

DIGITAL
HONG KONG



2006/2007

DIGITALHONGKONG.COM (Stock Code: 8007)

www.digitalhongkong.com

FIRST QUARTER REPORT

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 providing 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)

FIRST QUARTER REPORT For the three months ended 30 September 2006

HIGHLIGHTS

- Turnover was HK\$1,401,000
- Profit for the quarter was HK\$292,000
- No interim dividend is recommended for the period

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 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 ended 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

		Three months ended 30 September	
	Notes	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Turnover			
Service income		1,401	1,491
Other income		47	23
Acquired technology expensed		(20)	–
General and administrative expenses		(432)	(594)
Marketing and promotion expenses		(56)	(140)
Staff costs		(648)	(559)
Profit before taxation		292	221
Taxation	(2)	–	–
Profit for the period attributable to equity holders of the Company		292	221
Earnings per share – basic	(3)	HK0.195 cents	HK0.147 cents

Notes:

1. Basis of preparation

The unaudited consolidated results of the Group have been prepared on the historical cost basis and in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

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 2006.

2. Taxation

No provision for Hong Kong Profits Tax has been made as the estimated assessable profit for the periods was wholly absorbed by tax losses carried forward.

3. Earnings per share

The calculation of the basic earnings per share is based on the unaudited profit for the period of HK\$292,000 (2005: HK\$221,000) and on the number of 150,000,000 (2005: 150,000,000) shares in issue throughout the period.

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

4. Reserves

	Attributable to equity holders of the Company			
	Capital reserve <i>HK\$ '000</i>	Share premium <i>HK\$ '000</i>	Accumulated losses <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
At 1 July 2005	7,540	8,461	(13,434)	2,567
Profit for the period	—	—	221	221
At 30 September 2005	<u>7,540</u>	<u>8,461</u>	<u>(13,213)</u>	<u>2,788</u>
At 1 July 2006	7,540	8,461	(12,072)	3,929
Profit for the period	—	—	292	292
At 30 September 2006	<u>7,540</u>	<u>8,461</u>	<u>(11,780)</u>	<u>4,221</u>

DIVIDEND

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2006 (2005: Nil).

FINANCIAL AND BUSINESS REVIEW

The Group's business remained stable and continued to record profit. In terms of activity, the Group continued to focus on customised e-commerce solutions and services. Service fees derived from its technical solutions and consultation on e-commerce integration remained the primary source of income for the Group.

For the three-month period ended 30 September 2006, the Group recorded a turnover of HK\$1,401,000 compared with HK\$1,491,000 of the corresponding period of previous year. Profit for the quarter was HK\$292,000, compared with HK\$221,000 for the same period of last year. Total operating costs remained relatively steady at HK\$1,156,000, compared with HK\$1,293,000 in the previous corresponding period. While staff costs rose by 16 percent to HK\$648,000, largely in line with market, savings continued to be achieved in other areas, primarily marketing and promotion expenses which amounted to HK\$56,000 (2005: HK\$140,000), and general and administrative expenses which were lower at HK\$432,000 (2005: HK\$594,000).

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 its shareholders. With a healthy balance sheet, it is well-positioned to make the necessary investments as and when opportunities arise.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 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 pursuant to 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>	28.50%	<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>	66.99%	–

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 2006, Lawnside had interests in approximately 28.50% 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.
- 374,579,439 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.
- 1,522,770,388 shares were held by Champion and 428,156,578 shares were held by Lawnside.

Save as disclosed above, as at 30 September 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 pursuant to 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 30 September 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 shares and underlying shares 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 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 LISTED SECURITIES

During the quarter ended 30 September 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its 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, 10 November 2006

