

Digital China Holdings Limited

FY2005/06 Third Quarter Results Announcement

Mr. Zhang Yibing, Vice President

23 February 2006



Performance Review

- **Turnover for nine months grew 24.00% to HK\$14,712 million (HK\$11,865 million last year).**
- **Net profit attributable to equity holders of the parent of nine months amounted to HK\$206 million, representing 37.51% growth over HK\$150* million recorded same period last year.**
- **Net cash inflow from operating activities for nine months recorded HK\$414 million.**
- **Basic earnings per share recorded 23.88 HK cents, comparing with 17.40 HK* cents same period last year.**

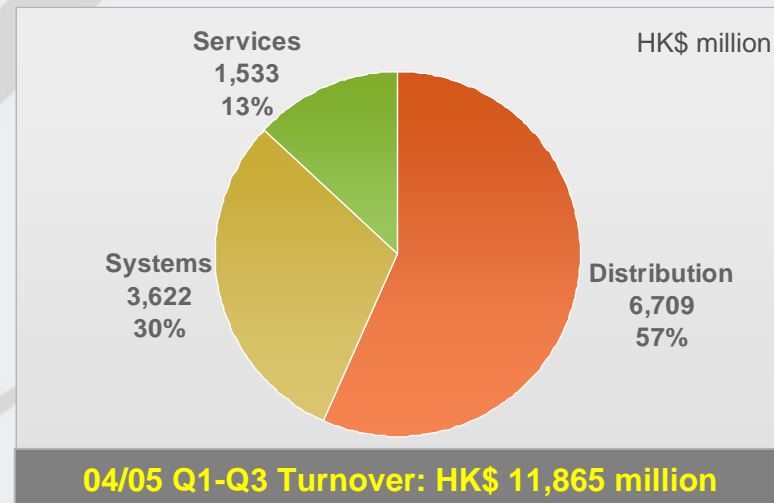
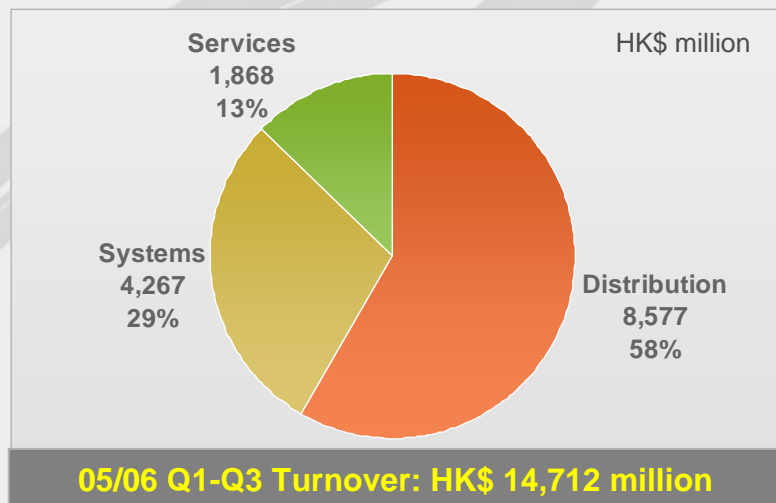
Income Statement Highlights

- Turnover HK\$14,712 million was generated for nine months, representing y-o-y growth of 24.00%.
- Turnover of Q3 was a historical high, representing 38.30% y-o-y growth.
- Group's gross profit margin was 6.82% for the period, comparing with last year's 7.80%.
- Net profit attributable to equity holders of the parent recorded HK\$206 million, rising 37.51% over previous year's HK\$150 million.

HK\$ million	2005/06 Q1-Q3		2005/06 Q3		2004/05 Q1-Q3*	2004/05 Q3*
Turnover	14,712	↑ 24.00%	5,904	↑ 38.30%	11,865	4,269
Gross Profit Margin (%)	6.82%	--	6.36%	--	7.80%	7.96%
Profit from operating activities	283	↑ 55.55%	127	↑ 54.92%	182	82
Net profit attributable to equity holders of the parent	206	↑ 37.51%	87	↑ 25.57%	150	69
Basic EPS (HK cents)	23.88	↑ 37.24%	10.10	↑ 25.31%	17.40	8.06

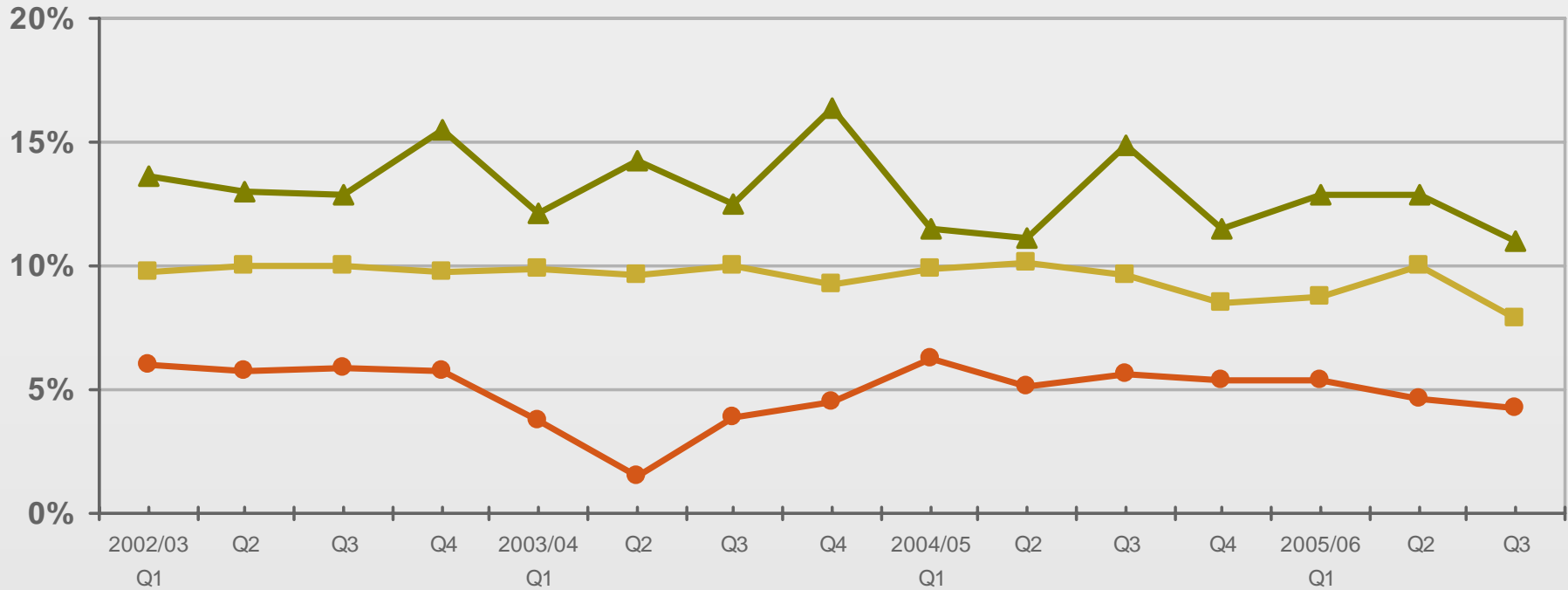
*2004/05 numbers are restated where necessary following the adoption of new and revised HKFRSs. 3

