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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

FINANCIAL HIGHLIGHTS

- Turnover for the financial year ended 31 March 2009 increased by 20.10% over the last financial year to reach approximately HK$42,326 million.
- Profit attributable to equity holders of the parent for the financial year ended 31 March 2009 was approximately HK$641 million, an increase of 59.84% over the last financial year.

The board of directors (the "**Board**") of Digital China Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 March 2009 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
REVENUE	*4*	**42,326,342**	35,243,773
Cost of sales		**(39,367,767)**	(32,732,995)
Gross profit		**2,958,575**	2,510,778
Other income and gains	*4*	**447,701**	417,965
Selling and distribution costs		**(1,701,244)**	(1,548,118)
Administrative expenses		**(372,297)**	(394,624)
Other operating expenses, net		**(449,053)**	(335,350)
Total operating expenses	*5*	**(2,522,594)**	(2,278,092)
Finance costs		**(159,091)**	(207,791)
Share of profits and losses of:			
Jointly-controlled entities		**(40)**	(880)
Associates		**11,671**	11,052
PROFIT BEFORE TAX	*6*	**736,222**	453,032
Tax	*7*	**(126,936)**	(52,152)
PROFIT FOR THE YEAR		**609,286**	400,880
Attributable to:			
Equity holders of the parent		**641,145**	401,125
Minority interests		**(31,859)**	(245)
		609,286	400,880
DIVIDENDS – Proposed final	*8*	**140,030**	140,210
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**66.58 HK cents**	43.72 HK cents
Diluted		**N/A**	42.91 HK cents

CONSOLIDATED BALANCE SHEET
At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
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		**810,469**	750,224
CURRENT ASSETS			
Inventories		**2,136,461**	2,559,364
Trade and bills receivables	*10*	**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		**10,735,756**	8,564,267
CURRENT LIABILITIES			
Trade and bills payables	*11*	**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		**7,387,493**	5,496,410
NET CURRENT ASSETS		**3,348,263**	3,067,857
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,158,732**	3,818,081
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**701,516**	952,803
Bond payable		**226,296**	221,582
Total non-current liabilities		**927,812**	1,174,385
NET ASSETS		**3,230,920**	2,643,696
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**96,239**	96,362
Reserves		**2,903,667**	2,389,347
Proposed final dividend		**140,030**	140,210
		3,139,936	2,625,919
Minority interests		**90,984**	17,777
TOTAL EQUITY		**3,230,920**	2,643,696

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. Impact of new and revised HKFRSs

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	HKAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no financial effect on these financial statements.

3. Segment information

Summary details of the business segments are as follows:

(a) the "Distribution" segment engages in the sale and distribution of general information technology ("**IT**") products which consist of notebook computers, desktop computers, PC servers, data projectors, peripherals, accessories and consumer IT products;

(b) the "Systems" segment engages in the sale and distribution of systems products which consist of Unix servers, networking products, storage products and packaged software, as well as the provision of related value-added services; and

(c) the "Services" segment engages in the provision of systems integration, application software development, consultancy and training, etc..

During the year, the Group considered it more appropriate to disclose certain gains and expenses in the segment results in order to better reflect the performance of each segment. Accordingly, the corresponding comparative amounts of the segment information have been revised to conform with the current year's presentation.

Primary reporting format - business segments

The following table presents revenue and results for the Group's business segments for the years ended 31 March 2009 and 2008:

	Distribution		Systems		Services		Consolidated	
	2009	2008 (Restated)	**2009**	2008 (Restated)	**2009**	2008 (Restated)	**2009**	2008 (Restated)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**24,087,251**	20,889,194	**13,355,613**	9,731,836	**4,883,478**	4,622,743	**42,326,342**	35,243,773
Segment gross profit	**1,035,887**	966,820	**1,267,753**	906,268	**654,935**	637,690	**2,958,575**	2,510,778
Segment results	**289,103**	339,420	**429,113**	410,377	**87,669**	71,375	**805,885**	821,172
Interest income, unallocated revenue and gains							**298,496**	64,018
Unallocated expenses							**(220,699)**	(234,539)
Finance costs							**(159,091)**	(207,791)
Share of profits and losses of:								
Jointly-controlled entities	**-**	-	**-**	-	**(40)**	(880)	**(40)**	(880)
Associates	**-**	-	**-**	-	**11,671**	11,052	**11,671**	11,052
Profit before tax							**736,222**	453,032
Tax							**(126,936)**	(52,152)
Profit for the year							**609,286**	400,880

Secondary reporting format - geographical segments

No geographical segment information is presented as over 90% of the Group's customers and operations are located in the Mainland of the People's Republic of China ("**Mainland China**").

4. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold and services rendered to customers, net of business tax and government surcharges, and after allowances for goods returned and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue	**42,326,342**	35,243,773
Other income		
Government grants	**60,854**	64,454
Bank interest income	**14,283**	10,124
Gross rental income	**31,861**	29,393
Others	**35,452**	7,341
	142,450	111,312
Gains		
Fair value gain on investment properties	**-**	1,108
Fair value gains, net:		
Derivative financial instruments – transactions not qualifying as hedges and matured during the year	**28,435**	-
Derivative financial instruments – transactions not qualifying as hedges and not yet matured	**27,097**	-
Gain on deemed disposal of interest in a subsidiary	**110,461**	-
Gain on disposal of interest in an associate	**42,997**	-
Gain on disposal of non-current asset classified as held for sale	**-**	2,495
Foreign exchange differences, net	**89,474**	293,812
Others	**6,787**	9,238
	305,251	306,653
	447,701	417,965

5. Total operating expenses

An analysis of the Group's total operating expenses by nature is as follows:

	2009	2008
	HK$'000	*HK$'000*
Selling expenses	**253,625**	199,503
Promotion and advertising expenses	**114,567**	224,053
Staff costs included in operating expenses (including directors' remuneration)	**1,101,030**	1,044,619
Other expenses	**1,053,372**	809,917
	2,522,594	2,278,092

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold	**38,521,886**	32,062,729
Depreciation	**83,522**	70,839
Amortisation of prepaid land premiums	**408**	376
Impairment of goodwill	**6,406**	-
Amortisation of intangible assets	**1,411**	4,786
Impairment of intangible assets	**35,181**	16,731
Minimum lease payments under operating leases in respect of land and buildings	**89,612**	72,391
Provisions for and write-off of obsolete inventories	**81,277**	13,331
Impairment of trade receivables	**163,020**	152,940
Loss on disposal of items of property, plant and equipment	**4,392**	3,482
Fair value loss/(gain) on investment properties	**679**	(1,108)

7. Tax

	2009	2008
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	**9,591**	2,661
Current – The People's Republic of China ("**PRC**")	**121,631**	41,632
Deferred	**(4,286)**	7,859
Total tax charge for the year	**126,936**	52,152

(a) PRC corporate income tax represents the tax charged on the estimated assessable profits arising in the Mainland China. In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holidays and preferential tax rates.

(b) During the year, Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong. The lower Hong Kong profits tax rate has become effective from the year of assessment of 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009.

(c) No provision for Hong Kong profits tax has been made for the jointly-controlled entities and associates as the jointly-controlled entities and associates had no estimated assessable profits arising in Hong Kong for the years ended 31 March 2009 and 2008. PRC corporate income tax has been provided at the applicable rates on the estimated assessable profits of the jointly-controlled entities and associates for the years ended 31 March 2009 and 2008. The share of tax charge attributable to the jointly-controlled entities of approximately HK$262,000 (2008: Nil) and the share of tax charge attributable to the associates of approximately HK$3,382,000 (2008: approximately HK$679,000) are included in "Share of profits and losses of jointly-controlled entities" and "Share of profits and losses of associates" respectively on the face of the consolidated income statement.

8. Dividends

	2009 *HK$'000*	2008 *HK$'000*
Proposed final dividend – 14.55 HK cents (2008: 14.55 HK cents) per ordinary share	**140,030**	140,210

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of approximately HK$641,145,000 (2008: HK$401,125,000), and the weighted average of 962,957,784 (2008: 917,512,860) ordinary shares in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year and the weighted average number of ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the dilutive potential ordinary shares of the Company into ordinary shares during the year.

For the year ended 31 March 2009, the outstanding share options had anti-dilutive effect on the basic earnings per share.

The calculation of diluted earnings per share amount for the year ended 31 March 2008 was based on the profit for the year ended 31 March 2008 attributable to ordinary equity holders of the parent of approximately HK$401,125,000 and 934,702,820 ordinary shares, which represented the weighted average of 917,512,860 ordinary shares in issue during the year ended 31 March 2008, and the weighted average of 17,189,960 ordinary shares deemed to have been issued at no consideration on the deemed exercise of all the outstanding share options during the year ended 31 March 2008.

