DIGITAL HONG KONG

**DIGITALHONGKONG.COM**

*(incorporated in the Cayman Islands with limited liability)*

Stock Code: 8007

# Results Announcement
# For the year ended 30 June 2010

The board of directors (the "Board") of DIGITALHONGKONG.COM ("Digital HK" or the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2010 with the comparative figures for 2009 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 30 June 2010*

| | *Notes* | **2010**<br>***HK$'000*** | 2009<br>*HK$'000* |
|---|---|---|---|
| Turnover | *(2)* | **3,058** | 3,510 |
| Other income | | **9** | 91 |
| General and administrative expenses | | **(2,153)** | (2,214) |
| Marketing and promotion expenses | | **(384)** | (241) |
| Staff costs | | **(3,008)** | (2,953) |
| Loss before taxation | | **(2,478)** | (1,807) |
| Taxation | *(3)* | **-** | - |
| Loss and total comprehensive expense for the year attributable to owners of the Company | *(4)* | **(2,478)** | (1,807) |
| Loss per share – basic | *(5)* | **HK(1.65) cents** | HK(1.20) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2010*

| | Note | **2010** | 2009 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **3** | 8 |
| Interest in an associate | | **-** | - |
| | | **3** | 8 |
| **Current assets** | | | |
| Trade and other receivables | *(6)* | **3,946** | 2,623 |
| Amount due from a fellow subsidiary | | **27** | 24 |
| Bank balances and cash | | **10,694** | 14,536 |
| | | **14,667** | 17,183 |
| **Current liabilities** | | | |
| Other payables | | **1,018** | 1,056 |
| Amount due to a fellow subsidiary | | **6** | 11 |
| | | **1,024** | 1,067 |
| Net current assets | | **13,643** | 16,116 |
| Net assets | | **13,646** | 16,124 |
| **Capital and reserves** | | | |
| Share capital | | **15,000** | 15,000 |
| Reserves | | **(1,354)** | 1,124 |
| Equity attributable to owners of the Company | | **13,646** | 16,124 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 30 June 2010*

| | **Attributable to owners of the Company** | | | | |
|---|---|---|---|---|---|
| | **Share capital** | **Capital reserve** | **Share premium** | **Accumulated losses** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2008 | 15,000 | 7,540 | 8,461 | (13,070) | 17,931 |
| Loss and total comprehensive expense for the year | - | - | - | (1,807) | (1,807) |
| At 30 June 2009 | 15,000 | 7,540 | 8,461 | (14,877) | 16,124 |
| Loss and total comprehensive expense for the year | - | - | - | (2,478) | (2,478) |
| **At 30 June 2010** | **15,000** | **7,540** | **8,461** | **(17,355)** | **13,646** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 30 June 2010*

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

The 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 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 "GEM Listing Rules") and the Hong Kong Companies Ordinance.

In the current year, the Group has applied a number of new and revised Hong Kong Accounting Standards ("HKAS"), amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

*HKAS 1 (Revised 2007) Presentation of financial statements*

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the consolidated financial statements.

## 2. 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 (the "PRC"), including Hong Kong and Macau. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the Chairman of the Company. The Chairman of the Company regularly reviews the Group's turnover and overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment.

For the year ended 30 June 2010, there was one customer with revenue of HK$2,948,000 (2009: HK$3,454,000) which accounted for more than 10% of the Group's total revenue.

All non-current assets of the Group are located in the PRC.

## 3. Taxation

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

The tax charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before taxation | **(2,478)** | (1,807) |
| Tax credit at Hong Kong Profits Tax rate of 16.5% (2009: 16.5%) | **(409)** | (298) |
| Tax effect of expenses not deductible for tax purposes | **8** | 24 |
| Tax effect of income not taxable for tax purposes | **(41)** | (83) |
| Tax effect of tax losses not recognised | **442** | 357 |
| Taxation for the year | **-** | - |

## 4. Loss for the year

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging: | | |
| Auditor's remuneration | **459** | 512 |
| Depreciation of property, plant and equipment | **8** | 9 |
| Operating lease rentals in respect of rental premises | **66** | - |
| Research and development costs, including staff costs of HK$906,000 (2009: HK$899,000) | **961** | 977 |

## 5. Loss per share

The calculation of the loss per share is based on the loss and total comprehensive expense for the year of HK$2,478,000 (2009: HK$1,807,000) and on the number of 150,000,000 (2009: 150,000,000) shares in issue throughout the year.

