



DigiTel Group Limited

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report

2002

Listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited

Stock Code : 8030

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This document, for which the directors (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 (the “GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, 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 THREE-MONTH PERIOD

- The Group's turnover was approximately HK\$0.6 million.
- Loss attributable to shareholders was approximately HK\$11 million.
- The Directors do not recommend the payment of an interim dividend.

RESULTS

The Directors are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months (the "Three-Month Period") ended 31 March 2002, together with the unaudited comparative figures for the corresponding period as follows:

		For the three months ended 31 March	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	2	628	15,168
Cost of sales		(258)	(10,573)
Gross profit		370	4,595
Other revenues		601	484
Selling expenses		–	(2,362)
Administrative expenses		(11,051)	(16,254)
Operating loss		(10,080)	(13,537)
Finance costs		(991)	(684)
Share of losses of associated companies		–	(223)
Loss before taxation		(11,071)	(14,444)
Taxation	3	–	–
Loss after taxation		(11,071)	(14,444)
Minority interests		–	1,214
Loss attributable to shareholders		(11,071)	(13,230)
Basic loss per share (cents)	4	(1.064)	(1.323)

Notes:

1. Group reorganisation and basis of preparation

The results have been prepared under the historical cost convention as modified by the revaluation of investment property, investment securities and financial asset, in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

On 30 June 2000, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation (the “Reorganisation”) which included exchange of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated results of the Group for the year ended 31 December 1998 include the results of the Company and its subsidiaries with effect from 1 January 1998 or since their respective dates of incorporation, where this is a shorter period, as if the current group structure had been in existence throughout the year ended 31 December 1998.

All significant intercompany transactions and balances within the Group are 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 31 March	
	2002 HK\$'000	2001 HK\$'000
System integration contracts revenue	–	3,108
Sale of goods and services at invoiced value, net of returns and discounts	83	2,900
Customized solution services income	537	685
Web application services income	8	3,321
Internet service provider services income	–	3,782
Maintenance services income	–	859
Consultancy services income	–	513
	628	15,168

3. Taxation

	For the three months ended 31 March	
	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax	—	—

No provision for Hong Kong profits tax for the Three-Month Period and the corresponding three months period ended 31 March 2001 has been made as the Group has no estimated assessable profit.

During the Three-Month Period, no profits or income tax was charged on the associated companies of the Group. Accordingly, there was no share of taxation in the associated companies.

4. Loss per share

The calculation of basic loss per share for the Three-Month Period is based on the Group's loss attributable to shareholders of HK\$11,071,000 (three months ended 31 March 2001: loss of HK\$13,230,000) and the weighted average of 1,040,730,792 shares (three months ended 31 March 2001: 1,000,000,000 shares).

There is no dilution arising from the outstanding share options granted by the Company, the convertible notes and convertible debentures issued by the Group. Accordingly, no diluted loss per share for the Three-Month Period is presented. There were no potential dilutive shares during the corresponding three month period ended 31 March 2001.

5. Movement in reserves

	<i>HK\$'000</i>
Share premium	
At 1 January 2002 and 31 March 2002	<u>36,533</u>
At 1 January 2001 and 31 March 2001	<u>10,978</u>
	<i>HK\$'000</i>
(Accumulated losses)/Retained earnings	
At 1 January 2002	(100,934)
Loss for the Three-Month Period	<u>(11,071)</u>
At 31 March 2002	<u>(112,005)</u>
At 1 January 2001	9,713
Loss for the three months ended 31 March 2001	<u>(13,230)</u>
At 31 March 2001	<u>(3,517)</u>
	<i>HK\$'000</i>
Capital reserve on consolidation	
At 1 January 2002 and 31 March 2002	<u>59,368</u>
At 1 January 2001 and 31 March 2001	<u>37,521</u>
	<i>HK\$'000</i>
Investment revaluation reserve	
At 1 January 2002 and 31 March 2002	<u>–</u>
At 1 January 2001 and 31 March 2001	<u>(30,102)</u>
	<i>HK\$'000</i>
Exchange reserve	
At 1 January 2002 and 31 March 2002	<u>(67)</u>
At 1 January 2001 and 31 March 2001	<u>–</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Three-Month Period (2001: Nil).

BUSINESS REVIEW AND OUTLOOK

For the Three-Month Period, the Group's turnover is HK\$0.6 million, representing a 96% decrease from HK\$15.2 million for the same period in the previous year. The Group recorded a loss attributable to shareholders HK\$11 million for the Three-Month Period as compared to the loss of HK\$14.4 million for the same period in the previous year.

During the Three-Month Period, the Group has not concluded new system integration contracts, despite the fact that marketing and product promotion activities have never been halted. In addition, the Group has geographically extended its marketing activities in Anhui Province and Fujian Province of the PRC. As at 31 March 2002, the Group has actively pursued 6 new projects.

The turnover from customized solution services represents the income derived from the design and implementation of web-based intranet application service for the Education Department of the Hong Kong SAR Government.

The administrative expenses for the Three-Month Period was reduced by 32% as compared to the same period in the previous year. This is attributable to the fact that tighter financial control in operating expenses and fixed assets investment has been strictly implemented with a view to preserve the Group's competitive edges and enhance the efficiency.

The Directors foresee that the competition in system integration and engineering service of broadband multimedia communication networks will continue to be keen. However, the Group will continue to explore new business opportunities with a view to broaden the income base of the Group and create value to the shareholders.

DIRECTORS' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 March 2002, 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 the Directors, chief executive and their associates in shares of the Company were as follows:

Name	Type of interest	Number of shares of the Company
Mr. Lee Chuen Bit	Corporate (<i>note</i>)	643,242,469
Mr. Wong Siu Wa	Personal	50,502,779

Note:

The shares of the Company 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.

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.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SECURITIES

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Save for the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and the share option scheme (the "Share Option Scheme") of the Company, both were adopted on 30 June 2000, as at 31 March 2002, 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 31 March 2002, options to subscribe for an aggregate of 30,000,000 shares of the Company had been granted 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).

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 of the Company first commenced on GEM) to 31 March 2002.

SUBSTANTIAL SHAREHOLDER

Other than the interests disclosed above in respect of directors, chief executive and their associates, as at 31 March 2002, according to the register of substantial shareholders 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 of the Company held
Lit Cheong Holdings Limited	643,242,469

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

During the Three-Month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SPONSOR'S INTEREST

Immediately upon dealing in the shares of the Company 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 31 March 2002 and 10 May 2002, 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 interests 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 31 March 2002, 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.

AUDIT COMMITTEE

In compliance with Rules 5.23 to 5.25 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, 13 May 2002