



數碼香港 DIGITALHONGKONG.COM

third 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)

THIRD QUARTER REPORT
For the nine months ended 31 March 2004

SUMMARY OF RESULTS

- Turnover for the three months and nine months ended 31 March 2004 amounted to HK\$2,032,000 and HK\$6,401,000 respectively
- Net profit for the three months and nine months ended 31 March 2004 amounted to HK\$28,000 and HK\$126,000 respectively
- The Group continues its efforts on cost management and efficiency improvement

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 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

	Three months ended		Nine months ended	
	31 March		31 March	
<i>Notes</i>	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Service income	2,032	2,092	6,401	7,273
Other operating income	8	7	28	30
Operating costs				
Acquired technology expensed	(174)	(702)	(874)	(2,106)
General and administrative expenses	(690)	(320)	(1,959)	(1,895)
Marketing and promotion expenses	(615)	(542)	(1,891)	(1,156)
Staff costs	(533)	(524)	(1,579)	(2,042)
Profit from operations	28	11	126	104
Taxation	(1) –	–	–	–
Net profit for the period	<u>28</u>	<u>11</u>	<u>126</u>	<u>104</u>
Earnings per share – basic	(2) <u>0.019 cents</u>	<u>0.007 cents</u>	<u>0.084 cents</u>	<u>0.069 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 and nine months ended 31 March 2004 is based on the respective unaudited net profit of HK\$28,000 and HK\$126,000 (2003: HK\$11,000 and HK\$104,000) and on the weighted average of 150,000,000 shares in issue throughout the periods. The comparative figures for basic earnings per share have been revised to conform with the current period's presentation.

No diluted earnings per share has been presented as there were not in issue any securities with potential dilutive effect in both periods.

DIVIDEND

The Board does not recommend the payment of a dividend for the quarter ended 31 March 2004 (2003: NIL).

BUSINESS REVIEW

For the nine months ended 31 March 2004, the Group recorded a turnover of HK\$6,401,000, compared with HK\$7,273,000 in the corresponding period of last year. Net profit was HK\$126,000, compared with HK\$104,000 of last year. Earnings per share for the nine-month period was HK0.084 cents, compared with HK0.069 cents of last year. Turnover and net profit for the three months ended 31 March 2004 were HK\$2,032,000 and HK\$28,000 respectively, compared with the previous year's corresponding figures of HK\$2,092,000 and HK\$11,000.

The results reflected persistent efforts of management in optimizing the Group's operational efficiency, notwithstanding continuing soft demand for IT services as many corporates and SMEs continued to exercise restraint in spending.

The main focus during the period was the continued pursuit of business in relation to e-commerce solutions. The Group derived its primary source of revenue from the provision of technical consultation services and solutions to its customers. Traffic to Internet shopping sites has steadily increased, bringing direct benefits to our e-commerce business. However, in light of the challenging conditions and intensive competition common in the e-commerce industry, the Group's resources were deployed in such a way as to produce optimum results.

The Group continued to benefit from effective cost control measures. Overall operating costs for the nine-month period were HK\$6,303,000, compared with HK\$7,199,000 of the previous year's corresponding period. The Group continued to make use of effective sales and distribution channels to maintain optimum revenue-generation potential. This was reflected in the increase in marketing and promotion expenses to HK\$1,891,000 for the nine-month period, compared with HK\$1,156,000 in the corresponding period of last year. Meanwhile, general and administrative expenses for the three months and nine months ended 31 March 2004 increased to HK\$690,000 and HK\$1,959,000 respectively, compared with the previous year's corresponding figures of HK\$320,000 and HK\$1,895,000, reflecting full period effect of systems and networks depreciation in the current year. The Group's financial position remains healthy, with net cash of HK\$5,699,000.

PROSPECTS

In spite of the gradual economic recovery and increasing optimism on the general operating environment, the Group remains cautious in the implementation of its strategies during the current financial year ending 30 June 2004, due to intense price and services competition, as well as the overall uncertain outlook of the industry.

In terms of strategic investment and partnership, the Group will continue to look for opportunities in companies and businesses with attractive growth potential, good management and products or services. The Group has identified healthcare and related IT services as the direction and opportunity for future growth.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

At 31 March 2004, 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 Company and 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/Nature of interest	Number of shares and underlying shares	Approximate percentage of issued share capital
<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	119,969,171 (Note 1)	79.98%
<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	404,567,769 (Note 2)	34.59%
<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	1,714,790,714 (Note 3)	74.95%

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 31 March 2004, Lawnside held approximately 29.08% of the entire issued share capital of Champion. Mr. Paul Kan Man Lok was considered to have an interest in these shares through his interest in Champion and Lawnside.
2. These include 340,130,150 shares held by Lawnside and 64,437,619 underlying shares that Lawnside was interested in through 64,437,619 units of warrants held by it. The warrants were issued by Champion pursuant to a bonus issue effected in February 2004, all of which will be expired on 7 February 2005.
3. 1,310,620,962 shares were held by Champion and 404,169,752 shares were held by Lawnside.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 31 March 2004.

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than share option schemes, at no time during the period under review was the Company, any of its holding company, 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.

During the period under review, no option was granted, exercised, cancelled, lapsed or outstanding under the Company's share option scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, the following persons (other than a director or chief executive of the Company disclosed under “Directors’ Interests and Short Positions in Securities”) had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares	Approximate percentage of issued share capital
Champion	Beneficial interest	117,300,000*	78.20%
Lawnside	Beneficial and corporate interest	119,969,171*	79.98%

* See <Note 1> in the “Directors’ Interests and Short Positions in Securities” section.

Save as disclosed herein and disclosed under “Directors’ Interests and Short Positions in Securities”, the Company had not been notified of any person, other than a director or chief executive of the Company, having interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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.

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

During the nine months ended 31 March 2004, 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, 6 May 2004