## 6. Trade and other receivables

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,819** | 2,492 |
| Other receivables | **127** | 131 |
| | **3,946** | 2,623 |

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

| | **2010** | 2009 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-60 days | **726** | 804 |
| 61-120 days | **771** | 849 |
| 121-180 days | **-** | 839 |
| 181-365 days | **2,322** | - |
| | **3,819** | 2,492 |

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 June 2010 (2009: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

The greater part of the year under review continued to be affected by the uncertain business climate brought by the global financial crisis. In the wake of the economic slowdown, enterprises across the board adopted a cautious approach in IT spending. This situation impacted on the Group's financial performance, resulting in a further reduction in turnover and a larger loss attributable to the shareholders.

### Operations and Financial Review

The year under review was still very much in the aftermath of the financial crisis. Even though the economic data released every now and then showed signs of recovery, such numbers did not necessarily equate to sustainable improvement. While big enterprises have benefitted from government stimulus measures, small businesses across the world were still far from realising the structural re-alignment required for a meaningful recovery.

In the wake of the recession, e-commerce has assumed greater significance. In particular, small businesses were more aggressive in adopting e-commerce in their marketing and procurement activities. A comprehensive e-commerce ecosystem has helped our customers to continue with their business.

During the year, the Group was principally engaged in providing customised internet business solutions and services which offered advice on the integration of various service offerings for online transactions. Service fees derived from the Group's enabling solutions and technical consultation on e-commerce application customisation remained the primary source of income for the Group.

Consistent with its prudent financial management, the Group's spending on new systems and networks, as well as infrastructure upgrades was strictly in line with the level of business attained, and its resources were deployed in such a way as to produce optimum results.

For the year ended 30 June 2010, the Group recorded a turnover of HK$3,058,000 and a loss of HK$2,478,000 compared with turnover of HK$3,510,000 and a loss of HK$1,807,000 last year. Loss per share for the year was HK1.65 cents. The lower turnover reflected mainly a combination of a decline in customer budget and expenditure, and a highly competitive market.

Total operating costs for the year under review increased slightly to HK$5,545,000 from HK$5,408,000 for the previous year, mainly attributable to the increase in marketing and promotion expenses to HK$384,000 (2009: HK$241,000) aimed at exploring and expanding customer base, as well as higher staff costs which reflected a recovering economy.

The Group's financial position remained liquid and positive, and did not have any bank borrowings as at 30 June 2010. Operation was primarily financed by internally generated cashflows.

The Board does not recommend the payment of any dividend for the year. The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

## Liquidity and Financial Resources

As at 30 June 2010, the Group had current assets of approximately HK$14,667,000, which comprised mainly bank balances and cash of approximately HK$10,694,000. The Group had no non-current liabilities, and its current liabilities amounted to approximately HK$1,024,000, consisting mainly of payables arising in the normal course of operation.

The Group did not have any bank borrowings as at 30 June 2010. The Group financed its operations primarily with internally generated cashflows. As at 30 June 2010, the Group did not have any material contingent liabilities or charges on its assets. With net current assets of HK$13,643,000, the Group was in a financially liquid position at the end of the year under review. The Group's gearing ratio, based on the Group's total borrowings which were nil, and equity attributable to owners of the Company of approximately HK$13,646,000, was nil.

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

## Capital Commitments

As at 30 June 2010, the Group's capital commitments authorised but not contracted for was HK$500,000 (2009: 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

Despite uncertainty regarding an economic recovery, e-commerce has become increasingly important to economic development, and is fast evolving into a mainstream channel of doing business. Small companies in particular regard e-commerce as an indispensable tool to survive and rebound in the face of adverse economic conditions.

For Digital HK, we are going through a transitional period as we revamp our business aimed at reaching out to a more diversified customer base via our infrastructure and enabling solutions. To achieve this goal, we will engage more actively in marketing and promotional activities, and seek collaboration partners to provide more innovative business solutions.

Meanwhile, Digital HK will continue in the search for suitable investment opportunities to enhance its return for the shareholders of the Company.

## 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 the Company's listed securities.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, the Company complied with the code provisions in the Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules.

## 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 2010.

By Order of the Board
**Shirley HA Suk Ling**
*Director*

Hong Kong, 8 September 2010

As at the date of this announcement, the executive directors of the Company 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. Alec Ho Yat Wan and Ms. Shao Xiang Ming.

*This announcement will remain on the GEM website at "www.hkgem.com" on the "Latest Company Announcements" page for 7 days from the day of its posting.*