10. Trade and bills receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 days to 180 days. An aged analysis of the Group's trade and bills receivables as at the balance sheet date and net of impairment is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Within 30 days	**2,230,866**	1,846,435
31 to 60 days	**1,145,323**	467,480
61 to 90 days	**734,548**	438,626
91 to 180 days	**819,115**	601,101
Over 180 days	**541,641**	419,178
	5,471,493	3,772,820

11. Trade and bills payables

An aged analysis of the Group's trade and bills payables as at the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**2,724,953**	1,596,040
31 to 60 days	**1,060,975**	986,495
61 to 90 days	**453,751**	552,703
Over 90 days	**458,024**	199,281
	4,697,703	3,334,519

DIVIDENDS

The Board recommends the payment of a final dividend of 14.55 HK cents (2008: 14.55 HK cents) per share for the year ended 31 March 2009 to the shareholders whose names appear on the register of members of the Company on 25 August 2009. Subject to the shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend will be paid on or around 2 September 2009.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at Salon 1-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 25 August 2009 at 9:30 a.m.. Notice of the annual general meeting will be issued in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 August 2009 to Tuesday, 25 August 2009 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 20 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

1. The Group accomplished all annual performance targets with excellent results and embarked on robust growth for the year ended 31 March 2009, despite difficult market conditions imposed by the earthquake, the financial tsunami and other adverse developments. Meanwhile, the Group made significant inroads and delivered spectacular results in market development, business transformation and operation risk control during this crucial year for the implementation of the "customer-focused and service-oriented" strategy.

1.1 Market dominance reinforced by active market development and outperforming growth rate

The Group recorded turnover of HK$42,326 million for the year ended 31 March 2009, an increase of 20.10% as compared to HK$35,244 million for the corresponding period of last financial year. For four years in a row since FY2005/06, the Group has continuously outperformed the industry by sustaining growth rates in excess of 20%.

1.2 Outstanding overall performance underpinned by strong profit growth

Profit attributable to the equity holders of the parent (profit attributable to shareholders) amounted to approximately HK$641 million, representing a 59.84% growth as compared to approximately HK$401 million for the corresponding period of last financial year. Return on shareholders' equity stood at 20.42%, increasing by 33.64% as compared to 15.28% for the corresponding period of last financial year. Basic earnings per share grew 52.29% to 66.58 HK cents as compared to 43.72 HK cents for the corresponding period of last financial year.

1.3 Services Business charting new horizons as transformation gained pace

Our Services Business enjoyed surging growth and a commanding position in the industry. According to the IDC report released in April 2009, the Services Business of the Group ranked No.1 among domestic enterprises in the same business, as well as in the government and financial sub-segments. The Services Business continued to report profit, generating a profit of approximately HK$88 million according to the segment results. Our Services Business made significant inroads in the acquisition of large customers, while our application software solution capabilities were also substantially improved. Our products support and IT outsourcing and maintenance services (PSOM) also reported robust growth.

The Group reported continued growth in revenue as it capitalised on growth opportunities and endeavoured to develop new customers in the enterprise, SMB and consumer market segments in a move to carry out active reforms and implement its customer strategy. For the year ended 31 March 2009, our operating income from the Systems Business segment and the Distribution Business segment reported growth of 37.24% and 15.31%, respectively, which were above the overall growth rate of China's IT market.

1.4 The Group boasted positive operating cash flow and cash turnover while industry peers were generally subject to difficulties, thanks to persistent efforts in risk management and process management

The Group maintained stable overall operating cash flow for the year ended 31 March 2009 with net cash inflow from overall operating activities of the Group of approximately HK$727 million, a record improvement as compared to HK$77 million for the corresponding period of last financial year. The Group's cash turnover cycle for the financial year under review was 23.66 days, which was 1.36 days less as compared to last financial year.

1.5 Enhanced overall operating expenses control resulting in substantially lower operating expenses ratio (total operating expenses as a percentage of total turnover)

To address the global economic crisis and increasing difficulties in market sales, the Group announced policies on stringent cost management during the financial year. The Group's overall operating expenses ratio for the year ended 31 March 2009 was lower at 5.96%, compared to 6.46% for the corresponding period of last financial year. Management and control measures adopted during the financial year effectively positioned the Group to cope with growing severity in the economic conditions both abroad and at home.

