

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

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*This document, for which the directors of DIGITALHONGKONG.COM collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to DIGITALHONGKONG.COM. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

**DIGITALHONGKONG.COM**

(incorporated in the Cayman Islands with limited liability)

**QUARTERLY REPORT****For the quarter ended 31 March 2000****HIGHLIGHTS**

DIGITALHONGKONG.COM (the "Company") is a commerce service provider (CSP) engaged in providing outsourcing services for an integrated e-Commerce solution designed to enable any company to extend its business to the Internet. The focus of the Company's e-services is the development and provision of an open, secure and robust electronic payment processing platform which is targeted at interfacing with multiple payment systems and handling various payment methods for both b-b and b-c applications.

The Company was listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 April 2000. Prior to its listing, it was a wholly-owned subsidiary of Champion Technology Holdings Limited ("Champion Technology"), a communication software development group which is listed on the Main Board of the Stock Exchange.

**RESULTS**

The board of directors (the "Board") of DIGITALHONGKONG.COM is pleased to announce the unaudited combined results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 March 2000 together with the comparative unaudited figures for the corresponding periods in 1999 as follows:

		Three months ended 31 March		Nine months ended 31 March	
		2000	1999	2000	1999
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
Service income		456	-	2,283	-
Operating costs					
Staff cost		(687)	-	(2,599)	-
Administrative expenses		(750)	(600)	(2,250)	(1,800)
Others		(224)	-	(357)	(4)
Loss from operating activities		(1,205)	(600)	(2,923)	(1,804)
Taxation	(2)	-	-	-	-
Loss for the period		(1,205)	(600)	(2,923)	(1,804)
Loss per share	(3)	<u>0.96 cents</u>	0.48 cents	<u>2.34 cents</u>	1.45 cents

*Notes:*

**1. Group reorganisation and basis of preparation**

The Company was incorporated as an exempted company in the Cayman Islands on 27 January 2000.

Pursuant to a group reorganisation in preparation for the listing of the Company's shares on GEM, the Company became the holding company of the Group on 27 March 2000. The shares of the Company commenced trading upon listing on GEM on 17 April 2000.

The unaudited combined results of the Group for the three-month period ended 31 March 2000 and the nine-month period ended 31 March 2000 and the corresponding periods in 1999 include the results of the Company and its subsidiaries for the periods and were prepared as if the current group structure had been in existence throughout the periods, or since their respective dates of incorporation where there is a shorter period.

**2. Taxation**

No provision for Hong Kong Profits Tax was made as the Group had no assessable profits during the periods.

**3. Loss per share**

The calculation of loss per share for the three months and the nine months ended 31 March 2000 and the corresponding periods in 1999 was based on the Group's loss for the respective period and on the assumption that 124,800,000 shares had been in issue during the periods.

**DIVIDEND**

The Board does not recommend the payment of an interim dividend for the quarter ended 31 March 2000 (1999: NIL). No dividend was declared for the nine-month period ended 31 March 2000 (1999: NIL).

## **BUSINESS REVIEW**

The Group recorded its first revenue of HK\$1.8 million during the six-month period ended 31 December 1999, during which time, the Group's first payment engine was installed. By the first quarter of 2000, the Group had signed up a number of websites whereby it provided technical consultation services on integrating payment processing functionality.

Turnover for the quarter ended 31 March 2000 was HK\$456,000, made up of upfront fee and annual service subscription fee. During the period under review, all of the Group's turnover was either transacted through or contributed by its parent Champion Technology and its subsidiaries.

The Group incurred HK\$1,661,000 operating costs during the quarter under review, which comprised market promotion, research and development, and general and administrative expenses. Loss for the period was HK\$1,205,000.

## **PROSPECTS**

The business model of the Group embraces the provision of an open payment platform capable of supporting a comprehensive range of e-services. As the architecture and infrastructure on which Internet commerce is based is becoming more complex and expensive for both big and small organisations, there exists an exciting opportunity for outsourcing services, such as those offered by the Group.

