



Third Quarter Report **2002/2003**

ABOUT DIGITALHONGKONG.COM (STOCK CODE: 8007)

DIGITALHONGKONG.COM (“Digital HK”) was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in April 2000. Started as a commerce service provider (GSP) that specialised 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 the 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.



DIGITALHONGKONG.COM

(incorporated in the Cayman Islands with limited liability)

QUARTERLY REPORT For the nine months ended 31 March 2003

HIGHLIGHTS

- Total turnover of HK\$7,273,000
- Net profit for the period HK\$104,000
- Careful monitoring of operating costs with overall savings of 27%

RESULTS

The board of directors (the “Board”) of DIGITALHONGKONG.COM (the “Company” or “Digital HK”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 March 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover					
Service income		2,092	3,258	7,273	9,952
Other revenue		7	17	30	103
Operating costs					
Acquired technology expensed		(702)	(702)	(2,106)	(2,105)
General and administrative expenses		(320)	(1,193)	(1,895)	(3,587)
Marketing and promotion expenses		(542)	(329)	(1,156)	(872)
Staff costs		(524)	(1,021)	(2,042)	(3,258)
Profit from operations		11	30	104	233
Taxation	(1)	-	-	-	-
Net profit for the period		11	30	104	233
Earnings per share — basic	(2)	0.01 cents	0.02 cents	0.07 cents	0.16 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 per share

The calculation of basic earnings per share for the three months and nine months ended 31 March 2003 is based on the respective unaudited net profit of HK\$11,000 and HK\$104,000 (2002: HK\$30,000 and HK\$233,000) and on the weighted average of 150,000,000 shares in issue throughout the period.

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 31 March 2003 (2002: NIL).

BUSINESS REVIEW

For the nine months ended 31 March 2003, the Group recorded a turnover of HK\$7,273,000, compared with HK\$9,952,000 in the previous corresponding period. Net profit was HK\$104,000, compared with HK\$233,000 of last year. Earnings per share for the nine-month period was HK0.07 cents. Turnover and net profit for the three months ended 31 March 2003 were HK\$2,092,000 and HK\$11,000 respectively, compared with HK\$3,258,000 and HK\$30,000 in the previous corresponding period.

The Group's results were affected by the soft demand for IT services amidst continuing geopolitical and economic uncertainties. Against a depressed market, the Group continued to exercise stringent control over its operating costs and to fine-tune its business plan in line with changes of circumstances and market conditions. Operating costs during the period reduced by 27% to HK\$7,199,000, compared with HK\$9,822,000 in the previous nine-month period, with 37% savings in staff costs and 47% savings in general and administrative expenses.

During the period, the Group continued its efforts in pursuing business in relation to e-commerce solutions. The onset of SARS (*Severe Acute Respiratory Syndrome*) since the beginning of 2003 has kept students and most people at home, which in turn raised the level of e-commerce awareness as the usage of the Internet has increased. Service fees derived from the Group's technical consultation services remained the primary source of income for the Group.

OUTLOOK

Market conditions are expected to remain challenging for the rest of the year. Our near term goal is to maintain an efficient operating structure in order that we can take advantage of the next phase of economic recovery.

To expand revenue base, the Group will continue to explore new prospective business opportunities and pursue partnerships to broaden its product offerings. In particular, taking advantage of the community's heightened consciousness of health and awareness of hygiene as a result of SARS, and leveraging the Group's e-commerce infrastructure, Digital HK plans to launch an electronic exchange for the healthcare sector, with links to health tips, sourcing of health foods and health aid supplies, as well as e-learning of related subjects. Suitable partners are being identified.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2003, 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 the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of securities
<i>Securities of the Company</i>	
Paul KAN Man Lok	<i>Note 1</i>
<i>Securities of Champion Technology Holdings Limited</i> <i>("Champion", the holding company of the Company)</i>	
Paul KAN Man Lok	<i>Note 2</i>
<i>Securities of Kantone Holdings Limited</i> <i>("Kantone", a subsidiary of Champion)</i>	
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 Paul Kan Man Lok and his family members and staff of Champion and its subsidiaries. Currently, only Paul Kan Man Lok and his family members are discretionary objects of the trust. As at 31 March 2003, Lawnside held approximately 36.6% of the entire issued share capital of Champion and was accordingly deemed to have an interest in these shares owned by Champion. These interests 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. 234,108,902 shares and 43,891,302 units of warrants were held by Lawnside. The warrants were issued by Champion on 8 January 2003 pursuant to a bonus issue and will be expired on 12 January 2004. These interests 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 interests 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 31 March 2003.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBT SECURITIES

Other than the share option scheme, 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 the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the shares or debt securities of the Company, or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above under the section headed "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 or their respective associates 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 nine months ended 31 March 2003, 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, 9 May 2003