



**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 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 2007

### Summary

- The Group recorded a turnover of HK\$2,459,000 for the six months ended 31 December 2007, compared with HK\$3,150,000 for the previous corresponding period.
- Unaudited consolidated loss was HK\$240,000 for the six months ended 31 December 2007, compared with a profit of HK\$620,000 for the previous corresponding period.
- No interim dividend is recommended for the period.
- The Group's financial position remains healthy with no bank borrowings.

The board of directors (the "Board") of DIGITALHONGKONG.COM (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 31 December 2007 with the comparative unaudited figures for the corresponding periods in 2006 as follows:

### Consolidated Income Statement (Unaudited)

For the six months ended 31 December 2007

	Notes	Three months ended 31 December		Six months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	(2)				
Service income		1,254	1,749	2,459	3,150
Other income		116	62	262	109
Acquired technology expensed		(19)	(19)	(39)	(39)
General and administrative expenses		(586)	(623)	(1,061)	(1,055)
Depreciation		(2)	-	(4)	-
Marketing and promotion expenses		(62)	(59)	(119)	(115)
Staff costs		(925)	(782)	(1,738)	(1,430)
(Loss) profit before taxation		(224)	328	(240)	620
Taxation	(3)	-	-	-	-
(Loss) profit for the period attributable to equity holders of the Company		(224)	328	(240)	620
(Loss) earnings per share - basic	(4)	HK(0.149) cent	HK0.219 cent	HK(0.160) cent	HK0.413 cent



## Consolidated Balance Sheet

At 31 December 2007

	Note	As at 31 December 2007 HK\$'000 (Unaudited)	As at 30 June 2007 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		20	24
<b>Current assets</b>			
Trade and other receivables	(5)	2,645	2,841
Amount due from a fellow subsidiary		51	–
Deposits, bank balances and cash		16,758	17,048
		<b>19,454</b>	19,889
<b>Current liabilities</b>			
Other payables		797	977
Amount due to a fellow subsidiary		–	19
		<b>797</b>	996
Net current assets		<b>18,657</b>	18,893
Net assets		<b>18,677</b>	18,917
<b>Capital and reserves</b>			
Share capital		15,000	15,000
Reserves		3,677	3,917
Equity attributable to equity holders of the Company		<b>18,677</b>	18,917



## Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2007

	Attributable to equity holders of the Company				Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	
At 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
Loss for the period and total recognised expense	—	—	—	(632)	(632)
At 30 June 2007	15,000	7,540	8,461	(12,084)	18,917
Loss for the period and total recognised expense	—	—	—	(240)	(240)
<b>At 31 December 2007</b>	<b>15,000</b>	<b>7,540</b>	<b>8,461</b>	<b>(12,324)</b>	<b>18,677</b>

## Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 31 December 2007

	Six months ended 31 December	
	2007 HK\$'000	2006 HK\$'000
Net cash (used in) from operating activities	(552)	2,230
Net cash from investing activities	262	109
Net (decrease) increase in cash and cash equivalents	(290)	2,339
Cash and cash equivalents at beginning of the period	17,048	14,964
Cash and cash equivalents at end of the period, represented by deposits, bank balances and cash	16,758	17,303



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2007

## 1. Basis of preparation

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

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 2007.

## 2. Turnover and segment information

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

	Three months ended 31 December		Six months ended 31 December	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Provision of secure electronic payment processing platform	864	1,164	1,679	1,980
Provision of software licensing services	390	585	780	1,170
	<b>1,254</b>	1,749	<b>2,459</b>	3,150

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 and Macau.

## 3. 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.



#### 4. (Loss) earnings per share

The calculation of the (loss) earnings per share for the three months and six months ended 31 December 2007 is based on the respective unaudited consolidated loss for the period of HK\$224,000 and HK\$240,000 (2006: unaudited consolidated profit of HK\$328,000 and HK\$620,000) and 150,000,000 (2006: 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 relevant periods.

#### 5. Trade and other receivables

	<b>As at 31 December 2007 HK\$'000 (Unaudited)</b>	As at 30 June 2007 HK\$'000 (Audited)
Trade receivables	<b>2,385</b>	2,679
Other receivables	<b>260</b>	162
	<b><u>2,645</u></b>	<b><u>2,841</u></b>

The Group allows an average credit period ranging from 90 days to 120 days for 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:

	<b>As at 31 December 2007 HK\$'000 (Unaudited)</b>	As at 30 June 2007 HK\$'000 (Audited)
0 - 60 days	<b>1,205</b>	1,728
61 - 120 days	<b>1,180</b>	951
	<b><u>2,385</u></b>	<b><u>2,679</u></b>



## Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2007 (2006: Nil).

## Financial and Business Review

During the period under review, the Group maintained its focus on providing customised e-commerce solutions and services. Service fees derived from its technical solutions and consultation on e-commerce integration were the primary source of income for the Group.

