



DIGITALHONGKONG.COM

# 2005/2006

Third Quarter Report

[www.digitalhongkong.com](http://www.digitalhongkong.com)

(Stock Code: 8007)

## 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 “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 Exchange.

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF 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 2006

### HIGHLIGHTS

- Turnover for the three-month and nine-month period were HK\$1,783,000 and HK\$5,538,000 respectively
- Profit for the three-month and nine-month period were HK\$376,000 and HK\$919,000 respectively
- No interim dividend is recommended

### QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 MARCH 2006 (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 and nine months ended 31 March 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

	Three months ended 31 March		Nine months ended 31 March	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover				
Service income	1,783	1,622	5,538	5,300
Other income	30	8	82	14
Acquired technology expensed	(20)	–	(176)	–
General and administrative expenses	(626)	(598)	(2,201)	(1,770)
Marketing and promotion expenses	(106)	(105)	(351)	(1,101)
Staff costs	(685)	(585)	(1,973)	(1,675)
Profit before taxation	376	342	919	768
Taxation	(2) –	–	–	–
Profit for the period attributable to equity holders of the Company	376	342	919	768
Earnings per share - basic	(3) 0.251 cents	0.228 cents	0.613 cents	0.512 cents

*Notes:*

**1. Basis of preparation**

The unaudited consolidated results of the Group have been prepared under the historical cost convention and in accordance with the accounting principles generally accepted in Hong Kong, the Hong Kong Accounting Standards (the “HKASs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), the HKASs and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has had no material impact on the Group’s unaudited results of operations and financial position.

The accounting policies adopted are consistent with those followed in the preparation of the annual 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 and nine months ended 31 March 2006 is based on the respective unaudited profit for the period of HK\$376,000 and HK\$919,000 (2005: HK\$342,000 and HK\$768,000) and on the number of 150,000,000 shares in issue throughout the periods.

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

**4. Reserves**

Save for the transfer of the profit for the period to set off the accumulated losses for the nine months ended 31 March 2005 and 2006, there was no movement in reserves.

**DIVIDEND**

The Board does not recommend the payment of an interim dividend for the quarter ended 31 March 2006 (2005: Nil).

## **FINANCIAL AND BUSINESS REVIEW**

The Group's business remained stable and continued to record profit. Service fees derived from the Group's technical solutions and services in e-commerce remained the primary source of income for the Group.

For the nine months ended 31 March 2006, the Group recorded a turnover of HK\$5,538,000, compared with HK\$5,300,000 in the corresponding period of last year. Profit for the period was HK\$919,000, compared with HK\$768,000 of last year. Turnover and profit for the three-month period ended 31 March 2006 were HK\$1,783,000 and HK\$376,000 respectively, compared with the previous year's corresponding figures of HK\$1,622,000 and HK\$342,000.

Earnings per share for the nine-month period was HK0.613 cents per share, compared with HK0.512 cents per share of last corresponding period.

Operating performance for the three-month period ended 31 March 2006 followed the trend of the corresponding period in the last year. Overall operating costs for the nine-month period remained steady at HK\$4,701,000, compared with HK\$4,546,000 in the previous corresponding period. While general and administrative expenses increased by 24 percent to HK\$2,201,000, and staff costs rose 18 percent to HK\$1,973,000, savings continued to be achieved in marketing and promotion expenses, which recorded a reduction of 68 percent to HK\$351,000 for the period.

The Group's financial position remained liquid and healthy, and did not have any bank borrowings. It financed its operations primarily with internally generated cashflows.

## **OUTLOOK**

The Group will continue to manage its expenses while prudently invest in potential investment projects or businesses in order to create value for the Group and the shareholders of the Company. With a healthy balance sheet, the Group is well-positioned to make the necessary investments as and when opportunities arise.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2006, 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 under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "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 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>	28.35%	<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>	66.38%	–

*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 31 March 2006, Lawnside had interests in approximately 28.35% 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.
- 367,846,148 shares and 72,276,861 units of warrants were held by Lawnside. The warrants were issued by Champion pursuant to a bonus issue effected in February 2006, all of which will expire on 26 February 2007.
- 1,461,734,038 shares were held by Champion and 418,993,695 shares were held by Lawnside.

Save as disclosed above, as at 31 March 2006, 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 under section 352 of the SFO or as otherwise notified to the Company and the 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 31 March 2006, the following persons (other than a director or chief executive of the Company disclosed under "Directors' Interests and Short Positions in Securities" section) had interests and short positions 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:

<b>Name of shareholder</b>	<b>Long/short position</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of the issued share capital</b>
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 31 March 2006.

## 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 any business or interest which competes or may compete with the business of the Group nor any other conflicts of interest with the Group during the period under review.

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

During the nine months ended 31 March 2006, 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 this quarterly report.

By order of the Board  
**Paul KAN Man Lok**  
*Chairman*

Hong Kong, 8 May 2006

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