DIGITALHONGKONG.COM

(incorporated in the Cayman Islands with limited liability)

Stock code: 8007

Results Announcement
For the year ended 30 June 2007

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2007

- Turnover of HK$6,351,000, compared with HK$8,015,000 last year
- Loss for the year of HK$12,000, compared with a profit of HK$1,362,000 last year
- Excluding the impact of development costs and impairment in relation to an investment project, the Group's profit was HK$1,158,000
- The Group's financial position remains healthy with no bank borrowings

The board of directors (the "Board") of DIGITALHONGKONG.COM (the "Company" or "Digital HK") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2007 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

		Year ended 30 June	
		2007	2006
	Notes	***HK$'000***	*HK$'000*
Turnover	*(2)*	**6,351**	8,015
Other income		**246**	123
Acquired technology expensed		**(858)**	(825)
General and administrative expenses		**(2,219)**	(2,326)
Depreciation and amortisation		**(3)**	(488)
Impairment loss recognised in respect of interest in an associate and amount due from an associate		**(312)**	-
Marketing and promotion expenses		**(283)**	(456)
Staff costs		**(2,934)**	(2,681)
(Loss) profit before taxation		**(12)**	1,362
Taxation	*(3)*	**-**	-
(Loss) profit for the year attributable to equity holders of the Company	*(4)*	**(12)**	1,362
(Loss) earnings per share - basic	*(5)*	**HK(0.01) cents**	HK0.91 cents

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Non-current assets			
Property, plant and equipment		**24**	-
Interest in an associate		**-**	31
		24	31
Current assets			
Trade and other receivables	*(6)*	**2,841**	4,174
Amount due from a fellow subsidiary		**-**	84
Amount due from an associate		**-**	281
Deposits, bank balances and cash		**17,048**	14,964
		19,889	19,503
Current liabilities			
Other payables		**977**	605
Amount due to a fellow subsidiary		**19**	-
		996	605
Net current assets		**18,893**	18,898
Net assets		**18,917**	18,929
Capital and reserves			
Share capital		**15,000**	15,000
Reserves		**3,917**	3,929
Equity attributable to equity holders of the Company		**18,917**	18,929

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Attributable to equity holders 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 2005	15,000	7,540	8,461	(13,434)	17,567
Profit for the year and total recognised income	-	-	-	1,362	1,362
At 30 June 2006	15,000	7,540	8,461	(12,072)	18,929
Loss for the year and total recognised expense	-	-	-	(12)	(12)
At 30 June 2007	**15,000**	**7,540**	**8,461**	**(12,084)**	**18,917**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. Basis of preparation and application of Hong Kong Financial Reporting Standards

The condensed consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the 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 and the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new HKFRSs, Hong Kong Accounting Standards (the “HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 July 2006.

The adoption of the new HKFRSs has had no material effect on how the results of the Group are prepared and presented for the current and prior accounting years. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 23 (Revised)	Borrowing costs [2]
HKFRS 7	Financial instruments: Disclosures [1]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 10	Interim financial reporting and impairment [3]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions [4]
HK(IFRIC) - INT 12	Service concession arrangements [5]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 November 2006.
[4] Effective for annual periods beginning on or after 1 March 2007.
[5] Effective for annual periods beginning on or after 1 January 2008.

2. Turnover and segment information

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

	2007	2006
	HK$'000	*HK$'000*
Provision of secured electronic payment processing platform	**5,181**	4,864
Provision of software licensing services	**1,170**	3,151
	6,351	8,015

No business segment analysis and geographical segment analysis are presented for both years as substantially all of the Group’s turnover and contribution to results were derived from business of development and operation of payment infrastructure which facilitates web-enabled transactions in the People’s Republic of China including Hong Kong.

3. Taxation

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

The tax charge for the year can be reconciled to the (loss) profit per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(12)**	1,362
Tax at Hong Kong Profits Tax rate of 17.5% (2006: 17.5%)	**(2)**	238
Tax effect of expenses not deductible for tax purposes	**190**	83
Tax effect of income not taxable for tax purposes	**(43)**	(21)
Tax effect on utilisation of tax losses previously not recognised	**(223)**	(337)
Tax effect of tax losses not recognised	**80**	36
Others	**(2)**	1
Taxation for the year	**-**	-

4. (Loss) profit for the year

	2007	2006
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**437**	384
Amortisation of development costs for systems and networks	**-**	487
Depreciation of property, plant and equipment	**3**	1
Research and development costs, including staff costs of HK$1,085,000 (2006: HK$998,000)	**2,063**	1,943

5. (Loss) earnings per share

The calculation of the (loss) earnings per share is based on the loss for the year of HK$12,000 (2006: profit of HK$1,362,000) and on the number of 150,000,000 (2006: 150,000,000) shares in issue throughout the year.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue.

6. Trade and other receivables

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**2,679**	2,579
Other receivables	**162**	1,595
	2,841	4,174

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:

	2007	2006
	HK$'000	*HK$'000*
0-60 days	**1,728**	2,251
61-120 days	**951**	328
	2,679	2,579

The directors consider that the fair value of trade receivables at 30 June 2007 approximates its carrying amount.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

During the year under review, the Group's main focus was continuing pursuit of business in relation to e-commerce solutions, as well as strategic investments. 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 for the Group.

