

**DIGITAL CHINA HOLDINGS LTD :
IT HAS TO BE A WINNER, DOWN THE CHINA ROAD**

As many parts of the People's Republic of China (PRC) emerge from their 52-year '*sleep*', following the defeat of the forces of Generalissimo Chiang Kai Shek by the People's Liberation Army in 1949, and the 1.30 billion-odd, Chinese people learn more and more of the benefits of the 21st Century, so Digital China Holdings Ltd (Code: 861, Main Board, The Stock Exchange of Hongkong Ltd) should emerge as one of the dominant, hi-tech players in the world's most populous country.

Digital China is the latest company to seek a listing on the Main Board of The Stock Exchange of Hongkong Ltd – and it is, potentially, a first-class company, provided that the facts, contained in the Prospectus, are accurate in all respects.

The Company is a spin-off of Legend Holdings Ltd (Code: 992, Main Board), which, in turn, is controlled by Legend Group Holdings Company, a PRC, State-run entity.

Digital China is, simply put, a leader in the PRC in the sale and distribution of what is known in the parlance as IT – Information Technology – products: Printers; servers; plotters; notebook computers; liquid crystal display projectors; routers (a device that connects two or more networks and routes incoming data packets to the appropriate network); firewalls; computer workstations; and, etc.

Some of the internationally known companies that this Company represents include Hewlett Packard, Toshiba, Cisco Systems Incorporated, Sun Microsystems Incorporated, Canon, Epson, and International Business Machines (IBM).

This is one of the very few, originally, PRC-Governmental companies that has managed, successfully, to become institutionalised (or so it appears, on paper at least).

For most PRC, State-run entities, in the past, they have been operated along the lines of mamma and papa shops, with the most important management consideration, being to give employment to the Chinese unemployable, instead of considering the first priority of any business enterprise: To be a profit centre.

For the past 45 months, Digital China has obtained, what could be considered, reasonable and very creditable results.

The following table is lifted from the Accountants' Report, contained in the Prospectus, at Appendix I:

	Financial Year ended March 31	Nine Months to December 31, 2000
	All Figures are Denominated in \$HK'000	

<u>Turnover</u>	2,348,756	4,735,382	6,511,441	6,443,606
<u>Less:</u>				
Cost of Inventories Sold	2,148,562	4,254,041	5,881,009	5,819,789
Selling Expenses	23,506	58,066	69,549	86,607
Promotional and Advertising Expenses	3,702	23,363	42,536	56,981
Staff Costs	55,230	120,398	187,313	165,474
Other Operating Expenses	<u>74,363</u>	<u>143,638</u>	<u>158,024</u>	<u>145,590</u>
SUB-TOTALS	<u>2,305,363</u>	<u>4,599,506</u>	<u>6,338,431</u>	<u>6,274,441</u>
Gross Profit	43,393	135,876	173,010	169,165
Depreciation	(4,318)	(16,002)	(17,015)	(13,597)
Interest Income	3,637	7,235	1,396	4,893
Profit from Operations	42,712	127,109	157,391	160,461
Financing Costs	(12,129)	(28,760)	(41,726)	(43,197)
Profit before Taxation	30,583	98,349	115,665	117,264
Taxation	Nil	Nil	Nil	Nil
Minority Interests	Nil	Nil	Nil	(18,269)
Profit Attributable to Shareholders	30,583	98,349	15,665	98,995

For the Financial Year, ended March 31, 2001, Digital China is forecasting a Net Profit Attributable to Shareholders of not less than \$HK139 million. (Page 129)

This level of profit, therefore, represents a record for this Company; and, an increase of about 40 percent, Year-on-Year.

There is no geographical breakdown of sales ... [CLICK TO ORDER FULL ARTICLE](#)

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