

DigiTel

**DigiTel Group Limited**  
數通集團有限公司  
**Interim Report 2008**

[www.digitelgroup.com](http://www.digitelgroup.com)

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination of GEM is publication on the internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Exchange takes no responsibility for the contents of this documents, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*

*This document, for which the directors of DigiTel Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief:- (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## HIGHLIGHTS FOR THE HALF-YEARLY PERIOD

- Achieved an increase of turnover by approximately 498%.
- Accomplished a net profit growth of approximately 429%.
- Increased earnings per share by approximately 429%, generating value enhancement to our shareholders.



## INTERIM RESULTS

On behalf of the board of directors (the "Directors") of DigiTel Group Limited, I am pleased to present the operating results of the Company and its subsidiaries (collectively, the "Group") for the six months (the "Half-Yearly Period") and the three months (the "Quarterly Period") ended 30 June 2000.



## HALF-YEARLY PERIOD

The unaudited consolidated profit attributable to shareholders of the Group for the Half-Yearly Period was approximately HK\$13,390,000, representing an increase of approximately 429% as compared to the unaudited consolidated profit attributable to shareholders of the Group of approximately HK\$2,533,000 for the corresponding half-yearly period in 1999. The unaudited consolidated turnover of the Group for the Half-Yearly Period was approximately HK\$84,775,000, representing a growth of approximately 498% over the unaudited consolidated turnover of the Group of approximately HK\$14,178,000 for the corresponding half-yearly period in 1999.

The unaudited net profit margin of the Group was approximately 15.79% for the Half-Yearly Period which was slightly lower than the unaudited net profit margin of the Group of approximately 17.87% for the corresponding half-yearly period in 1999. The unaudited earnings per share was about HK\$1.488 cents for the Half-Yearly Period, representing an increase of approximately 429% as compared to the unaudited earnings per share of about HK\$0.281 cents for the corresponding half-yearly period in 1999.

The significant increase in the unaudited consolidated profit attributable to shareholders of the Group as compared with the corresponding period is attributable to (i) the increase in number of system integration contracts in the Half-Yearly Period which generated turnover of approximately HK\$66,542,000 as compared to turnover of approximately HK\$13,610,000 in the corresponding half-yearly period in 1999 and (ii) the new ASP and ISP businesses of the Group in the Half-Yearly Period which generated turnover of approximately HK\$9,761,000 and HK\$178,000 respectively.

## **QUARTERLY PERIOD**

The unaudited consolidated profit attributable to shareholders of the Group for the Quarterly Period was approximately HK\$8,477,000, representing an increase of approximately 548% as compared to the unaudited consolidated profit attributable to shareholders of the Group of approximately HK\$1,309,000 for the corresponding quarterly period in 1999. The unaudited consolidated turnover of the Group for the Quarterly Period was approximately HK\$52,571,000, representing a growth of approximately 365% over the unaudited consolidated turnover of the Group of approximately HK\$11,297,000 for the corresponding quarterly period in 1999.

The unaudited net profit margin of the Group was approximately 16.12% for the Quarterly Period which was approximately 39.09% higher than the unaudited net profit margin of the Group of approximately 11.59% for the corresponding quarterly period in 1999. The unaudited earnings per share was about HK\$0.942 cents for the Quarterly Period, representing an increase of approximately 550% as compared to the unaudited earnings per share of approximately HK\$0.145 cents for the corresponding quarterly period in 1999.

The unaudited consolidated results of the Group for the Half-Yearly and the Quarterly Periods together with the unaudited comparative figures for the corresponding periods in 1999 are as follows:



# RESULTS

The Directors are pleased to announce the unaudited consolidated results of the Group for the three months and six months ended 30 June 2000, together with comparative figures for the corresponding periods in 1999, as follows:

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	<b>52,571</b>	11,297	<b>84,775</b>	14,178
Cost of sales		<b>(25,309)</b>	(7,063)	<b>(42,130)</b>	(8,416)
Gross profit		<b>27,262</b>	4,234	<b>42,645</b>	5,762
Other revenue		<b>323</b>	121	<b>578</b>	122
Selling and distribution costs		<b>(2,410)</b>	(204)	<b>(6,567)</b>	(399)
Administrative costs		<b>(14,039)</b>	(2,462)	<b>(18,811)</b>	(2,337)
Operating profit		<b>11,136</b>	1,689	<b>17,845</b>	3,148
Finance costs		<b>(358)</b>	(50)	<b>(824)</b>	(95)
Share of result of an associated company		<b>(5)</b>	—	<b>(5)</b>	—
Profit before taxation		<b>10,773</b>	1,639	<b>17,016</b>	3,053
Taxation	3	<b>(2,296)</b>	(330)	<b>(3,626)</b>	(520)
Profit attributable to shareholders		<b>8,477</b>	1,309	<b>13,390</b>	2,533
Earnings per share — basic (cents)	4	<b>0.942</b>	0.145	<b>1.488</b>	0.281

Notes:

## 1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 9 March 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. In preparation for the listing of the shares (the "Shares") of HK\$0.10 each of the Company on GEM, a group reorganisation was effected whereby the Company became the holding company of the Group on 30 June 2000. The Shares were listed on GEM on 12 July 2000.