Income Statement Breakdown by Business Segments



HK\$ million	Distribution			Systems			Services			Consolidated		
	05/06 Q1-Q3	04/05 Q1-Q3*	Y-o-Y change	05/06 Q1-Q3	04/05 Q1-Q3*	Y-o-Y change	05/06 Q1-Q3	04/05 Q1-Q3*	Y-o-Y change	05/06 Q1-Q3	04/05 Q1-Q3*	Y-o-Y change
Segment Revenue	8,577	6,709	27.8%	4,267	3,622	17.8%	1,868	1,533	21.8%	14,712	11,865	24.0%
Segment Gross Profit	404	378	6.7%	376	357	5.5%	224	190	17.7%	1,004	926	8.5%
Allocated Segment Expenses	219	207	5.5%	238	245	(2.6%)	213	177	20.0%	670	629	6.4%
Segment Results	185	171	8.1%	138	112	23.0%	11	13	(12.6%)	334	296	12.8%
Interest income, unallocated income and gains										69	11	529.6%
Unallocated expenses										(121)	(126)	(3.7%)
Profit from operating activities										283	182	55.6%
Net profit attributable to equity holders of the parent										206	150	37.5%

Gross Profit Margin Trend



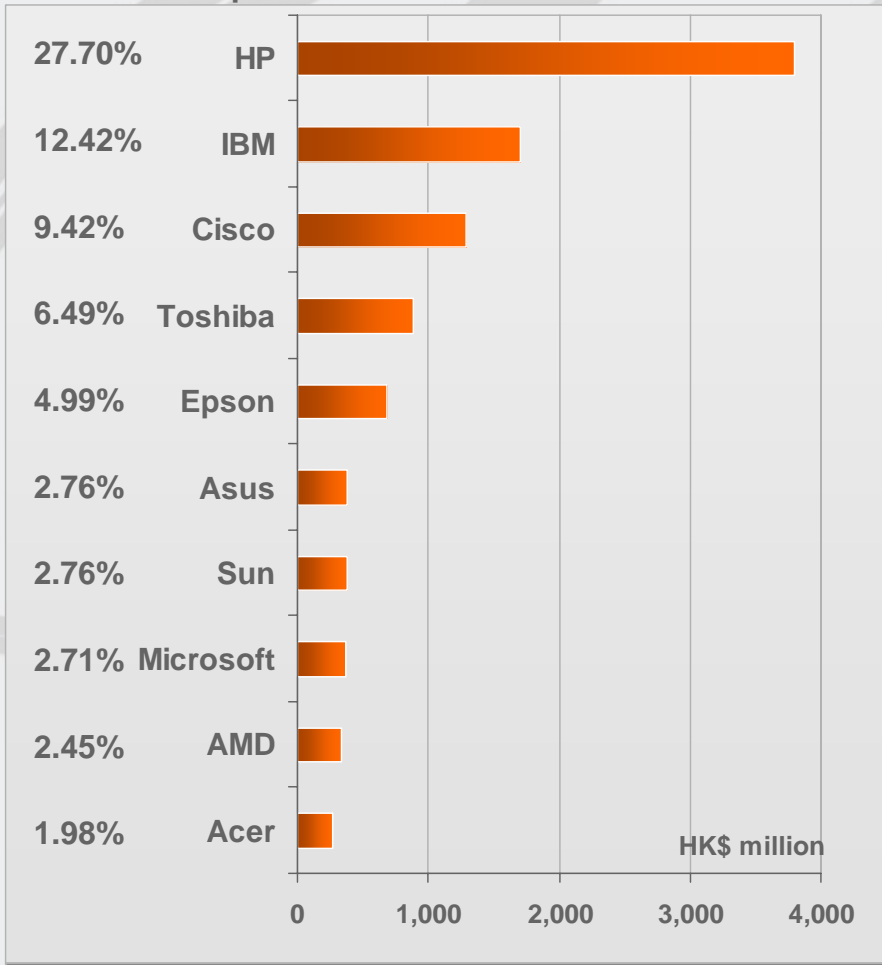
Distribution	5.97	5.78	5.91	5.78	3.75	1.46	3.86	4.49	6.19	5.15	5.66	5.33	5.36	4.61	4.30
Systems	9.73	9.97	9.99	9.74	9.85	9.62	10.05	9.31	9.83	10.08	9.68	8.47	8.81	10.06	7.89
Services	13.65	12.99	12.88	15.45	12.07	14.29	12.51	16.42	11.56	11.18	14.89	11.54	12.93	12.87	11.01

	2002/03 Q1-Q3	2003/04 Q1-Q3	2004/05 Q1-Q3	2005/06 Q1-Q3
Distribution	5.88%	2.99%	5.64%	4.70%
Systems	9.91%	9.84%	9.85%	8.82%
Services	13.26%	12.85%	12.42%	12.00%

