



DigiTel Group Limited
(Incorporated in the Cayman Islands with limited liability)
Third Quarter Report 2008

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.

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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 NINE-MONTH PERIOD

- Achieved an increase of turnover by approximately 384%.
- Accomplished a net profit growth of approximately 282%.
- Increased basic earnings per share by approximately 270%, generating value enhancement to our shareholders.

RESULTS

On behalf of the board of directors (the “Directors”) of DigiTel Group Limited, I am pleased to present the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the nine months (the “Nine-Month Period”) and the three months (the “Quarterly Period”) ended 30 September 2000.

NINE-MONTH PERIOD

The unaudited consolidated profit attributable to shareholders of the Group for the Nine-Month Period was approximately HK\$15,638,000, representing an increase of approximately 282% as compared to the unaudited consolidated profit attributable to shareholders of the Group of approximately HK\$4,095,000 for the corresponding nine month period in 1999. The unaudited consolidated turnover of the Group for the Nine-Month Period was approximately HK\$19,477,000, representing a growth of approximately 384% over the unaudited consolidated turnover of the Group of approximately HK\$24,661,000 for the corresponding nine month period in 1999.

The unaudited net profit margin of the Group was approximately 13.09% for the Nine-Month Period which was slightly lower than the unaudited net profit margin of the Group of approximately 16.61% for the corresponding nine month period in 1999. The unaudited basic earnings per share was about HK\$1.682 cents for the Nine-Month Period, representing an increase of approximately 270% as compared to the unaudited basic earnings per share of about HK\$0.455 cents for the corresponding nine month period in 1999.

The significant increase in the unaudited consolidated profit attributable to shareholders of the Group for the Nine-Month Period as compared to the corresponding nine month period in 1999 is attributable to (i) the increase in number of system integration contracts in the Nine-Month Period which generated turnover of approximately HK\$95,583,000 as compared to turnover of approximately HK\$23,180,000 for the corresponding nine month period in 1999 and (ii) the new internet businesses of the Group in the Nine-Month Period which generated turnover of approximately HK\$12,129,000.

QUARTERLY PERIOD

The unaudited consolidated profit attributable to shareholders of the Group for the Quarterly Period was approximately HK\$2,248,000, representing an increase of approximately 44% as compared to the unaudited consolidated profit attributable to shareholders of the Group of approximately HK\$1,562,000 for the corresponding quarterly period in 1999. The unaudited consolidated turnover of the Group for the Quarterly Period was approximately HK\$34,702,000, representing a growth of approximately 231% over the unaudited consolidated turnover of the Group of approximately HK\$10,483,000 for the corresponding quarterly period in 1999.

The unaudited net profit margin of the Group was approximately 6.48% for the Quarterly Period which was approximately 56.51% lower than the unaudited net profit margin of the Group of approximately 14.90% for the corresponding quarterly period in 1999. The unaudited basic earnings per share was about HK\$0.228 cents for the Quarterly Period, representing an increase of approximately 31.03% as compared to the unaudited basic earnings per share of approximately HK\$0.174 cents for the corresponding quarterly period in 1999.

The unaudited consolidated results of the Group for the Nine-Month Period and the Quarterly Period 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 the nine months ended 30 September 2000, together with the unaudited comparative figures for the corresponding periods in 1999 are as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	34,702	10,483	119,477	24,661
Cost of sales		(9,739)	(7,763)	(51,869)	(16,179)
Gross profit		24,963	2,720	67,608	8,482
Other revenue		1,102	—	1,680	122
Selling and distribution costs		(5,880)	(194)	(12,447)	(593)
Administrative costs		(16,589)	(727)	(35,400)	(3,064)
Operating profit		3,596	1,799	21,441	4,947
Finance costs		(810)	(13)	(1,634)	(108)
Share of result of an associated company		(142)	—	(147)	—
Profit before taxation		2,644	1,786	19,660	4,839
Taxation	3	(396)	(224)	(4,022)	(744)
Profit attributable to shareholders		2,248	1,562	15,638	4,095
Earnings per share					
— basic (cents)	4	0.228	0.174	1.682	0.455
— diluted (cents)	4	0.227	N/A	1.676	N/A