For the six-month period ended 31 December 2007, the Group's turnover was HK\$2,459,000, compared with HK\$3,150,000 for the corresponding period of previous year. Turnover for the quarter ended 31 December 2007 was HK\$1,254,000, compared with HK\$1,749,000 of last corresponding period. The lower turnover reflected a highly competitive market and the Group's strategy of preserving margins by focusing on customised solutions. A loss of HK\$240,000 was incurred during the period, compared with a profit of HK\$620,000 for the same period of last year. Loss per share for the six-month period was HK0.160 cent, compared with earnings per share of HK0.413 cent for the previous corresponding period.

Total operating costs for the period increased 12 percent to HK\$2,961,000 from HK\$2,639,000 in the previous corresponding period, mainly due to an increase in staff costs of approximately 22 percent to HK\$1,738,000 amidst a strengthening economy and a buoyant job market. 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.

The Group maintained its strategic investment in a healthcare project in relation to curative remedies and healing therapy. Management will continue to review the ongoing development of the Group's investment business and closely monitor the progress of such investment.

### *A Sad Note*

On a sad note, Mr Ho Yiu Ming ("Mr Ho"), the Company's independent non-executive director as well as Chairman of the Company's Audit Committee passed away on 9 December 2007. He brought to the Group his extensive experience in management and had given the Board valuable advice. Mr Ho will be sadly missed.





## **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.

Looking ahead, the Group will continue to take steps to control its expenses. It will also seek suitable investment opportunities to diversify its revenue streams in order to enhance shareholders' value.

## **Liquidity and Financial Resources**

As at 31 December 2007, the equity attributable to equity holders of the Company amounted to approximately HK\$18,677,000. Current assets amounted to approximately HK\$19,454,000, of which approximately HK\$16,758,000 were deposits, bank balances and cash. The Group had no non-current liabilities, and its current liabilities amounted to approximately HK\$797,000, consisting mainly of other payables arising in the normal course of operation.

The Group did not have any bank borrowings at 31 December 2007. The Group financed its operations primarily with internally generated cashflows. As at 31 December 2007, the Group did not have any material contingent liabilities nor any charges on its assets. With net current assets of HK\$18,657,000, 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.

The directors of the Company ("Directors") consider that the Group's financial resources are sufficient for its operation expenditure and development of new software solutions based on the current plan. If necessary, the Directors would consider either debt or equity financing, or both, for business expansion, especially when they identify any appropriate business opportunities and market conditions are favourable.

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



## **Capital Commitments**

As at 31 December 2007, the Group's capital commitments authorised but not contracted for was HK\$500,000 (30 June 2007: HK\$500,000). These commitments were set aside for the acquisition of property, plant and equipment, and development of systems and networks.

## **Exposure to Exchange Rate Fluctuations**

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.

## **Human Resources and Remuneration Policy**

During the period under review, the Group employed 11 full-time staff members. Staff costs for the period under review were HK\$1,738,000 (2006: 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 such as medical scheme.

## **Directors' Interests and Short Positions in Securities**

As at 31 December 2007, 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 issuers 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	Note 1	79.98%	-
<i>Securities of Champion Technology Holdings Limited ("Champion", the Company's ultimate holding company)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 2	29.82%	Note 2
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 3	64.31%	Note 3

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 December 2007, Lawnside had interests in approximately 29.82% 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.
- 493,759,494 shares and 60,478,025 units of warrants were held by Lawnside. The warrants were issued by Champion pursuant to a bonus issue effected in March 2007, all of which will expire on 7 March 2008. The warrants have not been taken into account in calculating the percentage of the issued share capital of Champion held by it.
- 1,642,268,111 shares and 300,278,027 units of warrants were held by Champion while 448,790,629 shares and 82,058,443 units of warrants were held by Lawnside. The warrants were issued by Kantone pursuant to a bonus issue effected in December 2007, all of which will expire on 8 January 2009. The warrants have not been taken into account in calculating the percentage of the issued share capital of Kantone held by them.

Save as disclosed above, as at 31 December 2007, 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 issuers as referred to in Rule 5.46 of the GEM Listing Rules.



## Substantial Shareholder

As at 31 December 2007, the following person (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 to the "Directors' Interests and Short Positions in Securities" section.

Save as disclosed herein, 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 2007.

## Competing Interests

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates 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 six months ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

## **Code on Corporate Governance Practices**

At any time during the six months ended 31 December 2007, none of the Directors was aware of any information which would reasonably indicate that the Company was not, or was not in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules save that since the decease of Mr Ho on 9 December 2007, the Company did not have (i) three independent non-executive directors (as required under Rule 5.05(1) of the GEM Listing Rules); (ii) one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise (as required under Rule 5.05(2) of the GEM Listing Rules); and (iii) at least one member of the audit committee being an independent non-executive director with the aforesaid qualifications or expertise (as required under Rule 5.28 of the GEM Listing Rules). The Company appointed an independent non-executive director on 28 January 2008 to fill in the aforesaid vacancies in compliance with such rules.

## **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 2007.



## **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  
**Shirley HA Suk Ling**  
*Executive Director*

Hong Kong, 31 January 2008



