

DIGITALHONGKONG.COM
www.digitalhongkong.com
數碼香港 Stock Code: 8007

Interim Report
2011/12

DIGITAL
HONG KONG 

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 industries supported by government policies.

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
- promotion and trading of cultural products and related services

Digital HK is a subsidiary of Champion Technology Holdings Limited, the holding company of a culture and technology 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)

INTERIM REPORT
For the six months ended 31 December 2011

Summary

The Group's unaudited consolidated loss for the six months ended 31 December 2011 was HK\$1,446,000, compared with a loss of HK\$1,182,000 for the last corresponding period. No interim dividend is recommended for the period.

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 and six months ended 31 December 2011 with comparative unaudited figures for the corresponding periods in 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six months ended 31 December 2011

		Three months ended 31 December		Six months ended 31 December	
		2011	2010	2011	2010
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	(3)	747	749	1,474	1,535
Other income		1	-	1	4
General and administrative expenses		(638)	(662)	(1,104)	(1,052)
Marketing and promotion expenses		(59)	(59)	(114)	(144)
Staff costs		(919)	(706)	(1,703)	(1,525)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before taxation		(868)	(678)	(1,446)	(1,182)
Taxation	(5)	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Loss and total comprehensive expense for the period attributable to owners of the Company		(868)	(678)	(1,446)	(1,182)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss per share — basic	(6)	HK(0.579) cents	HK(0.452) cents	HK(0.964) cents	HK(0.788) cents
		<hr/>	<hr/>	<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position

At 31 December 2011

	Note	As at 31 December 2011 HK\$'000 (Unaudited)	As at 30 June 2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		1	2
Interest in an associate		-	-
		<u>1</u>	<u>2</u>
Current assets			
Trade and other receivables	(7)	226	404
Amount due from a fellow subsidiary		12	24
Bank balances and cash		10,427	11,667
		<u>10,665</u>	<u>12,095</u>
Current liabilities			
Other payables		1,021	1,013
Amount due to a fellow subsidiary		10	3
		<u>1,031</u>	<u>1,016</u>
Net current assets		<u>9,634</u>	<u>11,079</u>
Net assets		<u>9,635</u>	<u>11,081</u>
Capital and reserves			
Share capital		15,000	15,000
Reserves		(5,365)	(3,919)
Equity attributable to owners of the Company		<u>9,635</u>	<u>11,081</u>

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2011

	Attributable to owners of the Company				
	Share capital HK\$'000	Capital reserve HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2010	15,000	7,540	8,461	(17,355)	13,646
Loss and total comprehensive expense for the period	-	-	-	(1,182)	(1,182)
At 31 December 2010	<u>15,000</u>	<u>7,540</u>	<u>8,461</u>	<u>(18,537)</u>	<u>12,464</u>
At 1 July 2011	15,000	7,540	8,461	(19,920)	11,081
Loss and total comprehensive expense for the period	-	-	-	(1,446)	(1,446)
At 31 December 2011	<u>15,000</u>	<u>7,540</u>	<u>8,461</u>	<u>(21,366)</u>	<u>9,635</u>

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2011

	Six months ended 31 December	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	(1,241)	(170)
Net cash from investing activities	<u>1</u>	<u>1</u>
Net decrease in cash and cash equivalents	(1,240)	(169)
Cash and cash equivalents at the beginning of the period	<u>11,667</u>	<u>10,694</u>
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>10,427</u>	<u>10,525</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2011

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared on 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 (“HKICPA”). Historical cost is generally based on the fair value of the consideration given in exchange for goods. In addition, the unaudited condensed consolidated financial statements 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 2011.

2. Application of new and revised Hong Kong Financial Reporting Standards

In the current period, the Group has applied a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards, amendments and interpretations (collectively referred to as “new and revised HKFRSs”) issued by the HKICPA. The adoption of these new and revised HKFRSs has no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the condensed consolidated financial statements of the Group.

3. Turnover and segment information

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

The Group’s operating activities are attributable to a single operating segment focusing on development and operation of payment infrastructure which facilitates web-enabled transactions in the People’s Republic of China, including Hong Kong and Macau.

4. Depreciation

Depreciation of property, plant and equipment, included in general and administrative expenses, for the six months ended 31 December 2011 was HK\$1,000 (2010: HK\$1,000).

5. Taxation

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

6. Loss per share

The calculation of the loss per share for the three months and six months ended 31 December 2011 is based on the respective unaudited loss for the period attributable to owners of the Company of HK\$868,000 and HK\$1,446,000 (2010: HK\$678,000 and HK\$1,182,000 respectively) and on the number of 150,000,000 (2010: 150,000,000) shares in issue throughout the periods.