● Distribution
 ■ Systems
 ▲ Services

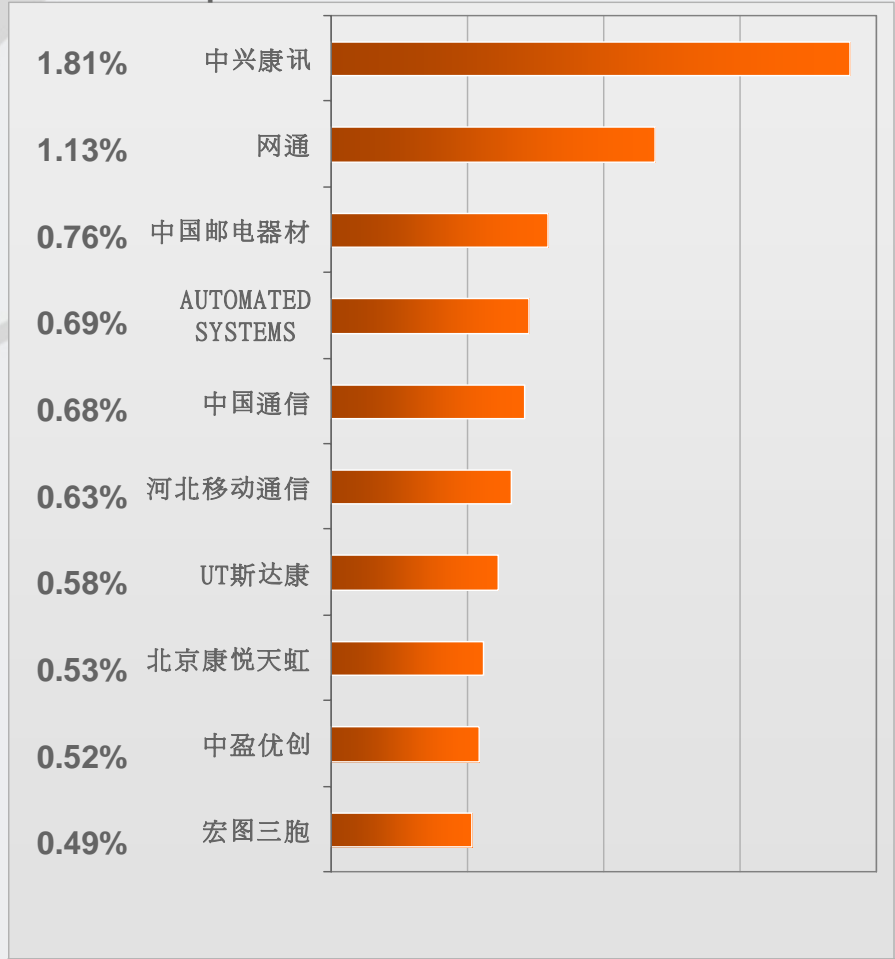
Q1-Q3 Concentration Analysis - Group consolidated

% as of Group's Cost of Sales



Purchase from Top 10 Suppliers consists of 73.68% of the Group's Cost of Sales

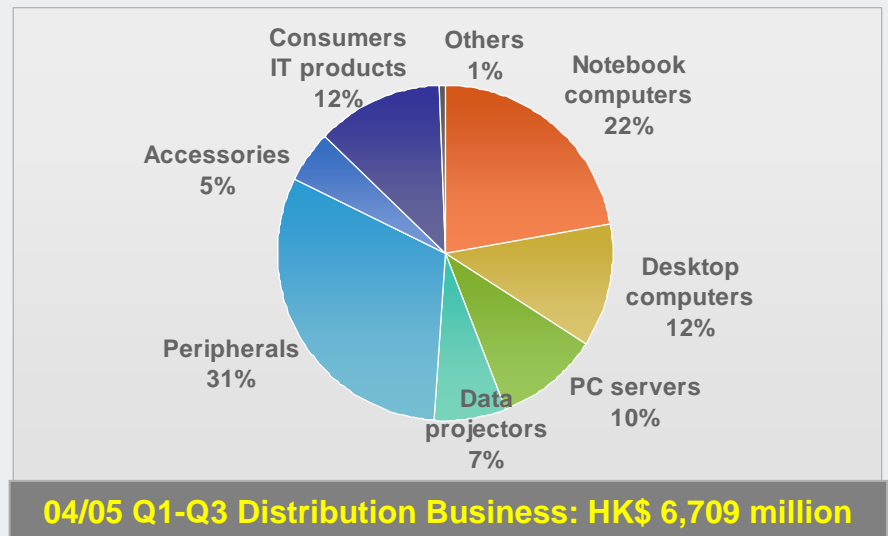
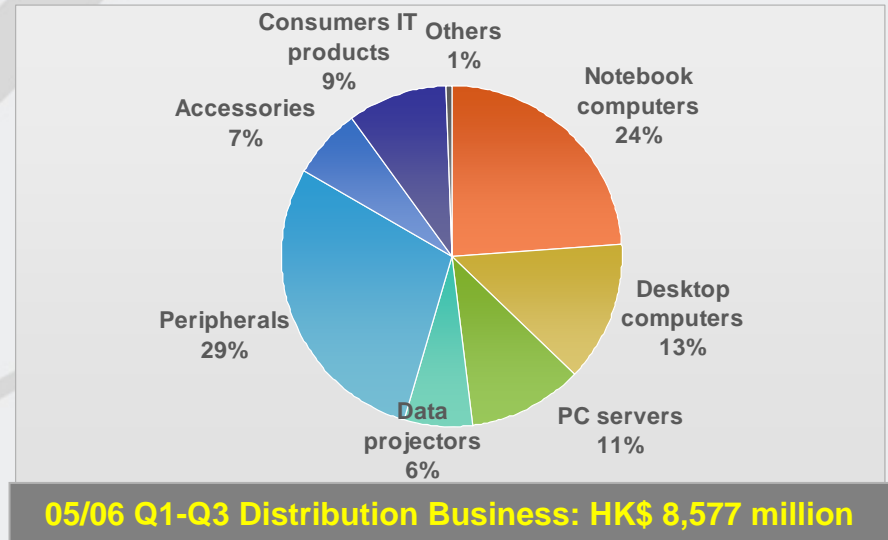
% as of Group's Revenue