The results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The results of the Group comprise the results of companies now comprising the Group using the merger basis of accounting as if the current group structure had been in existence since 1 January 1999 and where applicable, from their respective dates of incorporation or acquisition by the Group, whichever is later.

All significant intra-group transactions and balances have been eliminated on consolidation.

## 2. Turnover

Analysis of turnover of the Group on the basis set out in note 1 above was as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
System integration contract revenue	37,125	10,729	66,542	13,610
Sale of goods and services at invoiced value, net of returns and discounts	2,816	357	3,955	357
Maintenance services income	1,765	211	2,609	211
Consultancy services income	930	—	1,730	—
ASP services income	9,757	—	9,761	—
ISP services income	178	—	178	—
	<u>52,571</u>	<u>11,297</u>	<u>84,775</u>	<u>14,178</u>

### 3. Taxation

Hong Kong profits tax has been provided at the rate of 16% (three months and six months ended 30 June 1999: 16%) on the estimated assessable profits for the relevant periods.

No provision for PRC income tax has been made in the accounts as the subsidiaries operating in the PRC had no assessable profits during the relevant periods.

During the three months and six months ended 30 June 2000, no profits or income tax was charged on the associated company of the Group. Accordingly, there was no share of taxation in the associated company.

### 4. Earnings per share

The calculation of the Group's basic earnings per share for the three months and six months ended 30 June 2000 is based on the Group's profit attributable to shareholders of approximately HK\$8,477,000 and HK\$13,390,000 (three months and six months ended 30 June 1999: approximately HK\$1,309,000 and HK\$2,533,000) respectively for the respective periods and the weighted average number of approximately 900,000,000 shares (three months and six months ended 30 June 1999: 900,000,000 Shares) in issue during the respective periods. In determining the weighted average number of shares, 200,000,000 Shares issued on the establishment of the Company and reorganisation of the Group and a further 700,000,000 Shares issue pursuant to the capitalisation issue upon the new issue of Shares to the public were deemed to have been issued since 1 January 1999.

There were no dilutive potential ordinary shares in issue during the three months and six months ended 30 June 2000 and 30 June 1999.

### 5. Movement in reserve

	<i>HK\$'000</i>
Goodwill reserve as at 1 January 2000	—
Goodwill reserve arised on acquisition of a subsidiary in the first quarter of 2000	(11,370)
Goodwill reserve arised on acquisition of an associated company in the second quarter of 2000	<u>(12,027)</u>
Goodwill reserve as at 30 June 2000	<u><u>(23,397)</u></u>

## INTERIM DIVIDEND

The Directors does not recommend the payment of an interim dividend for the period ended 30 June 2000 (1999: Nil).



## BUSINESS REVIEW

### Half-Yearly Review

This has been the Group's first published unaudited results since the listing of the Shares on GEM. The Group saw a significant growth in turnover and operating results over the same period of last year, which fueled our confidence on our business strategies and objectives.

The Half-Yearly Period marked a significant development of the Group. The Group continues to fulfill its obligations on its system integration projects in Hong Kong and the PRC.

In February 2000, the Group launched its B2B ASP portal, corp2net.com, to provide an open platform for software companies and customers to host their data and applications over the Internet and Intranet. The ASP is well-received by the corporates, SMEs and Soho users.

In March 2000, the Group launched its ISP services in Hong Kong under the brand name of iGreatLink, with a view to linking up corporate users to the Internet so as to provide "managed" value-added network services including IPVPN, dedicated Internet access, broadband Internet access and content delivery service to them.

### Quarterly Review

While the half-yearly review shows the main frame of the Group's development in the Half-Yearly Period, the quarterly review highlights some major achievements that fueled the on-going development of the Company.

- The Group launched the ERP services in its ASP portal, corp2net.com.





## FUTURE PROSPECTS

Looking into the second half of 2000, the Directors are optimistic to the telecommunication and Internet market in Hong Kong and the PRC. With the rising popularity of Internet usage and the increased awareness of the ASP services, the Group envisions great business opportunities in the ASP and ISP services in Hong Kong. The Directors also believe that the entry of the PRC into WTO will open unprecedented opportunities to the Group to market its system integration and engineering of multimedia broadband communication networks service.