Amidst intense market competition and price pressure, the Group has taken a conservative approach in rolling out its business objectives. Spending on new systems and networks, as well as infrastructure upgrades, was strictly in line with the level of business attained, and the Group's resources were deployed in such a way as to produce optimum results. Management strongly believes that it would not be in the Group's interest to engage in aggressive marketing in order to increase revenue from e-commerce activities at the expense of our margins.

In order to expand its revenue base which has been derived primarily from the provision of e-commerce solutions and outsourcing services, the Group has identified healthcare and related IT services as the direction for future growth. The performance of the Group's investment in a healthcare project which focuses on consulting and the development of software packages for advancing scientific knowledge in the field of healing therapy and curative remedies has not been hitting its financial targets, and the project company requires more time to research and enhance its technology and solutions. Management will continue to monitor the progress of our investment portfolio, and take appropriate actions whenever necessary in response to changes in market situation.

Meanwhile, the Group has been in active pursuit of alliances with universities, research institutes, and technological partners to seek collaboration on research and development in other areas of healthcare. In April 2007, the Group announced a partnership with a UK-based health technology group to develop and market telehealth services in Hong Kong and the Mainland. The project aimed at improving patient care and enabling more cost-effective deployment of clinical resources via the use of electronic health tools for distant diagnostics and remote monitoring systems. A demonstration system was set up here in Hong Kong in August. Development work continued, and the appropriate means of marketing the service was being explored.

Results for the Year

For the year under review, the Group recorded a turnover of HK$6,351,000 and a small loss of HK$12,000, compared with turnover of HK$8,015,000 and profit of HK$1,362,000 last year. For the quarter ended 30 June 2007, turnover was HK$1,376,000 and profit was HK$32,000. Loss per share for the year was HK0.01 cents, compared with earnings per share of HK0.91 cents last year.

The Board of Directors does not recommend the payment of any dividend for the year, as it considers prudent to retain cash to finance the continuing development of the Group's business as well as prospective investment opportunities.

Financial Review

The lower turnover for the year reflected the Group's focus on high-margin customised solutions in e-commerce amidst intense competition and price pressure in the IT sector. Overall operating costs of HK$6,609,000 were maintained at a similar level as last year's, despite a general upward trend of costs associated with a strengthening economy, reflecting persistent efforts of management in optimising the Group's operational efficiency in a very competitive environment. Excluding the impact of the development costs and impairment in relation to an investment project totalling HK$1,170,000, the Group recorded a profit of HK$1,158,000 for the year ended 30 June 2007.

The Group's financial position remained liquid and healthy with no bank borrowings.

Liquidity and Financial Resources

As at 30 June 2007, the equity attributable to equity holders of the Company amounted to approximately HK$18,917,000. Current assets amounted to approximately HK$19,889,000, of which approximately HK$17,048,000 were deposits, bank balances and cash. The Group had no non-current liabilities, and its current liabilities amounted to approximately HK$996,000 made up mainly of other payables arising in the normal course of operation.

The Group did not have any bank borrowings at 30 June 2007. The Group financed its operations primarily with internally generated cashflows. As at 30 June 2007, the Group did not have any material contingent liabilities nor any charges on its assets. With net current assets of HK$18,893,000, 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.

It is envisaged that the Company's financial resources are sufficient to provide for expenditure on operations and the development of new software solutions based on current plan. If required, the Directors would consider the use of either debt or equity financing, or both, for business expansion, especially when the appropriate business opportunities become available 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 30 June 2007, the Group's capital commitments authorised but not contracted for was HK$500,000 (2006: 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.

Outlook

Digital HK has adapted itself smoothly in the highly competitive marketplace amidst rapid technological changes in the IT industry. The Group will continue to manage its expenses while prudently invest in potential investment projects or businesses in order to create value for the Group and the shareholders of the Company. The increasing demand globally for health services and the recognition of the merits of information medicine has created an enormous market with abundant opportunities. The Directors are positive about the direction of the Group's investment in life sciences and information medicine, and that such investments will bring promising returns.

With a healthy balance sheet, the Group is well-positioned to continue its momentum and agility in making the necessary investments in complementary businesses that can expand its income base and generate reliable cashflows.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance Practices, as set out in Appendix 15 of the GEM Listing Rules, at any time during the year ended 30 June 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 the above audited annual results of the Group for the year ended 30 June 2007.

By order of the Board
Paul KAN Man Lok
Chairman

Hong Kong, 21 September 2007

As at the date of this announcement, the executive directors are Mr Paul Kan Man Lok, Ms Shirley Ha Suk Ling and Mr John Wong Yuk Lung; the non-executive directors are Mr Leo Kan Kin Leung and Mr Lai Yat Kwong; and the independent non-executive directors are Mr Francis Gilbert Knight, Mr Billy Ho Yiu Ming and Ms Shao Xiang Ming.

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