

DIGITALHONGKONG.COM
數碼香港



INTERIM REPORT

2013/14

www.digitalhongkong.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 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, a global 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 2013

Summary

- Turnover for the six months ended 31 December 2013 was HK\$1,869,000, compared with HK\$1,537,000 for the last corresponding period
- Loss for the period was HK\$1,117,000, compared with loss of HK\$1,473,000 for the last corresponding period
- No interim dividend is recommended for the period

The board of directors (the “Board”) of DIGITALHONGKONG.COM (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31 December 2013 with comparative unaudited figures for the corresponding periods in 2012 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 31 December 2013

| | Notes | Three months ended | | Six months ended | |
|---|-------|---------------------|-----------------|---------------------|-----------------|
| | | 31 December 2013 | 2012 | 31 December 2013 | 2012 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | (3) | 1,103 | 778 | 1,869 | 1,537 |
| Other income | | 31 | - | 37 | - |
| General and administrative expenses | | (642) | (681) | (1,137) | (1,121) |
| Marketing and promotion expenses | | (74) | (59) | (120) | (138) |
| Staff costs | | (850) | (831) | (1,766) | (1,751) |
| Loss before taxation | | (432) | (793) | (1,117) | (1,473) |
| Taxation | (5) | - | - | - | - |
| Loss and total comprehensive expense for the period attributable to owners of the Company | | (432) | (793) | (1,117) | (1,473) |
| Loss per share – basic | (6) | HK(0.288) cents | HK(0.529) cents | HK(0.745) cents | HK(0.982) cents |

Condensed Consolidated Statement of Financial Position

At 31 December 2013

| | Note | As at 31 December 2013 HK\$'000 (Unaudited) | As at 30 June 2013 HK\$'000 (Audited) |
|--|------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | – | – |
| Interest in an associate | | – | – |
| | | <hr/> | <hr/> |
| | | – | – |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Trade and other receivables | (7) | 214 | 235 |
| Amount due from a fellow subsidiary | | 12 | 24 |
| Bank balances and cash | | 5,182 | 6,458 |
| | | <hr/> | <hr/> |
| | | 5,408 | 6,717 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Other payables | | 854 | 1,048 |
| Amount due to a fellow subsidiary | | 4 | 2 |
| | | <hr/> | <hr/> |
| | | 858 | 1,050 |
| | | <hr/> | <hr/> |
| Net current assets | | 4,550 | 5,667 |
| | | <hr/> | <hr/> |
| Net assets | | 4,550 | 5,667 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Share capital | | 15,000 | 15,000 |
| Reserves | | (10,450) | (9,333) |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 4,550 | 5,667 |
| | | <hr/> | <hr/> |

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 31 December 2013

| | 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 2012 | 15,000 | 7,540 | 8,461 | (22,672) | 8,329 |
| Loss and total comprehensive expense for the period | - | - | - | (1,473) | (1,473) |
| At 31 December 2012 | <u>15,000</u> | <u>7,540</u> | <u>8,461</u> | <u>(24,145)</u> | <u>6,856</u> |
| At 1 July 2013 | 15,000 | 7,540 | 8,461 | (25,334) | 5,667 |
| Loss and total comprehensive expense for the period | - | - | - | (1,117) | (1,117) |
| At 31 December 2013 | <u>15,000</u> | <u>7,540</u> | <u>8,461</u> | <u>(26,451)</u> | <u>4,550</u> |

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 31 December 2013

| | Six months ended 31 December | |
|---|------------------------------|---------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Net cash used in operating activities | (1,276) | (2,295) |
| Net cash from investing activities | - | 1 |
| Net decrease in cash and cash equivalents | (1,276) | (2,294) |
| Cash and cash equivalents at the beginning of the period | <u>6,458</u> | <u>10,150</u> |
| Cash and cash equivalents at the end of the period, represented by bank balances and cash | <u>5,182</u> | <u>7,856</u> |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 31 December 2013

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 (“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 2013.

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

In the current period, the Group has applied a number of amendments issued by the HKICPA that are mandatorily effective for accounting periods beginning on 1 July 2013. The adoption of the amendments in the current period has had no material effect on the unaudited consolidated financial statements of the Group for the current and prior periods.

The Group has not early applied those new and revised standards, amendments and interpretation that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards, amendments and interpretation will have no material impact on the unaudited financial statements.

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 e-commerce infrastructure with payment capabilities 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 2013 was nil (2012: 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 2013 is based on the respective unaudited loss for the period attributable to owners of the Company of HK\$432,000 and HK\$1,117,000 (2012: HK\$793,000 and HK\$1,473,000 respectively) and on the number of 150,000,000 (2012: 150,000,000) shares in issue throughout the period.

