

(For immediate release)

Digital China Announces FY09/10 Interim Results

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2Q FY09/10 Turnover Sets New Record

Highlights:

For the six months ended 30 September 2009:

- Turnover amounted to HK\$24,464 million, an increase of 15.94% year-on-year, far higher than the growth rate of China's IT market
- Gross profit margin was 6.24%, representing a slight decrease from the same period last year
- Profit attributable to shareholders increased by 69.10% year-on-year to HK\$412 million
- Net cash inflow from overall operating activities was HK\$568 million

(10 November 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 results for six months ended 30 September 2009 ("1H FY09/10").

Financial Review

During the period under review, the Group continued to implement its core strategy of focusing on the development of services and addressing the operational improvement of groundwork. Turnover for 2Q FY09/10 hit a new record of HK\$13,804 million, while turnover for the six months period was HK\$24,464 million, an increase of 15.94% year-on-year, far higher than the overall growth rate of China's IT market. Gross profit was HK\$1,527 million, up 4.46% over 1H08/09. Due to effective cost management, profit attributable to shareholders increased 69.10% year-on-year to HK\$412 million. Return on shareholders' equity was 10.89%, up 22.50% year-on-year. Basic earnings per share were 42.74 HK cents.

After a rigorous screening of 910 enterprises in the Asia Pacific region, the Group was included in Forbes Asia's Fab 50 companies. The ranking reflects the significant growth of the Group's revenue and sales and recognition of its robust earnings potential.

Mr. Guo Wei, Chairman and CEO of Digital China commented, "We succeeded in attaining targets for major operating indicators by being customer-focused and service-oriented. It is our great honor to be listed as one of the best Asia-Pacific companies by Forbes Asia, which also demonstrated our achievements through implementing our strategy successfully. To capture opportunities arising from generally improved economic sentiment in China, the Group emphasized marketing management, swift business expansion and pre-emptive moves for gaining market share. Meanwhile, we sustained overall business growth that considerably outperformed the market through improved cash flow management and cash turnover, while achieving balance in business growth and risk control underpinned by a diminishing cost ratio."

For the 1H of FY0910:

- Significantly improved operational efficiency brought down overall operating costs by 5.62% year-on-year.
- Cash turnover in 2Q FY09/10 fell from 28.4 days to 15.98 days, well below the average level of our industry peers.

For the six months ended 30 September 2009, overall operating costs was 4.99%, compared to 6.13% for the corresponding period last year. The Group's cash turnover cycle was 19.20 days, compared to 25.78 days a year ago. Moreover, our cash turnover in 2Q FY09/10 dropped to 15.98 days, which was well below the average level for our industry peers.

Segment Results

(HK\$ million)	For the six months ended 30 September		Change (%) year-on-year
	2009	2008	
Distribution Business			
Turnover	11,149	9,706	14.87
Gross profit	474	444	6.78
Segment Results	140	176	(20.60)
Systems Business			
Turnover	6,519	6,407	1.73
Gross profit	584	591	(1.25)
Segment Results	182	178	2.42
Supply Chain Services Business			
Turnover	4,686	2,428	92.99
Gross profit	150	94	60.43
Segment Results	40	25	60.20
Services Business			
Turnover	2,110	2,560	(17.56)
Gross profit	318	332	(4.28)
Segment Results	69	54	27.84

Business Review

Services Business (with a primary focus on Industry Market)

During the period under review, turnover of the Services business decreased by 17.56% year-on-year to HK\$2,110 million, although gross profit margin increased to 15.08%. In order to sustain profitability growth, The Group's Services business focused on customer value enhancement, emphasizing software and services while reducing the weighting of the hardware-related businesses.