7. Trade and other receivables

	As at 31 December 2011 HK\$'000 (Unaudited)	As at 30 June 2011 HK\$'000 (Audited)
Trade receivables (Note)	9	273
Other receivables	217	131
	226	404

Note:

The Group allows an average credit period of 180 days for its trade customers depending on their credit worthiness, nature of services and conditions of the market. The aging analysis of trade receivables based on the invoice date at the end of the reporting period is as follows:

	As at 31 December 2011 HK\$'000 (Unaudited)	As at 30 June 2011 HK\$'000 (Audited)
0 – 60 days	3	273
61 – 120 days	6	–
	9	273

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2011 (2010: Nil).

Financial and Business Review

For the six-month period ended 31 December 2011, the Group's turnover was HK\$1,474,000, compared with HK\$1,535,000 for the corresponding period of last year. Turnover for the quarter ended 31 December 2011 was HK\$747,000, compared with HK\$749,000 for the last corresponding period. Loss for the six-month period was HK\$1,446,000, compared with a loss of HK\$1,182,000 for the last corresponding period. Total operating costs for the six-month period were HK\$2,921,000, compared with HK\$2,721,000 for the previous corresponding period.

Service fees derived from the Group's enabling solutions and technical consultation on e-commerce integration and application customisation remained the primary source of income.

The Group's financial position remained positive, and did not have any bank borrowings as at 31 December 2011. Operation was primarily financed by internally generated cashflows.

Outlook

The Group will continue to manage its expenses while prudently pursue suitable investment opportunities that can expand its income base and generate reliable cashflows. In line with China's national policy to promote its culture industry, which is expected to emerge as a new engine in driving the economy, the Group will leverage its expertise to engage in the promotion and trading of cultural products and related services. In particular, the Group will collaborate with niche partners to develop different income streams for a wide range of culture-related topics, taking advantage of the rising interest in Chinese culture and heritage among consumers around the world.

The directors are positive about the direction of the Group's strategy and expect to reap benefits from the growth of China's culture-related industries and technologies, especially in consumer business.

Liquidity and Financial Resources

As at 31 December 2011, the Group had current assets of approximately HK\$10,665,000, which comprised mainly bank balances and cash of approximately HK\$10,427,000. The Group had no non-current liabilities, and its current liabilities amounted to approximately HK\$1,031,000, consisting mainly of payables arising in the normal course of operation.

The Group did not have any bank borrowings as at 31 December 2011. The Group financed its operation primarily with internally generated cashflows. As at 31 December 2011, the Group did not have any material contingent liabilities or charges on its assets. With net current assets of HK\$9,634,000, the Group was in a financially liquid position at the end of the period under review. The Group had no borrowings and hence no gearing ratio was presented. Equity attributable to owners of the Company as at 31 December 2011 was approximately HK\$9,635,000.

The directors of the Company consider that the Group's financial resources are sufficient for its operation. If necessary, the Board would consider either debt or equity financing, or both, for business development, especially when appropriate business opportunities are identified and market conditions are favourable.

During the period, the Group made no acquisition or disposal of subsidiaries or affiliated companies.

Capital Commitments

As at 31 December 2011, the Group's capital commitments authorised but not contracted for amounted to HK\$500,000 (30 June 2011: 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

As at 31 December 2011, the Group employed 7 full-time staff members. Staff costs for the period under review were HK\$1,703,000 (2010: HK\$1,525,000). 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, retirement benefits schemes and other benefits such as medical scheme.

Directors' Interests and Short Positions in Securities

As at 31 December 2011, the interests of the directors of the Company in the shares 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
<i>Securities of the Company</i>			
Dr. Paul Kan Man Lok	Corporate interest	Note 1	74.48%
<i>Securities of Champion Technology Holdings Limited ("Champion", the Company's holding company)</i>			
Dr. Paul Kan Man Lok	Corporate interest	Note 2	26.88%
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>			
Dr. Paul Kan Man Lok	Corporate interest	Note 3	55.07%

Notes:

1. 106,050,000 shares of the Company were held by Champion and 5,670,520 shares of the Company were held by Lawnside International Limited ("Lawnside"). Lawnside is beneficially wholly owned by Dr. Paul Kan Man Lok. As at 31 December 2011, Lawnside had interests in approximately 26.88% of the entire issued share capital of Champion. Dr. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company owned by Champion and Lawnside.
2. 1,617,111,835 shares of Champion were held by Lawnside.
3. 4,125,813,235 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 December 2011 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 December 2011, the following person (other than the directors or chief executive of the Company) had interests in the share capital 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	Percentage of the issued share capital
Champion	Beneficial owner	106,050,000*	70.7%

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

Save 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 by the Company under Section 336 of the SFO as at 31 December 2011.

Competing Interests

None of the directors, the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any business or interest which competed or might compete with the business of the Group or had 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 six months ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Code on Corporate Governance Practices

During the six months ended 31 December 2011, the Company complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing 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 of the Company, result of which indicates that the directors had complied with such code of conduct throughout the six months ended 31 December 2011.

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

Director

Hong Kong, 3 February 2012

數碼香港
二零一一 / 一二年中期報告
股份代號：8007