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DigitalHongKong.com

# Third Quarter Report 2009/10



www.digitalthongkong.com  
Stock Code: 8007

## **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 that specialised in providing outsourcing services for online commerce, Digital HK has strategically positioned itself to integrate both online and offline businesses, and to engage in technology investments focusing on healthcare and related opportunities.

Digital HK and its subsidiaries now operate the following complementary lines of business:

- provision of Internet and e-commerce enabling solutions, IT consulting and technical services
- strategic investments in selected technologies and applications
- investment in lifescience and health related projects

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.



# DIGITALHONGKONG.COM

(incorporated in the Cayman Islands with limited liability)

## THIRD QUARTER REPORT For the nine months ended 31 March 2010

### Summary

The Group's unaudited consolidated loss for the nine months ended 31 March 2010 was HK\$1,825,000, compared with a loss of HK\$1,239,000 for the previous corresponding period. No interim dividend is recommended for the period.

### Quarterly Results for the Nine Months Ended 31 March 2010 (Unaudited)

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 nine months ended 31 March 2010 with the comparative unaudited figures for the corresponding periods in 2009 as follows:

	Notes	Three months ended 31 March		Nine months ended 31 March	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover					
Service income		775	853	2,307	2,681
Other income		-	11	8	85
General and administrative expenses		(532)	(511)	(1,545)	(1,600)
Marketing and promotion expenses		(129)	(54)	(245)	(172)
Staff costs		(835)	(869)	(2,350)	(2,233)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before tax		(721)	(570)	(1,825)	(1,239)
Income tax	(2)	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period and total comprehensive income for the period attributable to owners of the Company		<u>(721)</u>	<u>(570)</u>	<u>(1,825)</u>	<u>(1,239)</u>
		<hr/>	<hr/>	<hr/>	<hr/>
Loss per share – basic	(3)	<u>HK(0.481) cents</u>	<u>HK(0.380) cents</u>	<u>HK(1.217) cents</u>	<u>HK(0.826) cents</u>

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 include applicable disclosures required by 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 2009.

### 2. Income tax

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit for the periods.

### 3. Loss per share

The calculation of the loss per share for the three months and nine months ended 31 March 2010 is based on the respective unaudited consolidated loss for the periods of HK\$721,000 and HK\$1,825,000 (2009: HK\$570,000 and HK\$1,239,000 respectively) and 150,000,000 (2009: 150,000,000) shares in issue throughout the periods.

### 4. Movement of reserves

	Attributable to owners of the Company			
	Capital reserve HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2008	7,540	8,461	(13,070)	2,931
Total comprehensive income for the period	–	–	(1,239)	(1,239)
At 31 March 2009	<u>7,540</u>	<u>8,461</u>	<u>(14,309)</u>	<u>1,692</u>
At 1 July 2009	7,540	8,461	(14,877)	1,124
Total comprehensive income for the period	–	–	(1,825)	(1,825)
<b>At 31 March 2010</b>	<b><u>7,540</u></b>	<b><u>8,461</u></b>	<b><u>(16,702)</u></b>	<b><u>(701)</u></b>

## **Dividend**

The Board does not recommend the payment of an interim dividend for the quarter ended 31 March 2010 (2009: Nil).

## **Financial and Business Review**

For the three months and nine months ended 31 March 2010, the Group's revenue amounted to HK\$775,000 and HK\$2,307,000 respectively, compared with HK\$853,000 and HK\$2,681,000 of the corresponding periods in the last financial year. Loss for the nine-month period was HK\$1,825,000, compared with a loss of HK\$1,239,000 for the last corresponding period. Service fees derived from the Group's enabling solutions, technical consultation on e-commerce integration and application customisation remained the primary source of income for the Group.

Total operating costs for the nine-month period were HK\$4,140,000, compared with HK\$4,005,000 of the previous corresponding period.

The Group's financial position remained positive, and did not have any bank borrowings as at 31 March 2010. It financed its operations primarily by internally generated cashflows.

## **Outlook**

The Group will continue to manage its expenses while prudently pursue suitable investment opportunities that can expand its income and generate reliable cashflows.

## Directors' Interests and Short Positions in Securities

As at 31 March 2010, the interests of the directors 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:

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 holding company)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 2	26.43%	Note 2
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 3	53.60%	–

Notes:

1. 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 31 March 2010, Lawnside had interests in approximately 26.43% 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. 1,066,200,913 shares of Champion were held by Lawnside. Lawnside also held a convertible redeemable bond of Champion with outstanding amount of HK\$136,460,805.47 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 conversion price per share of the higher of (i) HK\$0.77 (after adjustment on 23 May 2009 as a result of a rights issue of Champion); and (ii) the volume-weighted average price of shares of Champion for the 10 dealing days ending on the day immediately preceding the date of a relevant conversion notice multiplied by a factor of 0.8. The bond has not been taken into account in calculating the percentage of the issued share capital of Champion held by Lawnside.
3. 2,775,852,141 shares of Kantone were held by Champion.

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 31 March 2010 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 Shareholder

As at 31 March 2010, the following person (other than the directors or chief executive of the Company) had interests 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	Capacity	Number of shares	Approximate percentage of the issued share capital
Champion	Beneficial owner	117,300,000*	78.20%

\* See Note 1 to the "Directors' Interests and Short Positions in Securities" Section above.

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 of interests kept by the Company under Section 336 of the SFO as at 31 March 2010.

## **Competing Interests**

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had an interest in a business which competed or might compete with the business of the Group or any other conflict of interests 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 2010, 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 May 2010



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