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 September		For the nine months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
System integration contract revenue	29,041	9,570	95,583	23,180
Sale of goods and services at invoiced value, net of returns and discounts	3,469	499	7,424	856
Maintenance services income	2	5	2,611	216
Consultancy services income	—	409	1,730	409
Internet services income	2,190	—	12,129	—
	34,702	10,483	119,477	24,661

3. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hong Kong profits tax	396	138	4,022	658
Overseas taxation	—	86	—	86
	396	224	4,022	744

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

Overseas taxation represents tax on the estimated assessable profits of a subsidiary operating in the People's Republic of China excluding Hong Kong (the "PRC") at the applicable rate of 33% for the relevant periods.

During the three months and the nine months ended 30 September 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 and diluted earnings per share for the periods presented is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Earnings				
Profit for the period for the purpose of basic and diluted earnings per share	<u>2,248</u>	<u>1,562</u>	<u>15,638</u>	<u>4,095</u>
	Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>988,043,478</u>	<u>900,000,000</u>	<u>929,562,044</u>	<u>900,000,000</u>
Effect of dilutive potential ordinary shares on share options	<u>3,330,652</u>		<u>3,330,652</u>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>991,374,130</u>		<u>932,892,696</u>	

The number of shares used in the calculation of the basic earnings per share for the periods presented for 2000 is the weighted average of 900,000,000 ordinary shares issued upon the incorporation of the Company and reorganization of the Group prior to the initial public offering of its ordinary shares on 12 July 2000 which were deemed to have been issued since 1 January 1999 and 100,000,000 ordinary shares issued during the public listing on 12 July 2000.

The weighted average number of shares used in the calculation of the basic earnings per share for the periods presented for 1999 is based on the assumption that 900,000,000 ordinary shares issued upon the incorporation of the Company and reorganization of the Group prior to the initial public offering of its ordinary shares on 12 July 2000 which were deemed to have been issued since 1 January 1999.

Diluted earnings per share was not presented for the periods in 1999 because there were no dilutive potential ordinary shares in existence during the periods.

5. Movement in reserve

HK\$'000

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	(12,027)
Capital reserve arised on further investment in an associated company in the third quarter of 2000	1,680
	<hr/>
Goodwill reserve as at 30 September 2000	<u>(21,717)</u>

INTERIM DIVIDEND

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

BUSINESS REVIEW

The Group is principally engaged in system integration and engineering of broadband multimedia communication networks for public utilities and service providers in Hong Kong and the PRC, the provision of internet services, i.e. ASP services through the web-site www.corp2net.com and the provision of ISP services under the brand name of iGreatLink. For the Nine-Month Period, the Group saw a satisfactory growth in turnover and operating results over the same period of last year.

Revenue continued to be spurred from the Group's business of system integration and engineering of broadband multimedia communication networks. In addition to the fulfillment of contracts signed in 1999, the Group has successfully obtained new contracts in relation to voice over IP networks with PoPs in USA, China and Hong Kong.

In relation to the two major system intergration projects currently underway, i.e. Jinjiang Electric Power Company project and Zhongshan Electric Power Company Limited project, the progress is on schedule. All equipment has been delivered and installation work is on the final stage. Both projects are expected to be completed by the end of this year or the early of next year.

The Group has focused on the marketing of advanced broadband multimedia communication network, such as ATM and DWDM networks. During the Quarterly Period, the Group has emphasized on the project negotiation with a number of potential customers in the Guangdong Province of the PRC on turnkey project basis.

In February 2000, the Group launched its B2B ASP portal, corp2net.com, in Hong Kong. The Directors continued to enrich the content and applications provided in corp2net.com. One of the new applications introduced during the Quarterly Period is the WebBuilder. WebBuilder helps users to create their web sites, using the wizard-driven application in a more sophisticated presentation and interactive. Another application, which permits organizations to manage each comprising functions such as quotation, sales order, shipping document, invoice & shipping, purchase/procurement, inventory, financial accounting and project costing analysis. These applications are well received by our users.