## **DIRECTORS' INTERESTS**

As at 31 March 2000, the placing of 25,200,000 shares (the "Placing") and the capitalisation issue of 123,800,000 shares (the "Capitalisation Issue") as described in the prospectus of the Company dated 5 April 2000 had not taken place, it is meaningless to include herein the interests of the directors and their respective associates of the Company and its associated corporations as at such date. The interests of the directors and their respective associates of the Company as at 17 April 2000, the date on which the listing of the Company's shares on GEM commenced when the Placing and the Capitalisation Issue had been completed, and its associated corporations as

at 31 March 2000 recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”) were as follows:

**Shares of the Company (as at 17 April 2000)**

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of holdings</b>
Mr. Paul Kan Man Lok ( <i>Note 1</i> )	119,969,171	79.98%

**Shares of Champion Technology Holdings Limited (as at 31 March 2000)**

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of holdings</b>
Mr. Paul Kan Man Lok ( <i>Note 2</i> )	2,057,434,282	35.72%

**Shares of Kantone Holdings Limited (as at 31 March 2000)**

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of holdings</b>
Mr. Paul Kan Man Lok ( <i>Note 3</i> )	277,504,187	74.96%

*Notes*

1. Lawnside International Limited (“Lawnside”) is wholly owned by Lanchester Limited which is a company beneficially owned by a discretionary trust, the eligible discretionary objects of which include Mr. Paul Kan Man Lok and his family members and staff of Champion Technology and its subsidiaries. As at 17 April 2000, Lawnside and Champion Technology held 2,669,171 and 117,300,000 shares of the Company respectively. Lawnside had interests in approximately 35.59% of the entire interest of Champion Technology and was accordingly deemed to have an interest in the shares which were owned by Champion Technology. These are classified as other interests under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).
2. These shares were held by Lawnside. As at 31 March 2000, Lawnside had interests in approximately 35.72% of the entire interest of Champion Technology and was accordingly deemed to have an interest in these shares which were owned by Champion Technology. These are classified as other interests under the GEM Listing Rules.
3. 210,990,117 of these shares were held by Champion Technology and 66,514,070 of these shares were held by Lawnside. These are classified as other interests under the GEM Listing Rules.

Save as disclosed above and holding as nominee for the Group, none of the directors of the Company or their associates had any interest in the securities (whether beneficial or non-beneficial) of the Company as at 17 April 2000 or any of its associated corporations as at 31 March 2000 as defined in the SDI Ordinance.

## **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

The Company did not grant any right or option to subscribe for equity or debt securities of the Company to any director of the Company or to the spouse or children under 18 years of age of any such director as at 31 March 2000.

## **SUBSTANTIAL SHAREHOLDERS**

As at 17 April 2000, the date on which the listing of the Company's shares on GEM commenced when the Placing and the Capitalisation Issue had been completed, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests of the directors disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital.

## **COMPETING INTERESTS**

During the period under review, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with the Company or might compete with the business of the Group.

## **SPONSOR'S INTERESTS**

Pursuant to the agreement dated 17 April 2000 entered into between the Company and Dao Heng Securities Limited ("Dao Heng Securities"), Dao Heng Securities will receive a fee for acting as the Company's retained sponsor for the period from 17 April 2000 to 30 June 2002. The Company's sponsor, Dao Heng Securities, has confirmed that (i) neither it nor its associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules)

had any interests in any class of securities of the Company or any other company in the Company's group (including options or rights to subscribe for such securities); and (ii) none of its directors or employees had any interests in any class of securities (including options or rights to subscribe for such securities) of the Company or any other company in the Company's group as at 31 March 2000 and 10 May 2000, the latest practicable date of this quarterly report, respectively.

## **YEAR 2000 COMPLIANCE**

The Group has successfully made the transition to the Year 2000 with all its systems functioning normally. The Directors are confident that the Group's computer systems are Year 2000 compliant.

## **AUDIT COMMITTEE**

The Group has established an audit committee on 27 March 2000 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has two members comprising the two independent non-executive directors, Mr. Francis Gilbert Knight and Mr. Fan Sheung Tak.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Since the shares of the Company only commenced trading on GEM on 17 April 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

By order of the Board  
**Paul KAN Man Lok**  
*Chairman*

Hong Kong, 15 May 2000