



2006/2007

DIGITALHONGKONG.COM (Stock Code: 8007)

www.digitalhongkong.com

INTERIM 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)

INTERIM REPORT

For the six months ended 31 December 2006

FINANCIAL HIGHLIGHTS

- Turnover was HK\$3,150,000
- Profit for the period was HK\$620,000
- No interim dividend is recommended for the period

The board of directors (the “Board”) of DIGITALHONGKONG.COM (the “Company” or “Digital HK”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the three and six months ended 31 December 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

	Notes	Three months ended		Six months ended	
		31 December		31 December	
		2006	2005	2006	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	(2)				
Service income		1,749	2,264	3,150	3,755
Other income		62	29	109	52
Acquired technology expensed		(19)	(156)	(39)	(156)
General and administrative expenses		(623)	(981)	(1,055)	(1,575)
Marketing and promotion expenses		(59)	(105)	(115)	(245)
Staff costs		(782)	(729)	(1,430)	(1,288)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit before taxation		328	322	620	543
Taxation	(4)	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Profit for the period attributable to equity holders of the Company		328	322	620	543
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic	(5)	HK0.219 cents	HK0.215 cents	HK0.413 cents	HK0.362 cents
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET*At 31 December 2006*

	<i>Notes</i>	31 December 2006 HK\$'000 (Unaudited)	30 June 2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		–	–
Development costs for systems and networks		–	–
Interest in an associate		<u>31</u>	<u>31</u>
		<u>31</u>	<u>31</u>
Current assets			
Trade and other receivables	(6)	2,681	4,174
Amount due from a fellow subsidiary		2	84
Amount due from an associate		281	281
Deposits, bank balances and cash		<u>17,303</u>	<u>14,964</u>
		20,267	19,503
Current liabilities			
Other payables		<u>749</u>	<u>605</u>
Net current assets		<u>19,518</u>	<u>18,898</u>
Net assets		<u>19,549</u>	<u>18,929</u>
Capital and reserves			
Share capital		15,000	15,000
Reserves		<u>4,549</u>	<u>3,929</u>
Equity attributable to equity holders of the Company		<u>19,549</u>	<u>18,929</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2006*

	Attributable to equity holders of the Company				Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	
At 1 July 2005	15,000	7,540	8,461	(13,434)	17,567
Profit for the period and total recognised income	–	–	–	543	543
At 31 December 2005 and 1 January 2006	15,000	7,540	8,461	(12,891)	18,110
Profit for the period and total recognised income	–	–	–	819	819
At 30 June 2006 and 1 July 2006	15,000	7,540	8,461	(12,072)	18,929
Profit for the period and total recognised income	–	–	–	620	620
At 31 December 2006	15,000	7,540	8,461	(11,452)	19,549

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2006*

	Six months ended 31 December	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Net cash from operating activities	2,230	1,484
Net cash from investing activities	109	52
Net increase in cash and cash equivalents	2,339	1,536
Cash and cash equivalents at beginning of the period	14,964	9,154
Cash and cash equivalents at end of the period, represented by deposits, bank balances and cash	17,303	10,690

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis and in accordance with 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 and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 June 2006.

2. Turnover and segment information

Turnover represents the amounts received and receivable for services rendered in establishing and providing secured electronic payment processing platform and provision of software licensing services.

	Three months ended		Six months ended	
	31 December		31 December	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Provision of secured electronic payment processing platform	1,164	1,476	1,980	2,179
Provision of software licensing services	585	788	1,170	1,576
	<u>1,749</u>	<u>2,264</u>	<u>3,150</u>	<u>3,755</u>

No business segment analysis and geographical segment analysis are presented for the periods as substantially all the Group's turnover and contribution to results were derived from the business of development and operation of payment infrastructure which facilitates web-enabled transactions in the People's Republic of China including Hong Kong.

3. Amortisation and depreciation

During the three-month and six-month periods ended 31 December 2006, amortisation and depreciation in respect of the Group's development costs for systems and networks, and property, plant and equipment was less than HK\$1,000 in both periods (2005: HK\$163,000 and HK\$325,000).

4. 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.

5. Earnings per share

The calculation of the basic earnings per share for the three months and six months ended 31 December 2006 is based on the respective unaudited profit for the period of HK\$328,000 and HK\$620,000 (2005: HK\$322,000 and HK\$543,000) and on the number of 150,000,000 (2005: 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 both periods.