Sales to Top 10 Customers consists of 7.82% of the Group's Revenue

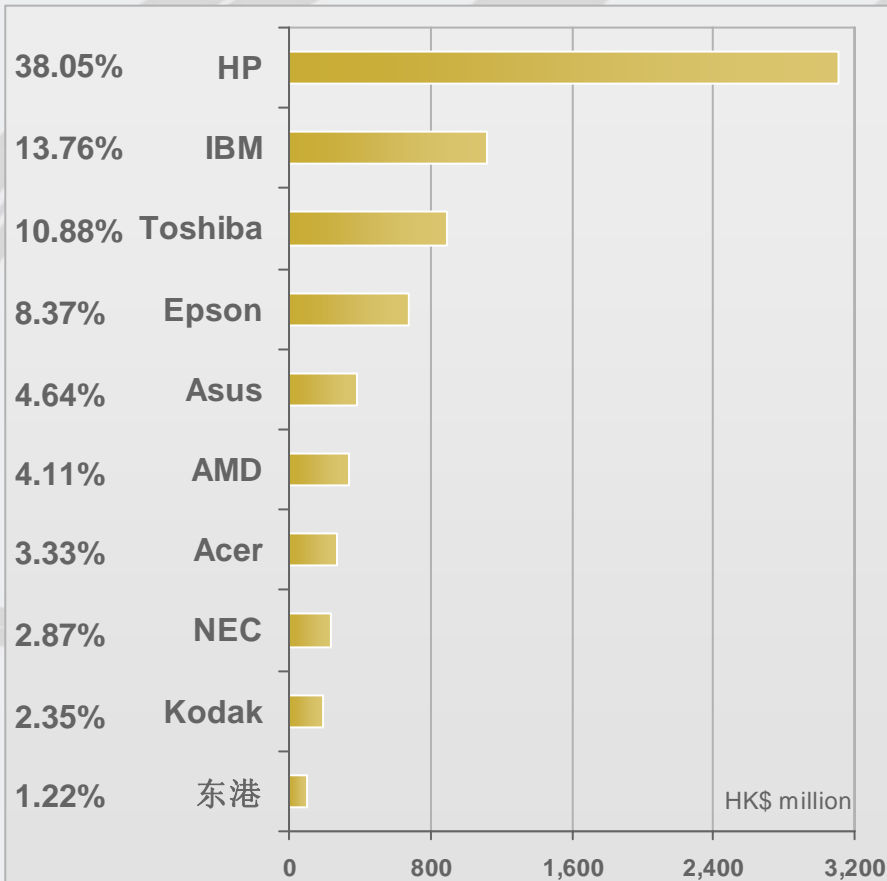
Q1-Q3 Segment Performance: Distribution Business

- Turnover grew by 27.84% to HK\$8,577 million, the highest growth rate in the past 10 quarters as result of initiatives in enlarging market share.
- GP margin recorded 4.70%, compared to 5.64% in the previous year.
- The growth drivers are mainly:
 - Accessories, grew by 76.38%
 - Desktop computers, by 41.47%
 - PC servers, by 39.11%



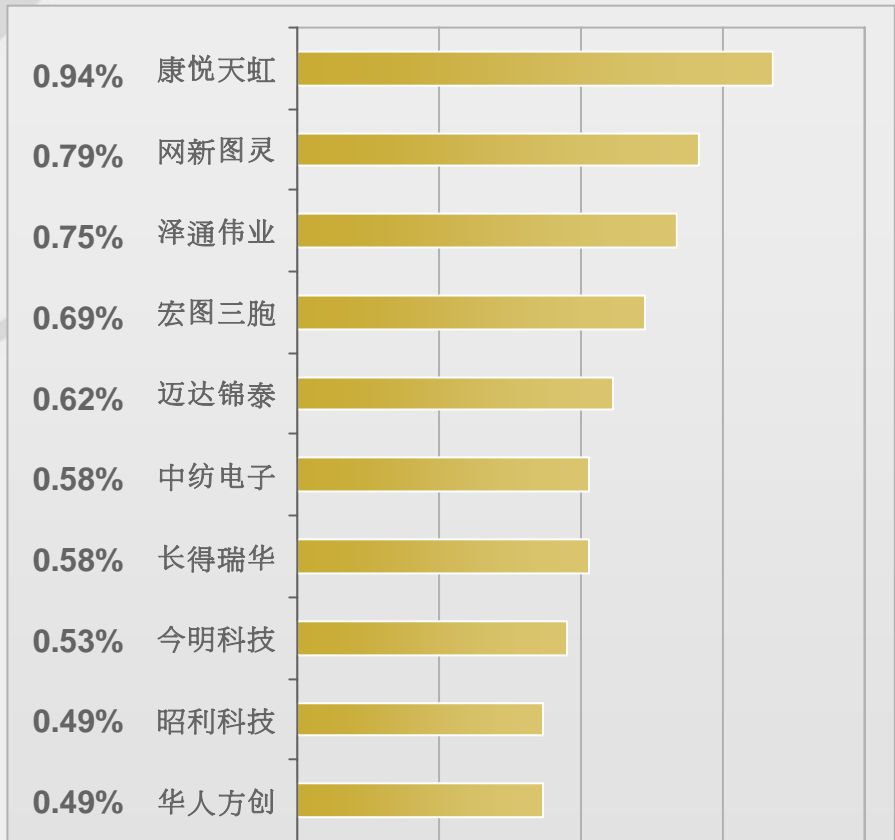
Q1-Q3 Concentration Analysis - Distribution Business

% as of Distribution Business's Cost of Sales



Purchase from Top 10 Suppliers consists of 89.58% of Distribution Business's Cost of Sales