2.1 Distribution Business (with a primary focus on the SMB & Consumer Markets)
Growth in the Distribution Business against adverse market environment to maintain market dominance
Turnover of the Group's Distribution Business for the year ended 31 March 2009 amounted to approximately HK$24,087 million, representing a 15.31% growth over the corresponding period of last financial year which was above the overall growth rate of the China market. The Group made vigorous efforts to increase the sales of volume products, assuring growth for the major product segments against the market trend. Our business sectors of notebooks and accessories reported substantial turnover growth of 35.15% and 38.82%, respectively, over the corresponding period of last financial year, as the Distribution Business sustained overall growth driven by the launch of new products from Dell and Apple.

2.1.1 Rewarding efforts in penetrative regional expansion
As at 31 March 2009, the Group claimed in-depth coverage of 267 cities, an increase by 18.14% as compared to the corresponding period of last financial year, as it extended its sales operation under the Distribution Business to provide solid foundations for snatching market shares. Turnovers from fourth- to sixth-tier cities reported growth of 51.4%, as compared to the corresponding period of last financial year.

2.2 Systems Business (with a primary focus on the Enterprise Market)
Systems Business sustained robust growth in a major boost to competitive edge
Turnover of the Group's Systems Business for the year ended 31 March 2009 increased to approximately HK$13,356 million, a 37.24% growth over the corresponding period of last financial year which beat the overall IT growth rate of the China market and assured absolute dominance of the Group in this sector. The segment of storage products, UNIX servers, networking products and packaged software continued to report rapid growth, with turnover growing by 101.28%, 25.44%, 24.87% and 18.02%, respectively, comparing with the corresponding period of last financial year, while overall turnover growth in the Systems Business was driven by strong performance in businesses with EMC, IBM and Cisco.

2.2.1 Growth in regional clients thanks to persistent implementation of customer-focused strategy
New inroads were made in "IT systems integration services" required by regional high-growth enterprises and "emergency command post systems" for local governments, as the Group persisted in implementing the customer-focused strategy in its Systems Business to identify opportunities in the regional market and foster sales capabilities. For the year ended 31 March 2009, our regional customer business grew by 85.34% as compared to the corresponding period of last financial year.

2.2.2 Process of service transformation advanced by build-up in capabilities
The Group achieved good progress in the build-up of know-how and servicing capabilities as it continued to advance service transformation during the financial year in line with customer requirements. For the year ended 31 March 2009, 58 solutions were launched by the Systems Business of the Group. The headcount of technical staff also increased by 40.46%, year-on-year.

2.3 Services Business (with a primary focus on the Industry Market)
Rapid growth in scale for the Group's Services Business
According to the segment results, the Group's Services Business reported rapid and sustainable growth with profit increasing to approximately HK$88 million for the year ended 31 March 2009 from approximately HK$71 million for the corresponding period of last financial year. Such growth underpinned strongly vast improvements of the Services Business as it started to make profit contributions.

2.3.1 Significant inroads for large customer business and customer servicing capabilities as strategic transformation to focus on customers intensified

The Group's Services Business reported substantial customer growth in various sectors for the year ended 31 March 2009. Driven by the development of 3G, there was substantial growth in new contracts from the telecommunications sector, with an overall growth of 114% in contract value as compared to the corresponding period of last financial year. In particular, there was significant progress in new customer development in China Mobile and China Telecom accounts. In the financial sector, a number of small/medium banks and foreign banks were signed up. In the government sector, our digital municipal service was expanding rapidly with leading positions in relation to traditional customers such as the State Administration of Taxation, local tax bureaus, quality inspection bureaus and National Grain Reserves.

2.3.2 Contracts growth and improved profitability underpinned by enhanced software solution capabilities

The software application solution capabilities of the Group's Services Business were further enhanced during the year ended 31 March 2009 as the number of major projects going on-line increased substantially. Our financial sector solution ModelB@nk 2.0 was successfully applied in city commercial bank clients, while our TD-BOSS, BOSS3.0 and full-service operation system for the telecommunications sector won further contracts with the likes of China Mobile and China Telecom. In the public sector, our Citizen Card solution was successfully applied, as was our public transport system dispatching solution, which played a part in facilitating the smooth progress of the Olympic Games.

2.3.3 Rapid expansion of PSOM supported by effective system building

Revenue from the products support and IT outsourcing and maintenance services (PSOM) under the Group's Services Business for the year ended 31 March 2009 amounted to approximately HK$594 million, up by 74% as compared to the corresponding period of last financial year, while profitability was significantly improved. Meanwhile, the "Proficient Services Package" (銳行服務) during the year was well received by the market as sales were enhanced by the promotion of standardised service products. We were firmly positioned in the sector for large scale customers within industry verticals while maintaining stable growth in the banking and mobile communications sectors, as active efforts were being made to expand our value-added services and solutions.

