

**First Quarter Report 2001/2002**

## **ABOUT DIGITALHONGKONG.COM (STOCK CODE 8007)**

DIGITALHONGKONG.COM (“Digital HK”) ([www.digitalhongkong.com](http://www.digitalhongkong.com)) was listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong in April 2000. Started as a commerce service provider (CSP) that was engaged in the provision of electronic payment outsourcing services for online commerce, Digital HK has strategically repositioned itself to integrate both online and offline assets. Digital HK today focuses on e-commerce enabling solutions, information security products and services, systems development, and provision of IT consulting and contracting services.

Digital HK is a subsidiary of Champion Technology Holdings Limited (“Champion Technology”), a communications software development group which is listed on the Main Board of the Stock Exchange.

## **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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report 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 30 September 2001

### HIGHLIGHTS

(Three months ended 30 September 2001)

- Total turnover of HK\$3,440,000
- Profit for the 1st quarter HK\$160,000
- Focus on systems development and Internet security solutions

### RESULTS

The board of directors (the “Board”) of DIGITALHONGKONG.COM (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 September 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		Three months ended 30 September	
		2001	2000
	Notes	HK\$'000	HK\$'000
Turnover			
Service income		<b>3,440</b>	450
Other revenue		<b>58</b>	220
Operating costs			
Acquired technology written off		<b>(701)</b>	(117)
General and administrative expenses		<b>(1,225)</b>	(1,119)
Marketing and promotion expenses		<b>(284)</b>	–
Staff costs		<b>(1,128)</b>	(1,138)
Profit/(Loss) from operations		<b>160</b>	(1,704)
Taxation	(1)	–	–
Net profit/(loss) for the period		<b>160</b>	(1,704)
Earnings/(Loss) per share – basic	(2)	<b>0.11 cent</b>	(1.14 cents)

*Notes:*

**1. Taxation**

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries either incurred tax losses for the periods or its assessable profit was wholly absorbed by the tax losses brought forward.

**2. Earnings/(Loss) per share**

The calculation of basic earnings per share for the three months ended 30 September 2001 is based on the unaudited net profit of HK\$160,000 (2000: unaudited net loss of HK\$1,704,000) and on the weighted average of 150,000,000 shares in issue throughout the periods.

**DIVIDEND**

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2001 (2000: NIL).

**BUSINESS REVIEW**

For the three months ended 30 September 2001, the Group recorded a turnover of HK\$3,440,000 and net profit of HK\$160,000, making this the third consecutive quarter of achieving profitability. Earnings per share for the first quarter was HK0.11 cent. Turnover and net loss for the corresponding period of last year were HK\$450,000 and HK\$1,704,000 respectively.

During the period, the Group focused on systems development in innovative merchandising and advertising kiosks. New functionalities have been added to the Group's Phone-a-Drink project, whereby the kiosks have integrated wireless data technology in vending, mobile payment by phone, and transmission systems capable of disseminating information and messages to the public.

Meanwhile, development of the Group's multi-media project, Video Vision™, an innovative advertising display solution making use of a convergence of different digital technologies, has taken a step further. Negotiations are currently underway with major shopping mall owners to upgrade the image of their properties with uniquely designed Video Vision™ kiosks targeted at enhancing traffic by prospective shoppers.

## PROSPECTS

In view of the global economic downturn and further deterioration in consumer confidence after the recent events in the United States, which negatively impact on the development of e-commerce, the Group is actively exploring other prospective technology-based activities to expand its income base.

In addition to its core e-payment solutions business, the Group's renewed focus will embrace the areas of network and e-business security products and services; systems development in innovative merchandising and advertising kiosks; IT consultancy services; and bidding for various IT contracts in partnership with other solution providers.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2001, the interests of the directors in the securities of the Company or any associated corporations (within the meaning of Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

<b>Name of director</b>	<b>Number of securities</b>
<i>Securities of the Company</i>	
Mr. Paul Kan Man Lok	<i>Note 1</i>
<i>Securities of Champion Technology Holdings Limited ("Champion")</i>	
Mr. Paul Kan Man Lok ( <i>Note 2</i> )	2,097,277,694 shares 413,104,336 units of warrants
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>	
Mr. Paul Kan Man Lok	<i>Note 3</i>

*Notes:*

1. 117,300,000 shares were held by Champion and 2,669,171 shares were held by Lawnside International Limited (“Lawnside”). 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 and its subsidiaries. Currently only Mr. Paul Kan Man Lok and his family members are discretionary objects of the trust. As at 30 September 2001, Lawnside had interests in approximately 35.35% of the entire interest of Champion and was accordingly deemed to have an interest in these shares which were owned by Champion. These securities are classified as other interests under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).
2. These shares and warrants were held by Lawnside. The warrants were issued by Champion pursuant to a bonus issue effected on 22 December 2000, all of which will be expired on 22 December 2001. These securities are classified as other interests under the GEM Listing Rules.
3. 632,970,351 of these shares were held by Champion and 199,542,210 of these shares were held by Lawnside. These securities are classified as other interests under the GEM Listing Rules.

Save as disclosed above and other than certain nominee shares in subsidiaries held by directors in trust for the Company or its subsidiaries, none of the directors had any interest in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as at 30 September 2001.

## **DIRECTORS’ RIGHTS TO ACQUIRE SECURITIES**

The Company has a share option scheme which enables the directors of the Company to grant to directors and employees options to subscribe for shares in the Company.

No share option has been granted by the Company as at 30 September 2001.

Other than the share option scheme as described above, the Company is not a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above under directors' interests in securities, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital.

## **COMPETING INTEREST**

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 competes with the Company or may compete with the business of the Group.

## **SPONSOR'S INTERESTS**

None of the Company's sponsor, Dao Heng Securities Limited ("Dao Heng Securities"), its directors, employees or 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 Group (including options or rights to subscribe for such securities) as at 30 September 2001.

Pursuant to the agreement dated 17 April 2000 entered into between the Company and Dao Heng Securities, Dao Heng Securities has been retained to act as the Company's sponsor for the period from 17 April 2000 to 30 June 2002 in return for a monthly advisory fee.

## **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 three members comprising the two independent non-executive directors, Mr. Fan Sheung Tak and Mr. Francis Gilbert Knight, and one executive director, Mr. John Wong Yuk Lung.

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

During the quarter ended 30 September 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 13 November 2001