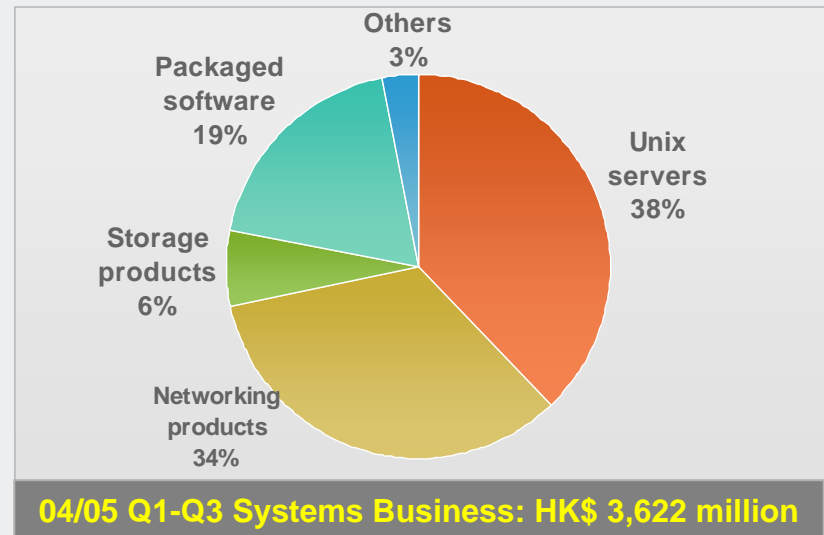
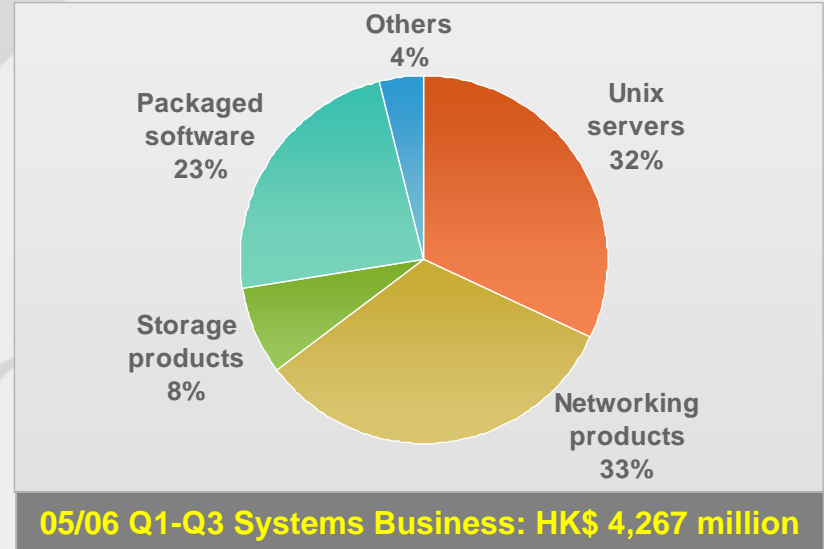
% as of Distribution Business's Revenue



Sales to Top 10 Customers consists of 6.46% of Distribution Business's Revenue

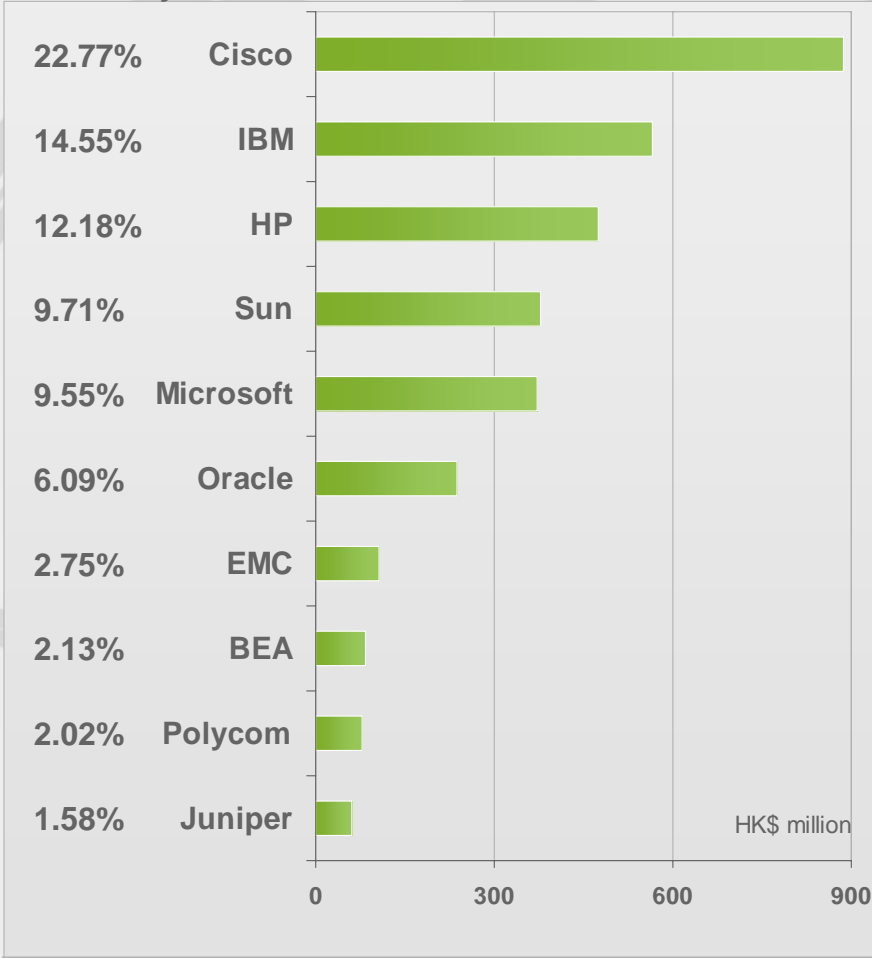
Q1-Q3 Segment Performance: Systems Business

- Turnover grew by 17.82% to HK\$4,267 million, driven primarily by storage products and packaged software, which grew by 47.20% and 46.65% respectively.
- For Q3, Unix Server grew 30.04% y-o-y, 46.09% sequentially, as result of restructuring taken place internally in the first half year.
- GP margin recorded 8.82% in first 9 months, comparing with 9.85% same period last financial year.