3. Management Outlook

FY2008/09 was a year of opportunities as well as challenges for the Group. We succeeded in implementing our planned tasks with outperforming growth rates despite adverse factors. The overall strategy, introduced in FY2007/08, of "customer-focused and service-oriented" business models proved very decisive in winning the battle against severe market conditions during the financial year under review. With persistent and resolute implementation, this strategy of transformation is expected to prepare us well for better development in future. After diligent study and research, in response to the global economic scenario and changes in China's IT market in 2009, the management has resolved to designate FY2009/10 as the "Year of Strategic Marketing". The organisational structure has also been adjusted accordingly so that the operation of the Company will be in closer tandem with customer and end-users, as well as market developments. Meanwhile, the management is determined to target on the incremental market opportunities on the back of the strengths from the existing businesses, in a bid to assure sustainable overall growth for our business. The management believes that the Group is well-positioned to address the current challenges and continue to realise outperforming growth with the benefit of its best-in-class business management teams, as well as its longstanding and efficient management processes and risk control regimes.

Capital Expenditure, Liquidity and Financial Resources

The Group mainly finances its operations with internally generated cash flows, bank borrowings and banking facilities.

The Group had total assets of HK$11,546 million at 31 March 2009 which were financed by total liabilities of HK$8,315 million, minority interests of HK$91 million and equity attributable to equity holders of the parent of HK$3,140 million. The Group's current ratio at 31 March 2009 was 1.45 as compared to 1.56 at 31 March 2008.

During the year ended 31 March 2009, capital expenditure of HK$77 million was mainly incurred for the acquisition of office equipment and IT infrastructure facilities.

The aggregate borrowings as a ratio of equity attributable to equity holders of the parent was 0.57 at 31 March 2009 as compared to 0.60 at 31 March 2008. The computation of the said ratio was based on the total interest-bearing bank borrowings and bond payable of HK$1,803 million (31 March 2008: HK$1,574 million) and equity attributable to equity holders of the parent of HK$3,140 million (31 March 2008: HK$2,626 million).

At 31 March 2009, the denomination of the interest-bearing bank borrowings and bond payable of the Group was shown as follows:

	Denominated in United States dollars	Denominated in Renminbi	Denominated in Hong Kong dollars	Total
	HK'000	*HK$'000*	*HK$'000*	*HK$'000*
Current				
Interest-bearing bank borrowings, unsecured	217,000	50,916	588,298	856,214
Interest-bearing bank borrowings, secured	-	19,235	-	19,235
	217,000	70,151	588,298	875,449
Non-current				
Interest-bearing bank borrowings, unsecured	-	701,516	-	701,516
Bond payable	-	226,296	-	226,296
	-	927,812	-	927,812
Total	217,000	997,963	588,298	1,803,261

Included in the Group's current bank borrowings of approximately HK$19 million extended by a financial institution to a subsidiary of the Group, Beijing Digital China Si-Tech Information Technology Co., Ltd. ("**STQ**"), were secured by a property situated in the Mainland China with a value of approximately HK$19 million at 31 March 2009 and 14,061,976 issued shares of STQ in favour of Beijing Zhongguancun Sci-Tech Guaranty Co., Ltd. (the "**Pledgee**"), an independent third party, for securing a guarantee issued by such Pledgee on behalf of STQ. Included in the Group's current and non-current bank borrowings of approximately HK$51 million and HK$701 million respectively represented the term loans and are repayable from Year 2009 to 2013.

In December 2007, Digital China (China) Limited, a wholly-owned subsidiary of the Company and three independent third parties entered into an agreement with the underwriters to issue a bond to institutional and public investors in the Mainland China with an aggregate principal amount of RMB305 million. Pursuant to the agreement, the Group issued a RMB200 million (equivalent to approximately HK$226 million) bond (the "**Bond**") for financing the development of IT services business. The Bond carries interest at a rate of 6.68% per annum, which is payable semi-annually and will mature in December 2010. For the purpose of the issue of the Bond, Beijing Zhongguancun Sci-Tech Guaranty Co., Ltd. ("**ZGC Guaranty**"), an independent third party, has unconditionally and irrevocably undertaken joint and several guarantee liabilities in full (the "**Guarantee Liabilities**") in favour of Digital China (China) Limited. Concurrently, the China Development Bank has authorised its business department to undertake the general guarantee liability in respect of the Guarantee Liabilities of ZGC Guaranty, and Digital China Software Limited, a wholly-owned subsidiary of the Company, has undertaken joint and several liabilities in respect of the Guarantee Liabilities of ZGC Guaranty.