In addition, the Group has been successfully awarded a pilot contract from the Education Department for the provision of an intranet portal building of web-based applications for data management of the secondary and primary schools in Hong Kong. This paths the way for the Group to a gradual revenue growth in this sector.

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 services including IPVPN, dedicated Internet access, broadband Internet access and content delivery service to them. The Group has continued to enhance the network. The Group has entered into agreements with Nortel Networks (Asia) Limited (“Nortel Networks”) on 23 August 2000 for the purchase of products from Nortel Networks of not less than HK\$60 million during the period up to 31 December 2001, of which approximately HK\$39 million will be financed by Nortel Networks by way of a 3-year deferred payment loan with conversion right. This would further enhance the network infrastructure of the internet businesses of the Group and increase the data transmission speed of the iGreatLink core network to as much as 19.2 terabits per second.

FUTURE PROSPECTS

Leveraging on the proven business strategy, the growing profit margin and steady net profit growth, the Group will continue to focus on the development of its existing core business units.

System Integration and Engineering of Broadband Multimedia Communication Networks

The Group will continue to explore new opportunities and will continue to promote the concept of integrated data network to quality customers. Marketing efforts will gear towards the promotion of new products and advanced technology. The Group will devote more marketing efforts to the establishment of business relationships with potential customers, in particular, the second carriers in the PRC and the ISPs in both Hong Kong and the PRC.

INTERNET SERVICES

The business development of the B2B ASP portal, corp2net.com, is on the right track towards a solid revenue model. With more new applications provided on service fee basis, the Group will gradually establish a steady income source. The Group will continue to fuel in new applications to corp2net.com to meet the needs of the corporate users, SMEs and Soho users. In particular, the Group will launch new applications such as Corp2Trust, a service which enables companies to exchange documents over the Internet in a highly secured manner so as to facilitate B2B transactions and the e CRM service which enable enterprises to manage their customers’ data in an efficient and effective way.

The Group will continue to upgrade its ISP network system to provide a high quality services to customers. The Group has been continuing to study the feasibility to penetrate its services into Taiwan and the PRC by either forming its own companies or alliance with local companies.

The Directors will preserve the best interest to shareholders and the Group will continue to exercise tight financial control and to explore new opportunities in cautious manner so as to create value to shareholders.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

Interests in Share Capital

As at 30 September 2000, 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 30 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 3 July 2000 (such options have a duration of 10 years from the date of grant of the options, and each is exercisable after six months from the date of listing of the Shares on GEM at an exercise price equals to the issue share price upon listing of the Shares, 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 months 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 30 September 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 30 September 2000, 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, no other options have been granted by the Company during the period from 12 July 2000 (the date on which dealings in the shares first commenced on GEM) to 30 September 2000.

CONVERTIBLE NOTE

Pursuant to the facility agreement (the "Agreement") dated 23 August 2000 and entered into between the Company, its subsidiary, iGreatLink.com Limited and Nortel Networks, on 25 October 2000, a US\$711,977.54 convertible note was issued to Nortel Networks which is exchangeable into shares of the Company, subject to the terms of the Agreement.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of directors, chief executive and their associates, as at 30 September 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

During the Nine-Month Period, 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 upon dealing in the Shares on GEM on 12 July 2000 and pursuant to Rule 6.59 of the GEM Listing Rules, First Shanghai Capital Limited ("First Shanghai") has received and will receive a fee for acting as the Company's retained sponsor for the period up to 31 December 2002.

As at 30 September 2000 and 13 November 2000, neither First Shanghai nor its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had 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.

COMPETING INTEREST

Save as the non-executive director, Mr. Fan Ren Da, Anthony who holds directorships in high technology and Internet-related companies, the Directors are not aware of, as at 30 September 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 November 2000