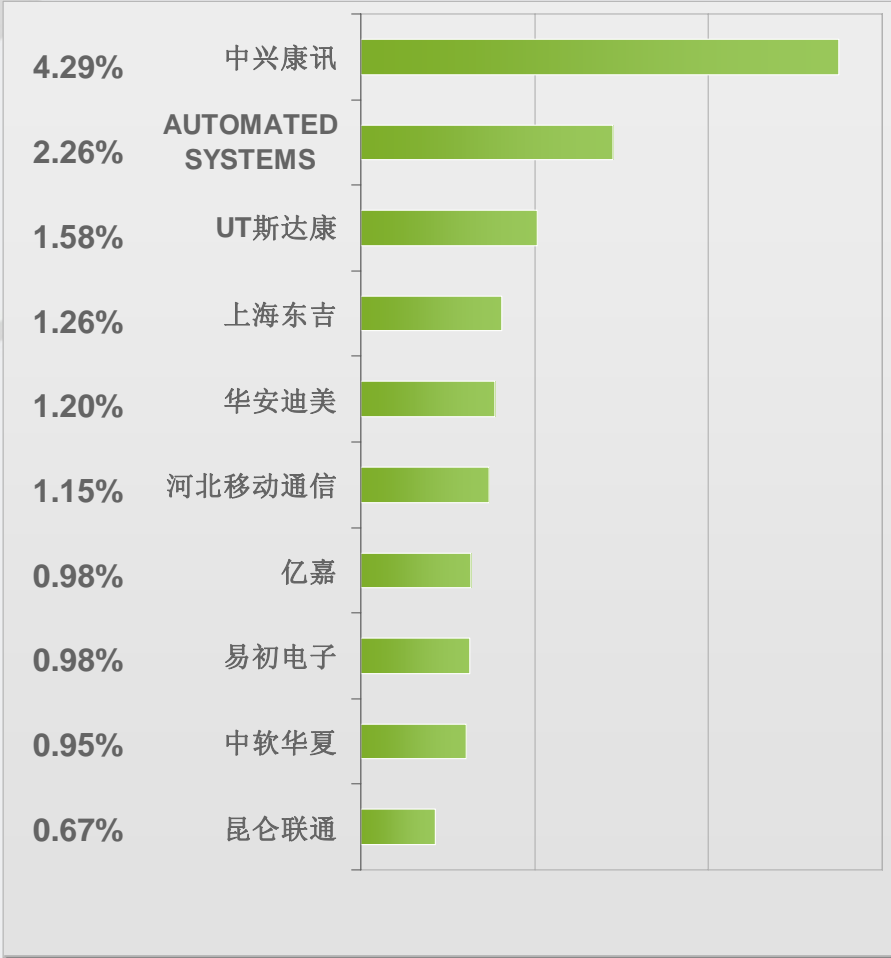
Q1-Q3 Concentration Analysis - Systems Business

% as of Systems Business's Cost of Sales



Purchase from Top 10 Suppliers consists of 83.33% of Systems Business's Cost of Sales

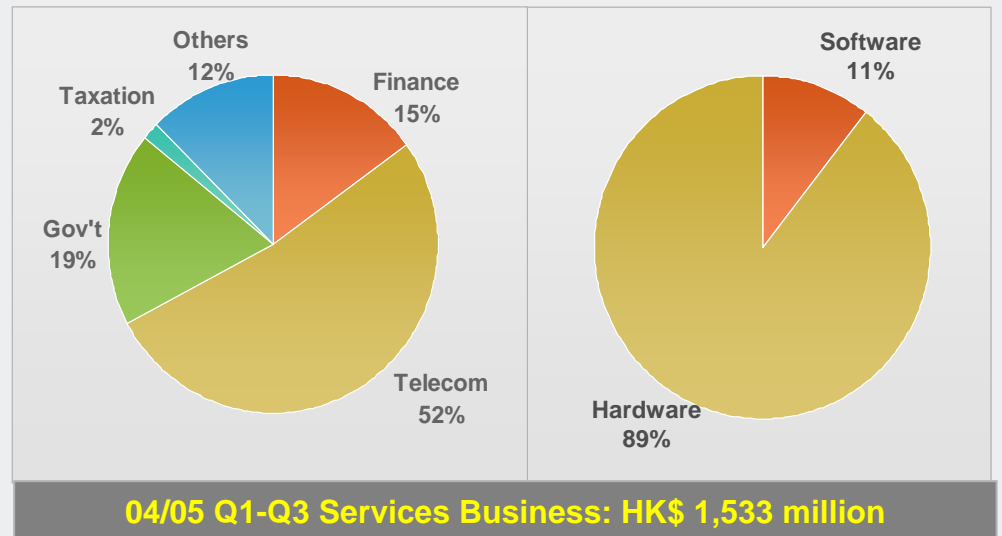
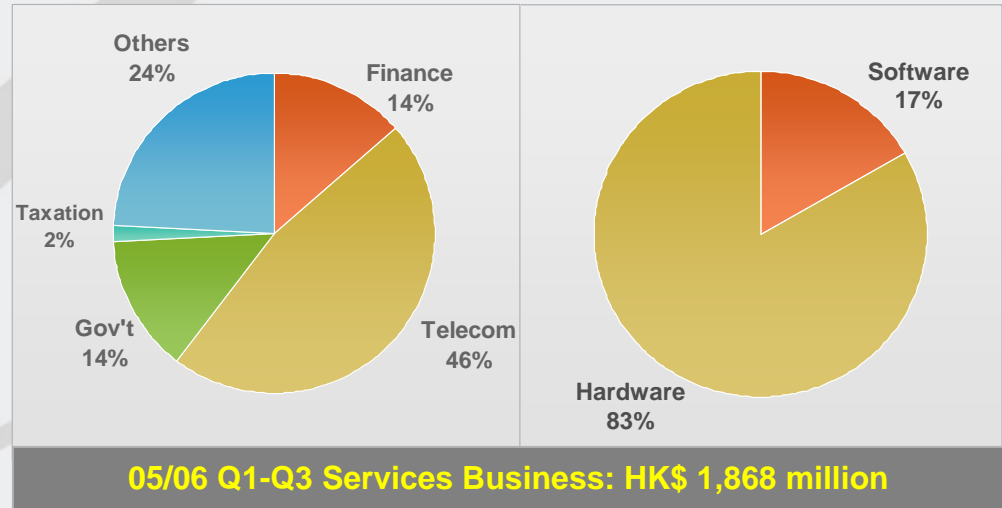
% as of Systems Business's Revenue



Sales to Top 10 Customers consists of 15.32% of Systems Business's Revenue

Q1-Q3 Segment Performance: Services Business

- Turnover of HK\$1,868 million was generated, grew 21.79% over previous year's HK\$1,533 million.
- Q3 alone, revenue recorded 85.11% y-o-y growth, as result of booking sales of postponed contracts from previous quarter.
- Services business GP margin recorded 12.00%, comparing with 12.42% of the same period last financial year.