6. Trade and other receivables

	31 December 2006 HK\$'000 (Unaudited)	30 June 2006 HK\$'000 (Audited)
Trade receivables	2,396	2,579
Other receivables	285	1,595
	<u>2,681</u>	<u>4,174</u>

The Group allows an average credit period ranging from 90 days to 120 days to its trade customers dependent on their credit worthiness, nature of services and condition of the market. The aging analysis of trade receivables at the balance sheet date is as follows:

	31 December 2006 HK\$'000 (Unaudited)	30 June 2006 HK\$'000 (Audited)
0 – 60 days	1,602	2,251
61 – 120 days	–	328
Over 120 days	794	–
	<u>2,396</u>	<u>2,579</u>

7. Capital Commitments

	31 December 2006 HK\$'000 (Unaudited)	30 June 2006 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of property, plant and equipment, development of systems and networks authorised but not contracted for	<u>500</u>	<u>500</u>

DIVIDEND

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

FINANCIAL AND BUSINESS REVIEW

During the period, 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. Overall, business remained stable and the Group continued to record a profit.

For the six-month period ended 31 December 2006, the Group recorded a turnover of HK\$3,150,000, compared with HK\$3,755,000 of the corresponding period of previous year. Profit for the period was HK\$620,000, an improvement of 14 percent compared with HK\$543,000 for the same period of last year. Turnover and profit for the quarter ended 31 December 2006 were HK\$1,749,000 and HK\$328,000 respectively, compared with HK\$2,264,000 and HK\$322,000 recorded in the previous corresponding period. Earnings per share for the six-month period was HK0.413 cents, compared with HK0.362 cents of last corresponding period.

Effective control of operating expenses continued to have a positive impact on the Group's profitability, despite a general reduction in turnover. Total operating costs decreased 19 percent to HK\$2,639,000, compared with HK\$3,264,000 in the previous corresponding period. While staff costs rose by 11 percent to HK\$1,430,000, largely in line with market amidst a strengthening economy, savings continued to be achieved in other areas, primarily general and administrative expenses which decreased by 33 percent to HK\$1,055,000, attributable to greatly reduced expenses in amortisation and depreciation, and marketing and promotion expenses which amounted to HK\$115,000, compared with HK\$245,000 of the previous 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

As a result of the changing economic situation in Hong Kong and a very competitive IT industry, the Group considers it prudent to adopt a conservative approach in rolling out its business objectives.

Subject to the results of financial and operational reviews, the Group will consider investments which can best reflect market trends and capture related business opportunities. The Group's strategic investment in a bioinformatics project is intended as a long-term investment, considering the prospect of information medicine and the huge demand for healthcare and related IT services. With a healthy balance sheet, the Group is well-positioned to make the necessary investments as and when opportunities arise.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the equity attributable to equity holders of the Company amounted to approximately HK\$19,549,000. Current assets amounted to approximately HK\$20,267,000, of which approximately HK\$17,303,000 were deposits, bank balances and cash. The Group had no non-current liabilities, and its current liabilities amounted to approximately HK\$749,000 made up mainly of other payables arising in the normal course of operations.

The Group did not have any bank borrowings at 31 December 2006. The Group financed its operations primarily with internally generated cashflows. As at 31 December 2006, the Group did not have any material contingent liabilities nor any charges on its assets. With net current assets of HK\$19,518,000, the Group was in a financially liquid position at the end of the period under review. The Group's gearing ratio, defined as the Group's total borrowings divided by equity, was nil.

It is envisaged that the Company's financial resources are sufficient to provide for expenditure on operations and the development of new software solutions based on current plan. If required, the Directors would consider the use of either debt or equity financing, or both, for business expansion, especially when the appropriate business opportunities become available and market conditions are favourable.

The Group's foreign currency exposure is limited, as most of its transactions, assets and liabilities are denominated in Hong Kong dollars and United States dollars.

During the reporting period, the Group made no acquisitions or disposals of subsidiaries and affiliated companies.

HUMAN RESOURCES AND REMUNERATION POLICY

During the period under review, the Group employed 8 full-time staff members, all of whom are based in Hong Kong. Staff costs for the period under review were HK\$1,430,000. Remuneration is determined with reference to market terms and the performance, qualifications, and experience of the individual employee. Remuneration includes monthly salaries, performance-linked bonuses, share options, retirement benefits under the Mandatory Provident Fund Scheme and other benefits.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 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>	28.21%	<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:

1. 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 December 2006, Lawnside had interests in approximately 28.21% of the entire issued share capital of Champion. Mr. Paul Kan Man Lok was deemed to have corporate interest in the shares which were owned by Champion and Lawnside.
2. 392,579,439 shares and 54,276,861 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.
3. 1,522,770,388 shares were held by Champion and 428,156,578 shares were held by Lawnside.

Save as disclosed above, as at 31 December 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 31 December 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 31 December 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 six months ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance Practices, as set out in Appendix 15 of the GEM Listing Rules, at any time during the six months ended 31 December 2006.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has made specific enquiry of all directors, result of which indicates that its directors have complied with such code of conduct throughout the six months ended 31 December 2006.

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 interim report.

By order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 8 February 2007

