mr. HU Zhaoguang, Mr. WONG Man Chung, Francis, Ms. NI Hong (Hope) and Mr. ONG Ka Lueng, Peter

Website: www.digitalchina.com.hk

**For identification purpose only*

Appendix I
Extracts of the Revised Financial Information

DCITS - Forecast

A. Net profit after non-recurring gains or losses for 2013 to 2015

According to Asset Valuation Report Zhong Tong Hua Ping Bao Zi (2013) No. 260 (中同華評報字(2013)第 260 號) as approved by the Jiangsu SASAC, the amounts of net profit after non-recurring gains or losses for 2013 to 2015 based on asset valuation using the income approach are set out in the following table:

Unit: RMB'0000

Item	2013	2014	2015
Forecast net profit based on asset valuation using the income approach	18,003.40	21,443.67	24,211.58

According to the Profit Forecast Compensation Agreement entered into on 1 Aug 2013 between Shenzhen Techo Telecom and the reorganising parties, the reorganising parties undertake that the audited net profits after non-recurring gains or losses attributable to owners of the parent company based on asset valuation using the income approach for 2013, 2014 and 2015 will not be less than: RMB194,948,400, RMB219,268,100 and RMB245,580,000, respectively (collectively the "Forecasted Profit Amounts"). According to the results of the Asset Valuation Report in respect of the subject assets as approved by Jiangsu SASAC, the appraised value of the subject assets has been adjusted from RMB3,017,000,000 to RMB3,015,135,000. This represents a reduction of RMB1,865,000 in the appraised value. The parties to the transaction have confirmed that, in view of the insignificant change in the approved valuation of the subject assets and the fact that the subject assets have been valued primarily using the income approach (with the exception of assets in equity interests which have been valued using the market approach), the reorganising parties agree that their undertaking in respect of the original Forecasted Profit Amounts set out in the Profit Forecast Compensation Agreement shall remain unchanged. In other words, the reorganizing parties continue to undertake that the audited net profits after non-recurring gains or losses attributable to owners of the parent company based on asset valuation using the income approach for 2013, 2014 and 2015 will not be less than: RMB194,948,400, RMB219,268,100 and RMB245,580,000, respectively.

B. Forecasted operating revenues

Based on the corporate nature of DCITS, the period of future forecast adopted for this valuation is indefinite.

The valuation takes into consideration mainly the income of Digital China Advanced Systems Services Limited ("DCASS"), Digital China Octopus Information Technology Services Limited ("DCOITS"), Digital China Financial Software Limited ("DCFS"), Digital China Jinxin Technology Co., Ltd. ("Beijing Jinxin") and its subsidiaries, Nanjing Jinxin Technology Co., Ltd. ("Nanjing Jinxin"), Guangzhou Jinxin Technology Co., Ltd.

("Guangzhou Jinxin"), Shanghai Digital China Information Technology Service Co., Ltd. ("DCITS (Shanghai)"), Shenzhen Digital China Information Technology Service Co., Ltd. ("DCITS (Shenzhen)") and Digital China Information System (Suzhou) Co., Ltd. ("DCIS (Suzhou)") and consolidates their free cash flow to determine the free cash flow of DCITS.

Operating revenue forecasts for the aforesaid companies at various levels appraised under the income approach are set out as follows:

Unit: RMB'0000

Company name	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Sub-total of forecast revenue for 2013 - 2018**	**Percentage**
DCASS	474,978.04	521,186.52	564,691.10	607,007.34	652,696.81	686,061.00	3,506,620.82	65.11%
DCOITS	135,575.80	143,192.38	150,278.66	156,672.08	163,294.61	169,420.26	918,433.80	17.05%
DCFS	31,081.54	34,000.00	37,000.00	40,000.00	42,900.00	45,900.00	230,881.54	4.29%
Beijing Jinxin	42,102.88	48,807.82	56,725.25	65,911.42	76,081.60	87,281.46	376,910.43	7.00%
DCITS (Shanghai)	41,650.00	44,114.00	46,724.56	49,473.12	52,385.03	55,470.05	289,816.76	5.38%
DCITS (Shenzhen)	6,537.99	6,813.75	7,104.86	7,493.19	7,850.58	8,228.13	44,028.51	0.82%
DCIS (Suzhou)	2,639.78	2,842.96	3,062.40	3,299.39	3,555.34	3,831.77	19,231.64	0.36%
Sub-total	**734,566.03**	**800,957.43**	**865,586.83**	**929,856.54**	**998,763.97**	**1,056,192.67**	**5,385,923.50**	**100.00%**

Note: In this announcement, the financial data of Beijing Jinxin represent the consolidated data of Beijing Jinxin as the parent company and Nanjing Jinxin and Guangzhou Jinxin as subsidiaries.