### **System Integration and Engineering of Broadband Multimedia Communication Networks**

The Group will continue to explore new opportunities in system integration and engineering of broadband multimedia communication networks and will remain very selective in taking up new projects, by focusing on the quality of customers and their creditability. As such, we expect that we can maintain the same level of profit margin. In July 2000, the Group started to promote a new product - the Local Multi-points Distribution System ("LMDS") to the customers in the PRC.

### **ASP Services**

The Directors are optimistic to the Hong Kong ASP market as we enjoy the advantages of being the first mover in the market. The Group will continue to enhance the contents and applications of [copr2net.com](http://copr2net.com) with a view to fulfilling the needs of our customers.

Leveraging on our experience and capabilities on launching the first B2B ASP portal in Hong Kong, the Group started in July 2000 to explore the feasibility to launch the same service in the PRC and Taiwan markets with a view to capturing the emerging ASP market in the PRC and Taiwan. The Group has now formed a research and development team of about 25 members in Guangzhou, the PRC to supplement the core research and development team in Hong Kong. The Group is also studying the Taiwan market with a view to determining the market plans and strategies for the opening of Taiwan market.

### **ISP Services**

The Group will continue to upgrade its network system in order to provide the best service to customers. The Group is now under negotiation with local companies in the PRC, Taiwan and other regions with a view to forming co-operation in developing business in those regions.

The Directors believe that the prospect of the Group is promising and will continue to create valuable assets to the Group and increase the profitability of the Group.



## DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

### Interests in Share Capital

As at 12 July 2000 (the date on which dealings in the Shares first commenced on GEM), according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 of the GEM Listing Rules, the interests of Directors, chief executive and their associates in Shares were as follows:

Name	Type of interest	Number of Shares
Mr. Lee Chuen Bit	Corporate ( <i>note</i> )	649,242,469
Mr. Hung Hin Cheong	Corporate ( <i>note</i> )	649,242,469
Mr. Wong Siu Wa	Personal	99,502,779
Mr. Tsang Hing Lun	Personal	3,158,819

*Note:*

The Shares are held by Lit Cheong Holdings Limited, the issued share capital of which is equally and beneficially held by The Grand Nature Trust ("GNT") and The Grand Will Trust ("GWT").

Under the terms of GNT, certain members of the family of Mr. Lee Chuen Bit are potential capital beneficiaries of the trust (so that they may become capital beneficiaries of the trust). Mr. Lee Chuen Bit is not at present a potential capital beneficiary of GNT, but he is eligible to be declared as such pursuant to the existing provisions of the trust. Any of the potential capital beneficiaries may become a capital beneficiary if and when so declared as such pursuant to the applicable provisions of GNT, provided that he/she is not excluded under the provisions of the trust. Under the terms of the trust, the beneficiaries also include charities namely the Tung Wah Group of Hospitals, the Community Chest of Hong Kong, The Barbados Cancer Society and the Duke of Edinburgh's Award Scheme, if their respective purposes are recognised as exclusively charitable under Cayman Islands laws.

Under the terms of GWT, certain members of the family of Mr. Hung Hin Cheong are potential capital beneficiaries of the trust (so that they may become capital beneficiaries of the trust). Mr. Hung Hin Cheong is not at present a potential capital beneficiary of GWT, but he is eligible to be declared as such pursuant to the existing provisions of the trust. Any of the potential capital beneficiaries may become a capital beneficiary if and when so declared as such pursuant to the applicable provisions of GWT, provided that he/she is not excluded under the provisions of the trust. Under the terms of the trust, the beneficiaries also include charities namely the Tung Wah Group of Hospitals, the Community Chest of Hong Kong, The Barbados Cancer Society and the Duke of Edinburgh's Award Scheme, if their respective purposes are recognised as exclusively charitable under Cayman Islands laws.

## Interests in Share Options

Pursuant to the pre-IPO share option scheme of the Company adopted on 30th June 2000 (the "Pre-IPO Share Option Scheme"), options to subscribe for 20,000,000 Shares, were granted to Mr. Tsang Hing Lun, an executive Director on 2nd July 2000 (such options have a duration of 10 years from the date of grant of the options, and each is exercisable at an exercise price equals to the issue share price upon listing of the Shares and after six months from the date of listing of the Shares on GEM, but each shall lapse if the relevant grantee ceases to be employed by the Group).

