



DIGITALHONGKONG.COM

2005/2006

First Quarter Report

www.digitalhongkong.com

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

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

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 2005

HIGHLIGHTS

- Turnover for the period amounted to approximately HK\$1,491,000
- Net profit for the period amounted to approximately HK\$221,000
- No interim dividend is recommended for the period

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2005 (UNAUDITED)

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 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

		Three months ended 30 September	
		2005	2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover			
Service income		1,491	1,675
Other operating income		23	1
General and administrative expenses		(594)	(504)
Marketing and promotion expenses		(140)	(498)
Staff costs		(559)	(482)
Profit from operations		221	192
Taxation	(2)	—	—
Net profit for the period		<u>221</u>	<u>192</u>
Earnings per share – basic	(3)	<u>0.147 cents</u>	<u>0.128 cents</u>

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong.

During the period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations had no material impact on the Group's unaudited results of operations and financial position.

The accounting policies adopted are consistent with those in the preparation of the audited financial statements of the Group for the year ended 30 June 2005.

2. 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 estimated assessable profit was wholly absorbed by tax losses brought forward.

3. Earnings per share

The calculation of the basic earnings per share for the three months ended 30 September 2005 is based on the unaudited net profit for the period of HK\$221,000 (2004: HK\$192,000) and on the number of 150,000,000 shares in issue throughout the periods.

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

4. Reserves

Save for the transfer of the net profit to set off the accumulated losses for the three months ended 30 September 2004 and 2005, there was no movement in reserves.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2005 (2004: Nil).

FINANCIAL AND BUSINESS REVIEW

For the quarter ended 30 September 2005, the Group recorded a turnover of HK\$1,491,000. Net profit for the first quarter was HK\$221,000, an increase of 15 percent compared with HK\$192,000 of last corresponding period. Earnings per share for the period was HK0.147 cents, compared with HK0.128 cents of last corresponding period.

The improvement in operating results is largely attributable to continuing exercise of stringent cost control by adopting a light but effective overhead structure. Operating expenses stood at HK\$1,293,000, a 13% reduction from HK\$1,484,000 of last corresponding period, with notable savings being achieved in marketing and promotion expenses due to increased awareness of the Group's products and services.

As at 30 September 2005, the Group's financial position remained liquid, and did not have any bank borrowings. It financed its operations primarily with internally generated cashflows.

During the period, the Group's main focus continued to be the pursuit of business in relation to e-commerce solutions. Service fees derived from the Group's technical consultation services remained the primary source of income for the Group. However, in light of the challenging conditions common in the e-commerce industry, the Group has adopted a conservative approach in rolling out its business plans.

Meanwhile, the Group's strategic investment in a bioinformatics project which focused on developing customised database design tools targeted at empowering the process of drug discovery is making steady progress.

OUTLOOK

We have continued to achieve important strategic objectives in the face of escalating competition during the period. The results speak for themselves and show that the Group has adapted itself admirably in the highly competitive marketplace and amid rapid technological changes in the IT industry.

The Group has identified healthcare and related IT services as the direction and opportunity for future growth. The pursuit of life sciences and information technology projects is expected to usher in promising business opportunities and enhanced return to the Group, while leveraging the Group's expertise in IT and in providing internet-based solutions.

With a liquid financial position, the Group is well-prepared financially to make the necessary investments as and when opportunities arise.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2005, 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 the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") were as follows:

Long position:

Name of director	Capacity	Number of shares	Percentage of the issued share capital	Number of warrants
<i>Securities of the Company</i>				
Mr. Paul Kan Man Lok	Corporate interest	<i>Note 1</i>	79.98%	–
<i>Securities of Champion Technology Holdings Limited ("Champion", the Company's ultimate holding company)</i>				
Mr. Paul Kan Man Lok	Corporate interest	<i>Note 2</i>	28.33%	<i>Note 2</i>
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>				
Mr. Paul Kan Man Lok	Corporate interest	<i>Note 3</i>	72.74%	–

Notes:

- 117,300,000 shares were held by Champion and 2,669,171 shares were held by Lawnside International Limited ("Lawnside"). Lawnside is beneficially wholly owned by Mr. Paul Kan Man Lok. As at 30 September 2005, Lawnside had interests in approximately 28.33% of the entire interest of Champion. Mr. Paul Kan Man Lok was deemed to have corporate interest in the shares which were owned by Champion and Lawnside.
- 355,783,876 shares and 66,054,182 warrants were held by Lawnside. The warrants were issued by Champion pursuant to a bonus issue effected in February 2005, all of which will be expired on 16 February 2006.
- 1,387,020,962 shares were held by Champion. Lawnside held 167,779,752 shares and had interests in 240,000,000 shares pursuant to a subscription agreement entered into on 22 September 2005.

Save as disclosed above, as at 30 September 2005, 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 (within the meaning of Part XV of 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 pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

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 spouses 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 30 September 2005, the following persons (other than a director or chief executive of the Company whose interests are disclosed under "Directors' Interests and Short Positions in Securities" section) had interests in the share capital of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Long/short position	Capacity	Number of shares	Percentage of the issued share capital
Champion	Long	Beneficial owner	117,300,000*	78.20%

* 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" section, 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, which was recorded in the register required to be kept under section 336 of the SFO as at 30 September 2005.

COMPETING INTERESTS

None of the directors or the management shareholders and their respective associates of the Company (as defined in the GEM Listing Rules) 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 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the unaudited quarterly results of the Group for the three months ended 30 September 2005 together with this quarterly report.

By order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 7 November 2005