The growth rates in operating revenue for each company are set out as follows:

Company name	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Arithmetic average growth rate 2013 - 2018**	**Stabilisation period**
DCASS	-3.14%	9.73%	8.35%	7.49%	7.53%	5.11%	5.84%	3.00%
DCOITS	-30.47%	5.62%	4.95%	4.25%	4.23%	3.75%	-1.28%	3.00%
DCFS	4.29%	9.39%	8.82%	8.11%	7.25%	6.99%	7.48%	3.00%
Beijing Jinxin	10.56%	15.93%	16.22%	16.19%	15.43%	14.72%	14.84%	3.00%
DCITS (Shanghai)	0.26%	5.92%	5.92%	5.88%	5.89%	5.89%	4.96%	3.00%
DCITS (Shenzhen)	2.21%	4.22%	4.27%	5.47%	4.77%	4.81%	4.29%	3.00%
DCIS (Suzhou)	7.10%	7.70%	7.72%	7.74%	7.76%	7.78%	7.63%	3.00%
Consolidated	**- 8.60%**	**9.04%**	**8.07%**	**7.42%**	**7.41%**	**5.75%**	**4.85%**	**3.00%**

In accordance with the medium to long-term planning of DCITS, the DCITS parent company has taken over part of the systems integration business of DCASS and DCOITS from 2013 with a view to substantiating the business of the DCITS parent company. Consequently, the 2013 revenue of DCASS and DCOITS decreased substantially: by RMB748,385,600 as compared to 2012. Following the business realignment, the consolidated operating revenues of the aforesaid companies for 2013 (including the forecasted revenue for 2013 of the DCITS parent company of RMB650 million), based on a relatively cautious forecast of revenue for 2013, will basically be at par with 2012's. The forecasted growth rates of the consolidated operating revenues of the aforesaid companies for the years 2014-2018 ranges from 5.57% to 9.04%. These rates are lower than the growth rates of 16.74% and 40.80% for 2011 and 2012, respectively, and represent a relatively cautious forecast of future operating revenues.

Among the aforesaid companies, revenues generated by DCASS, DCOITS, DCFS and Beijing Jinxin are more significant. They account for 93.44% of the aggregate forecasted operating revenue for the years 2013-2018. Details of revenue forecasts of the 4 companies aforesaid are set out as follows.

Forecast for DCASS

Items	Eight months ended 31 December 2013	2014	2015	2016	2017	2018
Total revenue (RMB'0000)	321,583	521,187	564,691	607,007	652,697	686,061
Growth rate	-	9.73%	8.35%	7.49%	7.53%	5.11%

Forecast for DCOITS

Items	Eight months ended 31 December 2013	2014	2015	2016	2017	2018
Total revenue (RMB'0000)	97,078	143,192	150,279	156,672	163,295	169,420
Growth rate	-	5.62%	4.95%	4.25%	4.23%	3.75%

Forecast for DCFS

Items	Eight months ended 31 December 2013	2014	2015	2016	2017	2018
Total revenue (RMB'0000)	22,859	34,000	37,000	40,000	42,900	45,900
Growth rate	-	9.39%	8.82%	8.11%	7.25%	6.99%

Forecast for Beijing Jinxin

Items	Eight months ended 31 December 2013	2014	2015	2016	2017	2018
Total revenue (RMB'0000)	37,028.21	48,807.82	56,725.25	65,911.42	76,081.60	87,281.46
Growth rate	-	15.93%	16.22%	16.19%	15.43%	14.72%

C. DCASS

Currently, the business revenues of DCASS is comprised mainly of revenue from the systems integration business and the technical service business. Revenues from other businesses account for lower percentages. DCASS reported revenue growth rates of

26.16% and 53.06% for 2011 and 2012, respectively. The average growth rate was 39.61%. The forecasted operating revenues of DCASS are set out in the following table:

Items	Historical figures		
	2011	2012	Four months ended 30 April 2013
Total revenue (RMB'0000)	**320,386**	**490,392**	**153,395**
Growth rate	**26.16%**	**53.06%**	-

The valuation provides a forecast of future revenue growth trends taking into consideration the historical annual growth rates of the company and the future business planning of DCITS as a whole. The forecasted revenue of DCASS for 2013 is RMB4,749,780,000. This represents a decrease of 3.14% compared to 2012 and can be attributed mainly to the business restructuring of DCITS as DCASS transferred part of its systems integration business to DCITS. Meanwhile, DCASS will adjust its future business structure by gradually diversifying to the technical service and application software development businesses. The forecasted arithmetic average revenue growth rate of DCASS for 2014 to 2018 is 7.64%. This is far lower than the sales revenue growth rates in 2011 and 2012 and represents a relatively cautious forecast.