The Group's software solution business reported encouraging progress in three major sectors. In financial sector, a deal was signed with Xuchang Commercial Bank, for "Model-Bank Express core banking application software and related services, following the successful launch of a new-generation core banking system for Qilu Bank. In the telecommunications sector, we made aggressive moves to increase our market share with China Telecom and China Unicom, while maintaining our existing business with China Mobile. In this connection, deals involving the Beijing Unicom 3G Support System and Xinjiang Unicom BSS project were concluded. In the government sector, the Group won the bid for two consultancy projects pertaining to the Phase III financial and taxation system project of the State Administration of Taxation in August, paving the way for further involvement in Phase III projects and reinforcing our leadership in the State tax sector. The Group also won government projects in the Miyun District of Beijing and Wuxi in Jiangsu Province, following the successful launch of the Yangzhou Citizen Card in May.

Supply Chain Services Business (with a primary focus on the High-tech Industries Market)

During the period under review, Supply Chain Services business turnover was HK\$4,686 million, up 92.99% year-on-year. Our Supply Chain Services sustained rapid growth to provide strong support for the Group's overall business growth. Turnover from the fulfillment business (FA) reported growth of 103.12% over a year ago, while turnover from Chain Electronic Stores grew 72.86% on the back of business model innovations, process re-engineering, introduction of new products and expanded scope for partnerships. Turnover contributions from logistics and maintenance services within the supply chain sector also improved following initiatives in internal capacity building, process streamlining and re-structuring.

Systems Business (with a primary focus on Enterprise Market)

During the period under review, turnover of the Systems business was HK\$6,519 million, up 1.73% year-on-year. The Group survived the doldrums of a weakening corporate market and severe economic conditions during the first quarter of the current financial year. In particular, turnover growth for the second quarter was well above the overall growth rate of the market. Regional customer business grew by 41.34% compared to the corresponding period last year. We endeavoured to improve our ability to provide solutions that address the needs of our customers. In this regard, we have made groundbreaking progress in the building of Urban Contingency Systems and the development of Smart Network solutions. Contributions from storage equipment and Unix servers grew by 39.41% and 14.14% year-on-year, respectively.

Distribution Business (with a primary focus on SMB & Consumer Markets)

During the period under review, turnover for the Group's Distribution business amounted to HK\$11,149 million, representing a 14.87% year-on-year growth that also outperformed the market in the same segment. The Distribution business delivered outstanding performance in terms of expansion in the consumer and commercial application sectors. The Group signed a national partnership agreement with China Unicom during the second quarter in relation to its WO-3G business, with special emphasis on the iPhone. This deal completed our coverage of China's big-three telecommunications carriers (China Mobile, China Unicom and China Telecom) as a nationwide service provider.

As of 30 September 2009, turnover contributions from tier-4 to 6 cities increased by 59% as compared to the corresponding period of last financial year as the number of effective channels for the Groups' Distribution business grew 40% year-on-year, underpinned by the opening of an additional "@PORT" of Digital China. Turnover for notebooks, PC server and consumer IT products sectors grew by 51.78%, 41.02% and 22.49%, respectively.

Outlook

Looking forward, we will continue to persist in our strategy of being customer-focused and service-oriented, in a bid to enhance our profitability and add value for customers on a continuing basis. We intend to devise effective marketing strategies to address the varied pace of recovery in different market segments amid albeit generally improved economic sentiment. Meanwhile, we will continue to ensure stable business operations by maintaining sound cash flow and stringent management over trade receivables and inventory, monitoring any changes in economic indicators and market data. "The management believes that we will maintain growth for the full financial year on the back of our dominance in various customer segment groups and an effective risk control regime, in order to create greater value for shareholders." Mr. Guo Wei said.

About Digital China

Digital China Holdings Limited ("Digital China" or the "Group"; Stock Code: 00861.HK) is the largest IT services provider in China. Headquartered in Beijing, Digital China has regional centres in 19 major cities nationwide with 9,300 employees. The Group provides customers with comprehensive IT products and services, driving technological innovations for work and life and enhancing the digitalization process in China with four core businesses: IT Services, Enterprise Systems, IT Products Distribution and Supply Chain Services. The Group has maintained its No.1 position in IT product distribution while it has increasingly focused on expanding into IT services. Digital China remained as one of the top 5 IT services providers across various sectors in China including telecommunication, finance and government by providing self-developed and proprietary products that are customised for specific industry needs. For additional information about Digital China, please visit the Company's website at www.digitalchina.com.hk.