Q1-Q3 Customer Analysis - Services Business

% as of Services Business's Revenue



Sales to Top 10 Customers consists of 41.61% of Services Business's Revenue

Group Expenses Breakdown of Q1-Q3

		By Function Method				
HK\$ million		Selling and distribution costs	Admin. expenses	Other operating expenses	Other income and gains	By Nature Total
By Nature Method	Selling expenses	79	0	0	0	79
	Promotion and advertising expenses	74	0	0	0	74
	Staff costs	219	131	18	0	368
	Other operating expenses, net	177	39	41	-95	162
	Total operating expenses	549	170	59	-95	683
	Depreciation	11	27	3	0	41
	Interest income	0	0	0	-3	-3
By Function Total		560	197	62	-98	721
			819			

➤ **Total operation expense as a percentage of total turnover is 5.57%, comparing with last year's 6.50%.**

➤ **Share-based Payment:**

HK\$ '000	2005/06					2004/05				
	Q1-Q3	Q3	Interim	Q2	Q1	Q1-Q3	Q3	Interim	Q2	Q1
Share Option Expenses	10,446	2,663	7,783	4,086	3,697	19,742	4,575	15,167	7,803	7,364

Expenses Breakdown

HK\$ million	2005/06							2004/05*					
	Q1-Q3	Y-o-Y Change	Q3	Y-o-Y Change	Interim	Q2	Q1	Q1-Q3	Q3	Interim	Q2	Q1	
By Function Method													
Selling and distribution costs	560	12.84%	217	17.06%	343	183	160	496	185	311	164	147	
Administrative expenses	197	14.21%	70	15.81%	127	76	51	172	61	111	57	54	
Other operating expenses, net	62	(39.22%)	(25)	(256.78%)	87	47	40	103	16	87	29	58	
Total operating expenses	819	6.22%	262	0.29%	557	306	251	771	262	509	250	259	
Other income and gains	(98)	255.60%	(14)	241.07%	(84)	(70)	(14)	(27)	(4)	(23)	(7)	(16)	

HK\$ million	2005/06							2004/05*					
	Q1-Q3	Y-o-Y Change	Q3	Y-o-Y Change	Interim	Q2	Q1	Q1-Q3	Q3	Interim	Q2	Q1	
By Nature Method													
Selling expenses	79	1.31%	30	4.11%	49	28	21	78	28	50	26	24	
Promotion and advertising expenses	74	5.16%	25	(21.69%)	49	28	21	70	32	38	20	18	
Staff costs	368	17.73%	141	23.44%	227	122	105	312	113	199	103	96	
Other operating expenses, net	162	(32.99%)	40	(40.91%)	122	46	76	243	70	173	81	92	
Depreciation	41	(3.07%)	13	(5.11%)	28	13	15	43	15	28	14	14	
Interest Income	(3)	40.92%	(1)	134.95%	(2)	(1)	(1)	(2)	(0)	(2)	(1)	(1)	

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Consolidated Balance Sheet

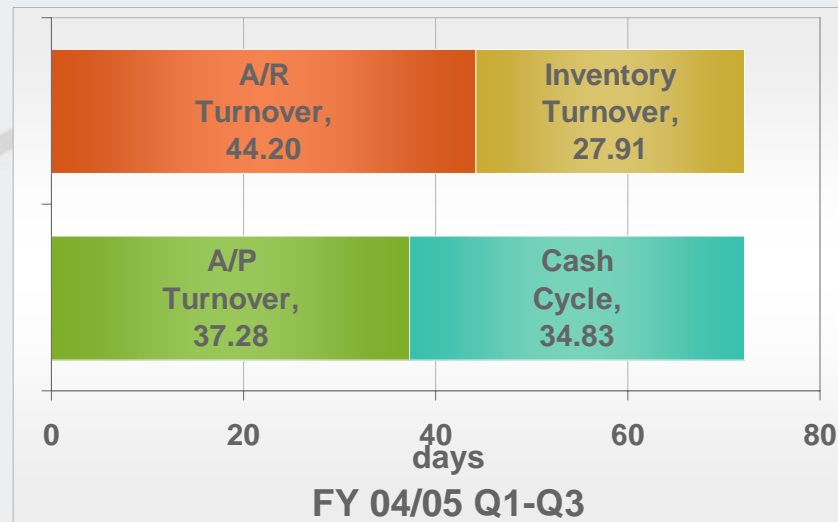
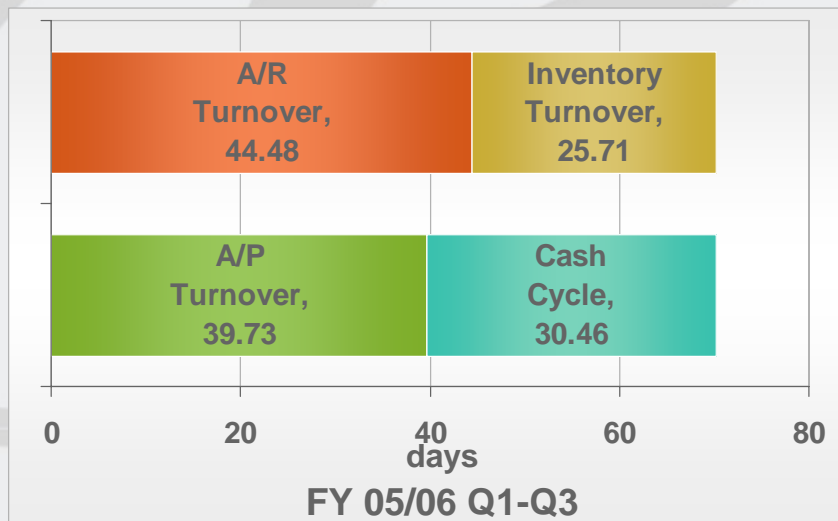
<i>HK\$ million</i>	31 Dec 2005	30 Sept 2005	31 Mar 2005	31 Dec 2004
Fixed Assets ¹	515	458	495	478
Fixed Assets	515	458	479	462
Prepaid land premium	0	0	16	16
Interests in associates	46	45	39	39
Other non-current assets	151	126	104	95
Inventories	1,327	1,237	1,284	1,160
Trade and bills receivables	2,744	2,370	2,104	2,271
Cash and bank balances	381	221	453	593
Non-current assets classified as held for sale	0	0	0	0
Prepayments, deposits and other receivables	534	726	408	271
Total assets	5,698	5,183	4,887	4,907
Trade and bills payables	2,386	2,020	1,661	1,837
Other current liabilities	728	484	561	565
Interest-bearing bank borrowings (short term)	816	1,032	803	548
Interest-bearing bank borrowings (long term)	19	0	273	410
Total liabilities	3,949	3,536	3,298	3,360
Share capital	86	86	86	86
Other reserves	1,031	1,020	1,003	997
Retained earnings	614	535	417	453
Proposed final dividend	0	0	73	0
Minority interests	18	6	10	11
Total equity	1,749	1,647	1,589	1,547

