

*(For immediate release)*

## Digital China Announces FY08/09 Annual Results

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### Robust Growth through “Customer-Focused and Service-Oriented” Strategy with Excellent Financial Results

#### Highlights:

For the year ended 31 March 2009:

- Turnover was HK\$42,326 million, up 20.10% from FY07/08
- Operating income was HK\$884 million, an increase of 35.82% over the corresponding period of last financial year
- Gross Profit amounted to HK\$2,959 million, up from HK\$2,511 million in FY07/08
- Profit attributable to the equity holders of the parent was HK\$641 million, a 59.84% growth as compared to FY07/08
- Net cash inflow from overall operating activities was HK\$727 million, a record improvement from the corresponding period of last financial year

(17 June 2009, Hong Kong) China’s leading integrated IT service provider, Digital China Holdings Limited (“Digital China” or the “Group”; Stock Code: 00861.HK) announced its annual results for the year ended 31 March 2009 (“FY2008/09”).

“We are extremely proud of Digital China’s achievement for the year,” said Mr. Guo Wei, Chairman and CEO of Digital China. “Amid challenging market conditions and a period of evolving market dynamics, we managed not only to deliver on all our performance targets, but also made significant inroads to seize the opportunities presented by the rapid growing China IT market. As we successfully implemented our ‘customer-focused and service-oriented’ strategy, we took considerable steps forward in the acquisition of large customers while delivering spectacular results in business transformation and operation risk control.”

#### Financial Review

During the year under review, turnover was HK\$42,326 million, an increase of 20.10% as compared to HK\$35,244 million for the corresponding period of last financial year. Gross profit was HK\$2,959 million, representing a year on year increase of 17.83%. Gross margin was 6.99%, compared to 7.12% for the last fiscal year. Profit attributable to the equity holders of the parent (profit attributable to shareholders) surged 59.84% to HK\$641 million as compared to HK\$401 million for the corresponding period of last financial year. Basic earnings per share were 66.58 HK cents, a year on year increase of 52.29%. Return on shareholders’ equity was 20.42%, up from 33.64% for the corresponding period of last financial year.

Given the changes in the economic environment, the Group stepped up with transformation at all business segments to introduce the value-added models. The Services Business ranked as No. 1 in the market and continued to report profit. This business segment made significant inroads in the acquisition of large customers, while the application software solution capabilities were also substantially improved. The Group's products support and IT outsourcing and maintenance services (PSOM) also reported robust growth during the period under review.

Besides, to effectively cope with growing severity in the economic conditions both abroad and at home, the Group exercised stringent cost management policies. During the period under review, overall operating expenses ratio was 5.96%, lowered from 6.46% for the last fiscal year. Besides cost management, the Group also made persistent efforts in risk management and process management, and as a result a stable overall operating cash flow was maintained during the year. Net cash inflow from overall operating activities of the Group was HK\$727 million up from HK\$77 million for the corresponding period of last financial year. Overall cash turnover was 23.66 days, an improvement as compared to 25.02 days for the last fiscal year.

### Segment Results

	For the year ended 31 March		
(HK\$ million)	2009	2008	Change (%) YoY
<b>Distribution Business</b>			
Turnover	24,087	20,889	15.31
Gross profit	1,035	966	7.14
Segment Results	289	339	-14.82
<b>Systems Business</b>			
Turnover	13,356	9,731	37.24
Gross profit	1,267	906	39.89
Segment Results	429	410	4.57
<b>Services Business</b>			
Turnover	4,883	4,622	5.64
Gross profit	655	638	2.70
Segment Results	88	71	22.83

### Business Review

#### Services Business

During the year under review, the Service Business, which primarily focuses on industry market,

maintained its rapid growth momentum and contributed 11.54% to the total revenue. Operating profit for the segment increased 22.83% to HK\$88 million, from HK\$71 million for the last fiscal year. Seizing on the opportunities presented by the telecom industry restructuring and 3G rollout in China, the Group recorded substantial growth in new contracts from the telecommunication sector. The Group also maintained steady growth in the financial and government sectors. During the year under review, the Group's ModelBank 2.0 solution was successfully applied in city commercial bank clients and more domestic and foreign banks were signed up for the Group's IT service. In the public sector, the Group's digital municipal service was expanding rapidly through different government departments together with the successful application of the Citizen Card solution and public transport system dispatching solution. For the year ended 31 March 2009, total contract value grew by 114% as compared to the previous fiscal year.

### **Systems Business**

Turnover and Operating income for the Systems Business, which primarily focuses on enterprise market, increased by 37.24% and 4.57% year on year to HK\$13,356 million and HK\$429 million respectively. During the year under review, the Group has built-up in know-how and servicing capabilities and capitalized on a broader range of business opportunities. At the same time, new inroads were made in "IT systems integration services" for enterprises and "emergency command post systems" for local governments which also contributed to the solid growth of this business segment.

