



First Quarter Report **2002/2003**



DIGITALHONGKONG.COM

(incorporated in the Cayman Islands with limited liability)

QUARTERLY REPORT

For the three months ended 30 September 2002

HIGHLIGHT

- Total turnover of HK\$2,739,000
- Profit for the quarter HK\$30,000
- Actively seeking new partnerships and business opportunities to expand income base

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 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		Three months ended	
		30 September	
	<i>Notes</i>	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover			
Service income		2,739	3,440
Other revenue		13	58
Operating costs			
Acquired technology expensed		(702)	(701)
General and administrative expenses		(912)	(1,225)
Marketing and promotion expenses		(255)	(284)
Staff costs		(853)	(1,128)
Profit from operations		30	160
Taxation	<i>(1)</i>	–	–
Net profit for the period		<u>30</u>	<u>160</u>
Earnings per share – basic	<i>(2)</i>	<u>0.02 cents</u>	<u>0.11 cents</u>

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 per share

The calculation of basic earnings per share for the three months ended 30 September 2002 is based on the unaudited net profit for the period of HK\$30,000 (2001: HK\$160,000) and on the weighted average of 150,000,000 shares in issue throughout the periods.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in both periods.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2002 (2001: NIL).

BUSINESS REVIEW

For the quarter ended 30 September 2002, the Group recorded a turnover of HK\$2,739,000, compared with HK\$3,440,000 of last year. Net profit was HK\$30,000, compared with HK\$160,000 of last year. The results were affected by soft demand for IT services amidst an uncertain economic climate. Operating costs were further reduced as the Group streamlined its staffing in line with its revised strategy to focus on technology development and consultancy.

The Group continued its efforts in obtaining business for technical and consultation services in relation but not limited to electronic payment integration and e-commerce solutions. There was also demand from new customers keen to revamp existing web-sites to incorporate transaction and payment enabled functionalities in addition to being pure information and marketing-based sites.

We continued to sharpen our edge in developing vending kiosks which integrate with electronic and mobile payment, multi-media panel display, and wireless Internet. New DIY (do-it-yourself) mobile kiosk systems selling snacks, souvenirs, music, movie clips, and photo prints using mobile phones for selection instructions and payment were being explored and developed. Testing of contactless smart card integration with a snack kiosk system continued.

In August, the Group partnered with a US-based technology company, Cycolor, Inc. to develop and commercialise a new type of digital photo/digital ticket kiosk based upon the latter's cylithography technology. Integrated with the Company's e-payment system, consumers can select and purchase photos and tickets via wireless cellphone transmissions.

PROSPECTS

The Internet meltdown is by no means over. The Directors are however confident in the long-term future of the sector. Any continuing weakness in the overall economy will inevitably force businesses to compete by operating more cost-effectively, and this will drive fresh demands for IT and digital initiatives to craft better business designs.

To expand our revenue base, the Group will continue to explore new prospective business opportunities and pursue partnerships to expand its product offerings.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the directors and their associates in the securities of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of securities
<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>
<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 2002, Lawnside had interests in approximately 40% 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. 227,901,601 shares and 1,043,056,835 warrants were held by Lawnside. The warrants issued by Champion will be expired on 6 January 2003. These securities are classified as other interests under the GEM Listing Rules.
3. 1,265,940,702 shares were held by Champion and 399,084,420 shares were held by Lawnside. These securities are classified as other interests under the GEM Listing Rules.

Save as disclosed above, none of the directors or any of their associates 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 2002.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The share options granted by the Company are exercisable at any time for a period as may be determined by its directors, which shall be not less than three years and not more than ten years from the date of issue of the relevant options. The subscription price of the option shares is the higher of the nominal value of the shares, an amount which is the closing price per share on the date of grant and an amount which is the average of the closing prices of the shares on the five business days immediately preceding the date of grant of the options. No share option was granted by the Company to its directors since its adoption.

Other than the share option schemes described above, at no time during the period was the Company, its holding company, any of its fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, or their spouses and children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, 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 had not been notified of any other interests representing 10% or more of the Company's issued share capital.

COMPETING INTERESTS

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.

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

During the quarter ended 30 September 2002, 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, 1 November 2002