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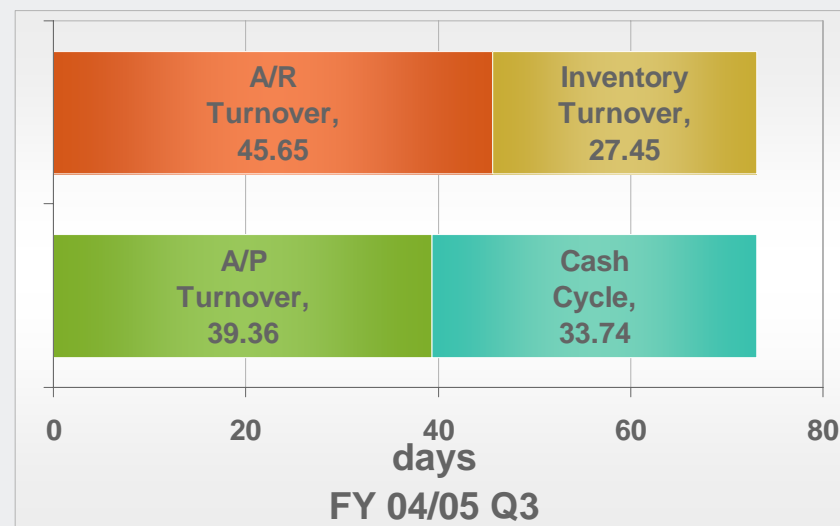
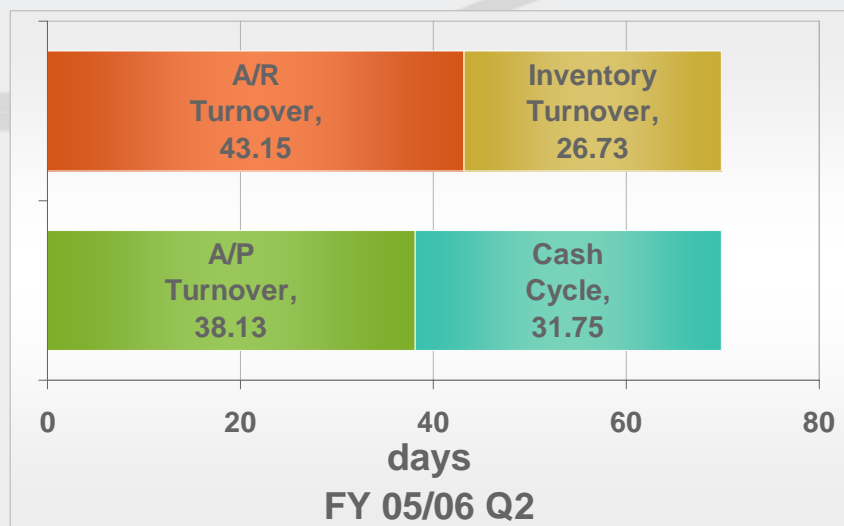
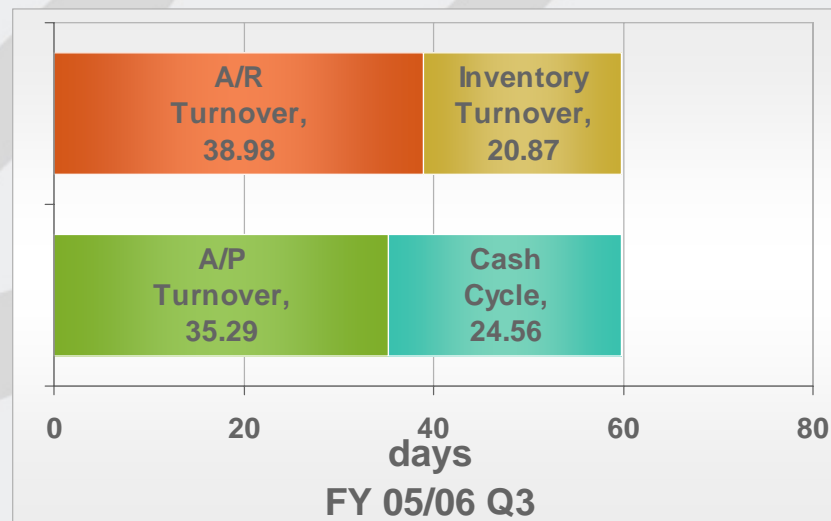
Key Financial Figure

	As of 31 Dec 2005	As of 31 Dec 2004
Net Tangible Assets Attributable to the Group (HK\$ million)	1,657	1,480
Capital Expenditure (HK\$ million)	114	129
Total External Borrowings (HK\$ million)	835	958
Current Ratio	1.27X	1.46X
ROE (Q1-Q3)	11.90%	9.75%

Turnover Days for the Group of Q1-Q3



Turnover Days for the Group for Q3



Thank You