### **Distribution Business**

Turnover and Operating income for the Distribution Business, which primarily focuses on SMB and consumer markets, increased by 15.31% and decreased by 14.82% year on year to HK\$24,087 million and HK\$289 million, respectively. Sales of notebooks and accessories recorded substantial growth primarily because of the launch of new products from Dell and Apple. Growth in turnover for the year also reflects the expanding coverage of its sales operation. Cities covered increased by 18.14% year on year. Turnover contributed by 4th- to 6th-tier cities increased by 51.4% as compared to the previous financial year.

### **Outlook**

"Our business model is a proven success and is able to perform well even in a challenging economic environment. As we are off to a promising start in fiscal year 2009/10, the management has designated it as the 'Year of Strategic Marketing'," said Mr. Guo Wei, Chairman and CEO of Digital China. "We have adjusted our organizational structure to match up with our growth plan which will extend our software and solution offerings and further diversify our customer base. We believe this will enable us to take advantage of market transitions and drive toward our long-term growth objectives."

## **About Digital China**

Digital China was listed on the main board of The Stock Exchange of Hong Kong in 2001 under stock code “00861.HK” following a successful spin off from the Legend Group. In pursuit of its “Digitalized China” corporate strategy, Digital China is focused on providing its customers with pioneer electronic business platforms, solutions and services. A one-stop IT services concept, available to individual consumers and large enterprises alike, enables its client base to span across a wide range of different industries, from banking and telecommunications to government and public sectors. Leveraging on its strong partnership with over 100 top IT vendors world-wide, Digital China has become the largest integrated IT service provider in China.

Digital China provides fully integrated IT services to customers with different needs and at various stages of development to create value and success for them. For further information on its products and services, please visit [www.digitalchina.com.hk](http://www.digitalchina.com.hk).

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**CONSOLIDATED INCOME STATEMENT**
**Year ended 31 March 2009**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>REVENUE</b>	<b>42,326,342</b>	35,243,773
Cost of sales	<u>(39,367,767)</u>	<u>(32,732,995)</u>
Gross profit	<b>2,958,575</b>	2,510,778
Other income and gains	<b>447,701</b>	417,965
Selling and distribution costs	<b>(1,701,244)</b>	(1,548,118)
Administrative expenses	<b>(372,297)</b>	(394,624)
Other operating expenses, net	<b>(449,053)</b>	(335,350)
Total operating expenses	<u>(2,522,594)</u>	<u>(2,278,092)</u>
Finance costs	<b>(159,091)</b>	(207,791)
Share of profits and losses of:		
Jointly-controlled entities	<b>(40)</b>	(880)
Associates	<b>11,671</b>	11,052
<b>PROFIT BEFORE TAX</b>	<b>736,222</b>	453,032
Tax	<u>(126,936)</u>	<u>(52,152)</u>
<b>PROFIT FOR THE YEAR</b>	<b><u>609,286</u></b>	<b><u>400,880</u></b>
Attributable to:		
Equity holders of the parent	<b>641,145</b>	401,125
Minority interests	<b>(31,859)</b>	(245)
	<b><u>609,286</u></b>	<b><u>400,880</u></b>
<b>DIVIDENDS – Proposed final</b>	<b><u>140,030</u></b>	<b><u>140,210</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>		
Basic	<b><u>66.58 HK cents</u></b>	<b><u>43.72 HK cents</u></b>
Diluted	<b><u>N/A</u></b>	<b><u>42.91 HK cents</u></b>

**CONSOLIDATED BALANCE SHEET**
**At 31 March 2008**

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	397,767	401,124
Investment properties	238,516	234,212
Prepaid land premiums	14,671	14,765
Intangible assets	4,233	5,526
Interests in jointly-controlled entities	6,201	7,894
Interests in associates	23,409	35,612
Available-for-sale investments	101,496	31,611
Deferred tax assets	24,176	19,480
Total non-current assets	<u>810,469</u>	<u>750,224</u>
<b>CURRENT ASSETS</b>		
Inventories	2,136,461	2,559,364
Trade and bills receivables	5,471,493	3,772,820
Prepayments, deposits and other receivables	1,366,277	1,233,629
Derivative financial instruments	27,097	-
Cash and bank balances	1,734,428	998,454
Total current assets	<u>10,735,756</u>	<u>8,564,267</u>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	4,697,703	3,334,519
Other payables and accruals	1,681,331	1,695,420
Tax payable	133,010	66,405
Interest-bearing bank borrowings	875,449	400,066
Total current liabilities	<u>7,387,493</u>	<u>5,496,410</u>
<b>NET CURRENT ASSETS</b>	<u>3,348,263</u>	<u>3,067,857</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>4,158,732</u>	<u>3,818,081</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	701,516	952,803
Bond payable	226,296	221,582
Total non-current liabilities	<u>927,812</u>	<u>1,174,385</u>
<b>NET ASSETS</b>	<u>3,230,920</u>	<u>2,643,696</u>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	96,239	96,362
Reserves	2,903,667	2,389,347
Proposed final dividend	140,030	140,210
	<u>3,139,936</u>	<u>2,625,919</u>
Minority interests	<u>90,984</u>	<u>17,777</u>
<b>TOTAL EQUITY</b>	<u>3,230,920</u>	<u>2,643,696</u>