7. Trade and other receivables

| | As at 31 December 2013 HK\$'000 (Unaudited) | As at 30 June 2013 HK\$'000 (Audited) |
|--------------------------|--|---|
| Trade receivables (Note) | 12 | 98 |
| Other receivables | 202 | 137 |
| | 214 | 235 |

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 2013 HK\$'000 (Unaudited) | As at 30 June 2013 HK\$'000 (Audited) |
|----------------|--|---|
| 0 – 60 days | 3 | 98 |
| 61 – 120 days | 6 | – |
| 121 – 180 days | 3 | – |
| | 12 | 98 |

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

Financial and Business Review

For the six-month period ended 31 December 2013, the Group's turnover was HK\$1,869,000, compared with HK\$1,537,000 for the corresponding period of last year. Turnover for the quarter ended 31 December 2013 was HK\$1,103,000, compared with HK\$778,000 for the last corresponding period. Loss for the six-month period was HK\$1,117,000, compared with loss of HK\$1,473,000 for the last corresponding period. A smaller loss was recorded in line with the increase in turnover. Total operating costs for the six-month period remained stable at HK\$3,023,000 (2012: HK\$3,010,000).

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

The Group's financial position remained positive, and did not have any bank borrowings as at 31 December 2013. Operation was primarily financed by internally generated cashflows.

Sad Note

Mr. Francis Gilbert Knight, the Company's independent non-executive director since 2000 when the Company was listed, passed away on 30 December 2013. During his time with us, Francis always worked with the best interests of the Group and its shareholders in mind. He brought to the Group his wealth of knowledge and extensive experience in management. He will be sadly missed.

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 particular, the Group will pursue sectors which are supported by government policies, including healthcare, innovation and technology, cultural and creative industries, energy conservation and emission reduction, smart living, and information-based services for the community and consumers.

Liquidity and Financial Resources

As at 31 December 2013, the Group had current assets of approximately HK\$5,408,000, which comprised mainly bank balances and cash of approximately HK\$5,182,000. The Group had no non-current liabilities, and its current liabilities amounted to approximately HK\$858,000, consisting mainly of payables arising in the normal course of operation.

The Group did not have any bank borrowings as at 31 December 2013. The Group financed its operation primarily with internally generated cashflows. As at 31 December 2013, the Group did not have any material contingent liabilities or charges on its assets. With net current assets of HK\$4,550,000, 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 2013 was approximately HK\$4,550,000.

The Board considers 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 material acquisition or disposal of subsidiaries or affiliated companies.

Capital Commitments

As at 31 December 2013, the Group's capital commitments authorised but not contracted for amounted to HK\$500,000 (30 June 2013: 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, Macau Pataca and United States dollars.

Human Resources and Remuneration Policy

As at 31 December 2013, the Group employed 8 staff members. Staff costs for the period under review were HK\$1,766,000 (2012: HK\$1,751,000). 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 2013, 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> | | | |
| Prof. Paul Kan Man Lok | Corporate interest | Note 1 | 74.48% |
| <i>Securities of Champion Technology Holdings Limited ("Champion", the Company's holding company)</i> | | | |
| Prof. Paul Kan Man Lok | Corporate interest | Note 2 | 27.72% |
| <i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i> | | | |
| Prof. Paul Kan Man Lok | Corporate interest | Note 3 | 54.89% |

Notes:

- 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 Prof. Paul Kan Man Lok. As at 31 December 2013, Lawnside had interests in approximately 27.72% of the entire issued share capital of Champion. Prof. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company held by Champion and Lawnside.
- 1,730,651,800 shares of Champion were held by Lawnside.
- 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 2013 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 2013, 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 interest or short position 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 2013.

Competing Interests

None of the directors, the controlling shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any business or interest which competed or might compete with the business of the Group nor 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 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance Code

During the six months ended 31 December 2013, the Company complied with the code provisions of the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules, save that since the decease of Mr. Francis Gilbert Knight on 30 December 2013, the Company does not have three independent non-executive directors (as required under Rule 5.05(1) of the GEM Listing Rules). The Company will appoint an independent non-executive director to fill in the aforesaid vacancy in compliance with such rule as soon as possible.

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 2013.

Audit Committee

The audit committee of the Company has reviewed with the management of the Group the financial and accounting policies 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, 17 January 2014

數碼香港
二零一三/一四年中期報告

www.digitalthongkong.com

股份代號：8007