Pursuant to the share option scheme of the Company adopted on 30 June 2000 (the "Share Option Scheme"), the Directors and employees of the Company and its subsidiaries may be granted share options to subscribe for the Shares subject to the following conditions:

- (1) the total number of Shares which may be acquired pursuant to the exercise of options under the Share Option Scheme and any other share option scheme of the Company (including the Pre-IPO Share Option Scheme), must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time;
- (2) subject to (1) above, the Company may seek approval by Shareholders of the Company ("Shareholders") in general meeting to grant options under the Share Option Scheme and any other share option scheme of the Company (other than Pre-IPO Share Option Scheme) entitling participants to acquire Shares pursuant to the exercise of options representing up to an aggregate of 10% of the issued share capital of the Company at the time of approval ("General Mandate Limit"), which may be renewed by Shareholders in general meeting from time to time;
- (3) subject to (1) above, the Company may seek a separate Shareholders' approval in general meetings to grant options beyond the General Mandate Limit to participants specified by the Company before such approval is sought;
- (4) if options are to be granted to a connected person (as defined in the GEM Listing Rules), the granting of such options will be subject to the approval of all independent non-executive Directors;

- (5) where options are proposed to be granted to a connected person who is also a Substantial Shareholder or any of his respective associates, and the proposed grant of options, when aggregated with the options already granted to that connected person in the past 12 month period, would entitle him to receive more than 0.1 per cent. of the total issued Shares for the time being and the value of which is excess of HK\$5 million, the granting of such options will be subject to approval of the independent Shareholders;
- (6) in seeking the approval of the independent Shareholders referred to in (5) above, the Company shall send a circular to its Shareholders and the circular must contain a generic description of the specified participants who will be granted options beyond the 0.1 per cent. limit, the number and terms of the options to be granted and the recommendation of the independent non-executive Directors on whether or not to vote in favour of the proposed grant; and
- (7) details of the options granted to the directors of the Company and its subsidiaries and other employees specified in Rule 23.08 of the GEM Listing Rules and a summary of the major terms of each share option scheme adopted by the Company shall be disclosed in the Company's interim reports as well as annual reports.

## **DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SECURITIES**

Save for the Pre-IPO Share Option Scheme and the Share Option Scheme, as at 12 July 2000, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

## **OUTSTANDING SHARE OPTIONS**

As at 12 July 2000 (the date on which dealings in the Shares first commenced on GEM), options to subscribe for an aggregate of 90,000,000 Shares had been granted to directors and employees of the Group pursuant to the Pre-IPO Share Option Scheme (the terms of which have been disclosed in the prospectus of the Company dated 6 July 2000), including options to subscribe for 20,000,000 Shares granted to Mr. Tsang Hing Lun, an executive Director and the balance to 7 employees of the Group.

Save as disclosed above, as at 30 June 2000 and the date of this report, no other options have been granted.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of Directors, chief executive and their associates, as at 12 July 2000, according to the register required to be kept under Section 16(1) of the SDI Ordinance, the following person was interested in 10% or more of the issued share capital of the Company.

Name	Number of Shares held
Lit Cheong Holdings Limited	649,242,469

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since dealings in the Shares only commenced on GEM on 12 July 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

## SPONSOR'S INTEREST

Immediately prior to the listing of Shares on GEM, 1,150,000 new Shares, representing 0.115% of the issued share capital of the Company immediately after listing of the Shares on GEM, have been placed to connected clients (as defined under the GEM Listing Rules) of First Shanghai Capital Limited ("First Shanghai"), being one of the Joint Sponsors of the Company.

Save as disclosed above, neither Kingsway Capital Limited and First Shanghai (the "Joint Sponsors") nor their associates have or may, as a result of the placing of new Shares prior to the listing of Shares on GEM ("Placing") have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

Save as disclosed above, no director or employee of the Joint Sponsors who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

Neither the Joint Sponsors nor their associates have accrued any material benefit as a result of the successful outcome of the Placing, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of placing and underwriting commission by First Shanghai and Kingsway SW Securities Limited, two of the underwriters pursuant to the placing and the underwriting agreement dated 5 July, 2000, and the documentation and financial advisory fee by the Joint Sponsors pursuant to the Joint Sponsors' agreement dated 28 December, 1999.

No director or employee of the Joint Sponsors has a directorship in the Company or any other company in the Group.

Immediately upon dealing in the Shares on GEM and pursuant to Rule 6.59 of the GEM Listing Rules, First Shanghai will act as the sole sponsor of the Company for a period up to 31 December 2002.

## COMPETING INTEREST

Save as the non-executive Director, Mr. Fan Ren Da, Anthony holds directorships in high technology and Internet-related companies, the Directors are not aware of, as at 12 July 2000, any business or interest of each director, initial management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## YEAR 2000 COMPLIANCE

The Group has successfully made the transition to the Year 2000 with all its systems functioning normally. The Directors are confident that the Group's computer systems are Year 2000 compliant.

## AUDIT COMMITTEE

As required by Rule 5.23 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems.

By Order of the Board  
**Lee Chuen Bit**  
*Chairman*

Hong Kong, 14 August 2000