



數碼香港 DIGITALHONGKONG.COM

first quarter report 2003/2004

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 (CSP) that specialised in the provision of electronic payment outsourcing services for online commerce, Digital HK has strategically positioned itself to integrate both online and offline assets, as well as to engage in selected technology investments and distribution of branded technology products and solutions.

Digital HK and its subsidiaries now operate the following complementary lines of business:

- provision of Internet and e-commerce enabling solutions
- provision of IT consulting and technical services
- strategic investments in selected technologies and applications with a view to providing total solutions

Digital HK is a subsidiary of Champion Technology Holdings Limited, 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)

FIRST QUARTER REPORT For the three months ended 30 September 2003

HIGHLIGHTS

- Total turnover HK\$2,101,000
- Net profit for the quarter HK\$20,000
- Effective cost control with 23% savings in operating expenses

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 ended 30 September 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

		Three months ended 30 September	
	Notes	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover			
Service income		2,101	2,739
Other operating income		12	13
Operating costs			
Acquired technology expensed		(351)	(702)
General and administrative expenses		(653)	(912)
Marketing and promotion expenses		(661)	(255)
Staff costs		(428)	(853)
Profit from operations		20	30
Taxation	(1)	—	—
Net profit for the period		20	30
Earnings per share — basic	(2)	0.01 cents	0.02 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 earnings per share for the three months ended 30 September 2003 is based on the unaudited net profit for the period of HK\$20,000 (2002: HK\$30,000) 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.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2003 (2002: NIL).

BUSINESS REVIEW

For the quarter ended 30 September 2003, the Group recorded a turnover of HK\$2,101,000, compared with HK\$2,739,000 of last year. Net profit was HK\$20,000, compared with HK\$30,000 of last year. The results reflected continuing soft demand for IT services as many corporates and SMEs continued to experience budgetary constraints.

The benefits derived from implementing cost control across the board were fully reflected in the period under review. Overall operating costs were reduced by 23 percent to HK\$2,093,000, compared with HK\$2,722,000 of the previous corresponding period, with 50 percent savings in both the staff costs and acquired technology expensed, as well as 28 percent savings in general and administrative expenses. Meanwhile, marketing and promotion expenses increased to HK\$661,000 compared with HK\$255,000 of last corresponding period. These cost control initiatives have benefited the Group, and are expected to continue in the future.

During the period under review, the Group continued to maintain its level of activity in pursuing business in relation to e-commerce solutions. Traffic to Internet shopping sites has steadily increased, bringing direct benefits to our e-commerce business. Service fees derived from the Group's technical consultation services remained the primary source of income for the Group.

Meanwhile, the Group also reviewed several investment opportunities with a view to seeking collaboration with prospective business partners which could offer synergy to the Group's development.

PROSPECTS

The overall economic sentiment has improved in recent months. Hong Kong's economy is recovering from SARS (Severe Acute Respiratory Syndrome) and is further brightening up with the recent conclusion of CEPA (Closer Economic Partnership Arrangement) between Hong Kong and China, which is expected to enhance cross-border trade, thereby ushering in more IT adoption across the board that will bode well for the future as well as the potential of the industry.

Directors are positive about the prospect of e-tailing and e-commerce. The lower cost of customer acquisitions and reduced operating expenses of Internet stores are expected to grow cybersales to a significant share of the retail sales. At the same time, the Group will actively participate in the growth of the cross-border market, and will continue its search for new opportunities for growth in complementary businesses that can expand its income base and generate reliable cashflows.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

At 30 September 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Name of director	Capacity	Number of securities
<i>Securities of the Company</i>		
Mr. Paul Kan Man Lok	The person who sets up the discretionary trust and a discretionary object of the trust	<i>Note 1</i>
<i>Securities of Champion Technology Holdings Limited ("Champion", the holding company of the Company)</i>		
Mr. Paul Kan Man Lok	The person who sets up the discretionary trust and a discretionary object of the trust	<i>Note 2</i>
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>		
Mr. Paul Kan Man Lok	The person who sets up the discretionary trust and a discretionary object of the trust	<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 2003, Lawnside had interests in approximately 36.9% of the entire interest of Champion and was accordingly deemed to have an interest in these shares which were owned by Champion.

2. 256,951,303 shares and 38,251,302 warrants were held by Lawnside. The warrants issued by Champion will be expired on 12 January 2004.
3. 1,265,940,702 shares were held by Champion and 399,084,420 shares were held by Lawnside.

Save as disclosed above, none of the directors or any of their associates had any interests or short position in the securities, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 30 September 2003.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

On 29 November 2002, the Company approved the termination of its previous share option scheme and adopted the new share option scheme which will expire on 28 November 2012 in order to comply with the terms of the revised Chapter 23 of the GEM Listing Rules. No share option has been granted by the Company under both schemes.

Other than share option schemes, at no time during the period was the Company, any of its holding companies, 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 none of the directors, or their spouse or 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 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above under directors' interests and short positions in securities, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group, or has or may have conflicts of interests with the Group.

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

During the quarter ended 30 September 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, 5 November 2003