The Group's total available credit facilities at 31 March 2009 amounted to HK$10,250 million, of which HK$1,143 million were in term loan facilities, HK$7,391 million were in trade lines and HK$1,716 million were in short-term and revolving money market facilities. At 31 March 2009, the facility drawn down was HK$752 million in term loan facilities, HK$1,562 million in trade lines and HK$236 million in short-term and revolving money market facilities.

Under the normal course of business, the Group has issued performance bonds to some customers for potential claims of non-performance in order to satisfy the specific requirements of these customers. As no material claims had been made by the customers under such performance bonds in the past, the management considers that the possibility of realisation of any actual material liabilities arising from such performance bonds is remote.

Human Resources

At 31 March 2009, the Group had approximately 8,400 (31 March 2008: approximately 7,700) full-time employees. The majority of these employees work in the PRC. The Group offers remuneration packages in line with industry practice. Employees' remuneration includes basic salaries and bonuses. With the increase in the total number of staff to cope with its business requirements, the Group has recorded a 19.30% increase in staff costs to approximately HK$1,438 million for the year ended 31 March 2009 as compared to approximately HK$1,205 million for the last financial year. In order to attract and retain a high caliber of capable and motivated workforce, the Company offers share options to staff based on the individual performance and the achievements of the Company's targets. The Group is committed to providing its staff with various in-house and external training and development programs.

AUDIT COMMITTEE

The audit committee has reviewed with the senior management and the auditors of the Company their respective findings, the accounting principles and practices adopted by the Group, legal and regulatory compliance and discussed auditing, internal control, risk management and financial reporting matters including the review of the financial statements of the Group for the year ended 31 March 2009.

CORPORATE GOVERNANCE

During the year ended 31 March 2009, the Company has complied with the code provisions set out in the "Code on Corporate Governance Practices" as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year, except for the following deviations:

Code Provision A.2.1
Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. GUO Wei has been taking up the dual role as Chairman and Chief Executive Officer of the Company since 19 December 2007. Mr. GUO has extensive experience in business strategic development and management and is responsible for overseeing the whole business, strategic development and management of the Group. The Board believes that the dual role of Mr. GUO will benefit the Group and the shareholders of the Company as a whole and enables the consistency between the setting up and implementation of the business strategy.

Code Provision A.4.1
Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

All of the Non-executive Directors of the Company were not appointed for any specific term. Since all Directors (save for the Chairman of the Board or the Managing Director) are subject to retirement by rotation at each annual general meeting in accordance with the Bye-Laws of the Company and shall be eligible for re-election. The Board considers that the retirement by rotation at each annual general meeting in accordance with the Bye-Laws of the Company has given the shareholders of the Company the right to approve the continuation of the service of the Directors.

Code Provision A.4.2
The second part of Code Provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Under the Bye-Laws of the Company, at each annual general meeting one-third of the Directors for the time being or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, the Chairman of the Board and the Managing Director shall not, whilst holding such office, be subject to retirement by rotation. Therefore, Mr. GUO Wei, Chairman of the Board, shall not be subject to retirement by rotation.

Code Provision B.1.1
Code Provision B.1.1 stipulates that a majority of the members of the Remuneration Committee should be independent non-executive directors.

Following the resignation of Mr. LUO Hong as a Non-executive Director and his cessation of acting as a member of the Remuneration Committee of the Company on 25 February 2009, the composition of the Remuneration Committee changed from four members to three members, of which a majority of the members are Independent Non-executive Directors. On 17 June 2009, Mr. QIU Zhongwei, a Non-executive Director, was appointed as a member of the Remuneration Committee of the Company. Since then, only half of the members of the Remuneration Committee are Independent Non-executive Directors. Due to each of the committee members has extensive experience in setting up the remuneration policy for the directors and senior management, the Board considers that this combination of the committee members can mostly conform to the needs of the Company and is to the optimal efficiency for the operation of the Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2009, the Company repurchased an aggregate of 1,229,000 ordinary shares at the consideration of the highest and lowest purchase prices of HK$2.72 and HK$2.18 per share respectively on the Stock Exchange and the aggregate consideration paid (including transaction costs) was approximately HK$2,887,000. All of the repurchased shares had been cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2009.

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, 17 June 2009

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. CHEN Derek 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 purpose only*