



2008/09 DigitalHongKong.com
first quarter report

ABOUT DIGITALHONGKONG.COM (STOCK CODE: 8007)

DIGITALHONGKONG.COM (“Digital HK”) has been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Exchange”) since 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 businesses, 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, the holding company of a communications software group listed on the Main Board of the Exchange.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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 2008

Summary

The Group's unaudited consolidated loss for the three months ended 30 September 2008 was HK\$248,000, compared with a loss of HK\$16,000 for the corresponding period of last year. No interim dividend is recommended for the period.

Quarterly Results for the Three Months Ended 30 September 2008 (Unaudited)

The board of directors (the "Board") of DIGITALHONGKONG.COM (the "Company" or "Digital HK") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2008 with the comparative unaudited figures for the corresponding period in 2007 as follows:

		Three months ended 30 September	
	Notes	2008 HK\$'000	2007 HK\$'000
Turnover			
Service income		1,005	1,205
Other income		41	146
Acquired technology expensed		-	(20)
General and administrative expenses		(493)	(475)
Depreciation		(2)	(2)
Marketing and promotion expenses		(55)	(57)
Staff costs		(744)	(813)
		<hr/>	<hr/>
Loss before taxation		(248)	(16)
Taxation	(2)	-	-
		<hr/>	<hr/>
Loss for the period attributable to equity holders of the Company		(248)	(16)
		<hr/>	<hr/>
Loss per share – basic	(3)	HK(0.165) cents	HK(0.011) 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 2008.

2. Taxation

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

3. Loss per share

The calculation of loss per share is based on the unaudited consolidated loss for the period of HK\$248,000 (2007: HK\$16,000) and 150,000,000 (2007: 150,000,000) shares in issue throughout the period.

4. Movement of 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 2007	7,540	8,461	(12,084)	3,917
Loss for the period	–	–	(16)	(16)
At 30 September 2007	<u>7,540</u>	<u>8,461</u>	<u>(12,100)</u>	<u>3,901</u>
At 1 July 2008	7,540	8,461	(13,070)	2,931
Loss for the period	–	–	(248)	(248)
At 30 September 2008	<u>7,540</u>	<u>8,461</u>	<u>(13,318)</u>	<u>2,683</u>

Dividend

The Board does not recommend the payment of an interim dividend for the quarter ended 30 September 2008 (2007: Nil).

Financial and Business 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 of the Group.

For the three months ended 30 September 2008, the Group recorded a turnover of HK\$1,005,000, compared with HK\$1,205,000 in the corresponding period of last year. Loss for the period was HK\$248,000, compared with a loss of HK\$16,000 last corresponding period. The lower turnover for the three-month period reflected a combination of softening economy, a highly competitive market and the Group's conscious effort to preserve its margins by continuing to focus on customised solutions in e-commerce. Total operating costs remained quite stable at HK\$1,294,000, with slight savings in staff costs.

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

Outlook

The Group will continue to manage its expenses while prudently pursue suitable investment opportunities in order to create value for the Group and the shareholders of the Company.

Directors' Interests and Short Positions in Securities

As at 30 September 2008, 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 the directors of the Company 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 positions:

Name of director	Capacity	Number of shares	Approximate percentage of the issued share capital	Number of convertible securities
<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	26.06%	Note 2
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 3	50.59%	Note 3

Notes:

- 117,300,000 shares of the Company were held by Champion and 2,669,171 shares of the Company were held by Lawnside International Limited ("Lawnside"). Lawnside is beneficially wholly owned by Mr. Paul Kan Man Lok. As at 30 September 2008, Lawnside had interests in approximately 26.06% of the entire issued share capital of Champion. Mr. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company owned by Champion and Lawnside.

2. 514,491,761 shares and 100,701,319 units of warrants of Champion were held by Lawnside. Lawnside also held a HK\$188,553,096.27 convertible redeemable bond of Champion carrying the right to convert the principal amount of the bond or any part thereof into shares of Champion from 19 September 2008 to 19 September 2010 or, at the option of Champion, extended to 19 September 2011. At the initial conversion price of HK\$1.09 per share (subject to adjustment), a total of 172,984,491 shares of Champion are issuable on full conversion of the bond. The warrants will expire on 16 April 2009. These warrants and the bond have not been taken into account in calculating the percentage of the issued share capital of Champion held by Lawnside.
3. 2,039,491,502 shares and 300,278,027 units of warrants of Kantone were held by Champion while 82,058,443 units of warrants of Kantone were held by Lawnside. These warrants will expire on 8 January 2009 and have not been taken into account in calculating the percentage of the issued share capital of Kantone held by them.

Save as disclosed above, 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 (as defined in Part XV of the SFO) as at 30 September 2008 as 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 the directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders

As at 30 September 2008, the following person (other than the directors or chief executive of the Company) had interests or short positions in the share capital or 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	Approximate 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.

Other than as disclosed above, no person had any interests or short positions in the shares or underlying shares of the Company according to the register required to be kept under Section 336 of the SFO as at 30 September 2008.

Competing Interests

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competed with the Company or might compete with the business of the Group during the period under review.

Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 30 September 2008, 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

Shirley HA Suk Ling

Director

Hong Kong, 5 November 2008



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