D. Operating costs and forecasts of expenses

Net profit contributions of each company from 2013 to 2017 according to the valuation report are as follows:

Unit: RMB'0000

Company name	2013	2014	2015	2016	2017	2018	Sub-total	Percentage
DCASS (100% interests)	10,976.42	12,980.14	14,313.10	15,413.08	17,321.48	18,373.46	89,377.68	58.55%
DCOITS (46% interests)	159.46	474.06	457.09	502.88	523.27	570.41	2,687.17	1.76%
DCFS (100% interests)	4,623.56	4,899.21	5,735.57	6,194.38	6,743.98	7,200.70	35,397.40	23.19%
Beijing Jinxin (100% interests)	1,953.65	2,956.93	3,534.49	4,295.22	5,182.12	6,072.05	23,994.46	15.72%
DCITS (Shanghai) (100% interests)	125.89	70.05	82.45	91.96	102.02	112.50	584.87	0.38%
DCITS (Shenzhen) (100% interests)	3.30	25.39	34.03	47.16	42.01	37.12	189.01	0.12%
DCIS (Suzhou) (100% interests)	65.24	37.89	54.86	64.99	79.94	115.23	418.15	0.27%
Total	**17,907.53**	**21,443.68**	**24,211.58**	**26,609.67**	**29,994.83**	**32,481.47**	**152,648.76**	**100.00%**

Note: Data for 2013 include net profits realized for the period from January to April.

As the forecasted net profits of DCASS, DCOITS, DCFS and Beijing Jinxin for the years 2013-2018 is rather substantial (accounting for 99.22% of the aggregate net profit), a detailed account of the projected operating costs and expenses of the 4 aforesaid companies is set out as follows.

The cost ratios of DCASS, DCOITS, DCFS and Beijing Jinxin for the years 2011 and 2012 and the four months ended 30 April 2013 are set out in the following table:

(a) Forecasts of costs

Company	2011	2012	Four months ended 30 April 2013	Average
DCASS	85.79%	87.43%	88.60%	87.27%
DCOITS	87.22%	88.42%	80.36%	85.33%
DCFS	52.04%	61.57%	61.46%	58.36%
Beijing Jinxin	59.25%	64.70%	64.55%	62.83%

The total cost ratio of DCASS for the forecasted period ranges between 85.93-87.02%. This range is slightly lower than that for the previous year. This reduction is attributable to adjustments in product mix, whereby the size of the systems integration business, which commands a higher cost ratio, was reduced, while sales revenues from technical services and software sales, which command higher gross profit margins, were increased. The total cost ratio of DCOITS for the forecasted period ranges between 85.24% to 87.20%. This range is basically at par with that for the previous year. The total cost ratio of DCFS for the forecasted period ranges between 59.69%-61.27%. This range is slightly higher than its historical cost ratio and represents a cautious forecast. The total cost ratio of Beijing Jinxin for the forecasted period ranges between 64.30%-65.59%. Once again this is slightly higher than Beijing Jinxin’s historical cost ratio and represents a cautious forecast.

(b) Forecasts of expenses

The forecasted expense ratios of each of DCASS, DCOITS, DCFS and Beijing Jinxin are set out in the following table:

Items	Historical figures			Forecasted figures						
	2011	2012	Four months ended 30 April 2013	Eight months ended 31 December 2013	2013	2014	2015	2016	2017	2018
DCASS	11.74%	8.30%	7.07%	10.46%	9.37%	10.01%	9.96%	9.97%	9.93%	9.97%
DCOITS	9.43%	8.19%	9.30%	10.60%	10.23%	11.55%	11.60%	11.60%	11.55%	11.56%
DCFS	27.85%	14.82%	2.80%	26.40%	20.16%	19.75%	19.31%	18.99%	18.86%	18.54%
Beijing Jinxin	34.00%	28.77%	69.26%	22.95%	28.53%	27.41%	26.64%	25.95%	25.50%	25.15%