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CONDENSED CONSOLIDATED INCOME STATEMENT

	Three months ended 30 September 2009 (Unaudited) HK\$'000	Six months ended 30 September 2009 (Unaudited) HK\$'000	Three months ended 30 September 2008 (Unaudited) HK\$'000	Six months ended 30 September 2008 (Unaudited) HK\$'000
REVENUE	13,803,936	24,463,948	11,090,595	21,101,305
Cost of sales	<u>(12,961,190)</u>	<u>(22,936,833)</u>	<u>(10,290,844)</u>	<u>(19,639,348)</u>
Gross profit	842,746	1,527,115	799,751	1,461,957
Other income and gains	47,933	241,840	60,694	190,519
Selling and distribution costs	(456,555)	(872,086)	(458,282)	(855,706)
Administrative expenses	(87,111)	(176,039)	(94,753)	(178,527)
Other operating expenses, net	(112,161)	(172,800)	(118,137)	(259,373)
Total operating expenses	<u>(655,827)</u>	<u>(1,220,925)</u>	<u>(671,172)</u>	<u>(1,293,606)</u>
Finance costs	(30,089)	(55,735)	(46,693)	(87,511)
Share of profits and losses of:				
Jointly-controlled entities	(1,228)	2,050	(253)	447
Associates	488	(1,241)	1,794	4,240
PROFIT BEFORE TAX	204,023	493,104	144,121	276,046
Tax	<u>(39,984)</u>	<u>(57,877)</u>	<u>(39,804)</u>	<u>(58,835)</u>
PROFIT FOR THE PERIOD	<u>164,039</u>	<u>435,227</u>	<u>104,317</u>	<u>217,211</u>
Attributable to:				
Equity holders of the parent	149,590	411,714	129,444	243,478
Minority interests	14,449	23,513	(25,127)	(26,267)
	<u>164,039</u>	<u>435,227</u>	<u>104,317</u>	<u>217,211</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic		<u>42.74 HK cents</u>		<u>25.30 HK cents</u>
Diluted		<u>N/A</u>		<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 September 2009 (Unaudited) HK\$'000	At 31 March 2009 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	380,953	397,767
Investment properties	238,516	238,516
Prepaid land premiums	14,467	14,671
Intangible assets	3,527	4,233
Interests in jointly-controlled entities	6,477	6,201
Interests in associates	21,868	23,409
Available-for-sale investments	101,496	101,496
Deferred tax assets	15,987	24,176
Total non-current assets	<u>783,291</u>	<u>810,469</u>
CURRENT ASSETS		
Inventories	2,541,218	2,136,461
Trade and bills receivables	6,992,575	5,471,493
Prepayments, deposits and other receivables	1,438,185	1,366,277
Derivative financial instruments	21,031	27,097
Cash and bank balances	2,466,231	1,734,428
Total current assets	<u>13,459,240</u>	<u>10,735,756</u>
CURRENT LIABILITIES		
Trade and bills payables	6,971,920	4,697,703
Other payables and accruals	1,583,937	1,681,331
Tax payable	117,705	133,010
Interest-bearing bank borrowings	671,543	875,449
Total current liabilities	<u>9,345,105</u>	<u>7,387,493</u>
NET CURRENT ASSETS	<u>4,114,135</u>	<u>3,348,263</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,897,426</u>	<u>4,158,732</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	650,600	701,516
Bond payable	226,296	226,296
Total non-current liabilities	<u>876,896</u>	<u>927,812</u>
NET ASSETS	<u>4,020,530</u>	<u>3,230,920</u>
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	102,004	96,239
Reserves	3,679,481	2,903,667
Proposed final dividend	-	140,030
	<u>3,781,485</u>	<u>3,139,936</u>
Minority interests	<u>239,045</u>	<u>90,984</u>
TOTAL EQUITY	<u>4,020,530</u>	<u>3,230,920</u>