The arithmetic average expense ratio of DCOITS for the forecasted period of 2013-2018 is 11.35%. This figure is higher than the expense ratios for 2011 and 2012, and thus represents a relatively cautious forecast. The arithmetic average expense ratio for the forecasted period of 2013 to 2018 of each of DCASS, DCFS and Beijing Jinxin is 9.87%, 19.27% and 26.53%, respectively. The arithmetic average expense ratio for the historical period of 2011 to 2012 of each of DCASS, DCFS and Beijing Jinxin is 10.02%, 21.30% and 31.39%, respectively. The slightly lower arithmetic average expense ratios for the forecasted period as compared to the historical period are mainly attributable to the realignment of business, increases in forecasted revenue growth rates and greater revenue.

E. Profit forecast table

Profit forecasts for the years 2013-2015 based on asset valuation under the income approach according to the Valuation Report are set out as follows:

Unit: RMB'0000

Items	Eight months ended 31 December 2013	2014	2015
	(Forecast)	(Forecast)	(Forecast)
Operating revenue	510,632.06	800,957.43	865,586.84
Operating cost	426,937.59	675,339.06	726,378.12
Taxes and surcharges	2,866.08	3,970.29	4,446.04
Selling expenses	32,917.73	55,100.52	59,846.75
Management expenses	27,160.22	36,627.76	38,911.09
Finance costs	2,446.21	3,540.29	3,915.57
Operating profit	**18,304.26**	**26,379.52**	**32,089.28**
Non-operating revenue	554.14	848.61	908.27
Non-operating expenses	0.00	0.00	0.00
Total profit	**18,858.40**	**27,228.13**	**32,997.55**
Income tax expense	4,103.51	5,227.95	8,249.39
Net profit	**14,754.90**	**22,000.18**	**24,748.16**
Net profit attributable to equity holders of the parent	**14,374.34**	**21,443.67**	**24,211.58**

Appendix II

Independent Assurance Report

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

26 August 2013

Board of Directors
Digital China Holdings Limited

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the accounting policies adopted and calculations of the underlying profit forecasts (the "Underlying Forecasts") to the business valuation dated 28 July 2013 prepared by China Alliance Appraisal Co., Ltd. (the "Valuer") in respect of the valuation of Digital China Information Service Co., Ltd. ("DCITS") in connection with the disposal of approximately 60.98% equity interests in DCITS and acquisition of approximately 45.17% equity interests in Shenzhen Techo Telecom Co., Ltd, which has been reviewed and approved by the State-owned Assets Supervision and Administration Commission of Jiangsu Province. The Underlying Forecasts are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and will be included in the announcement to be issued by the Company on 26 August 2013 (the "Announcement").

Responsibilities

The directors of DCITS (the "Directors") are responsible for the preparation of the Underlying Forecasts including the assumptions, for the purpose of business valuation of DCITS based on discounted cash flow method. The Underlying Forecasts have been prepared using a set of assumptions (the "Assumptions") that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecasts and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

It is our responsibility to form an opinion, based on our work on the Underlying

Forecasts and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of the Listing Rules and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecasts are based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Summary of our work

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and with reference to the procedures specified in Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts". We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecasts. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecasts, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of DCITS.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecasts have been properly compiled in accordance with the Assumptions as set out in the Announcement and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591
Hong Kong

Appendix III

Board Letter

The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

26 August 2013

Dear Sirs,

Re: Discloseable Transaction – Disposal of Approximately 60.98% of Equity Interests in Digital China Information Service Co., Ltd. and Acquisition of Approximately 45.17% of Equity Interests in Shenzhen Techo Telecom Co., Ltd. (the "Transaction")

We refer to the valuation report dated 28 July 2013 (the "**Valuation Report**") prepared by China Alliance Appraisal Co., Ltd. (北京中同華資產評估有限公司) (the "**Valuer**") in relation to the valuation on Digital China Information Service Co., Ltd. ("**DCITS**") as at 30 April 2013 (the "**Valuation**") as reviewed and approved by the Jiangsu SASAC. The discounted future estimated cash flows of DCITS (the "**Forecast**") constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumptions based upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report dated 26 August 2013 from SHINEWING (HK) CPA Limited regarding whether the Forecast, so far as the accounting policies and calculations are concerned, have been properly complied with the bases and assumptions as set out in the Valuation Report. We have noted that the Forecast in the Valuation are mathematically accurate and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

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

**For identification purpose only*