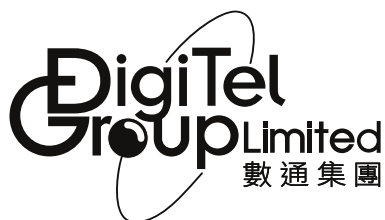


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## **DIGITEL GROUP LIMITED**

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

### **WRITS ISSUED AGAINST THE GROUP AND ITS LATEST FINANCIAL POSITION**

Further to the announcement of the Company dated 17th June, 2002 in relation to the First Writ, the Directors announce that:—

- a) the Second Writ was issued against the Defendants on 11th March, 2002;
- b) the Third Writ was issued against the Company on 1st June, 2002;
- c) the Fourth Writ was issued against the Company on 26th June, 2002;
- d) the Fifth Writ was issued against the Company on 5th July, 2002;
- e) the Sixth Writ was issued against the Company on 2nd September, 2002;
- f) the Seventh Writ was issued against the Company on 18th September, 2002;
- g) the First Claim was filed against DCAL on 20th July, 2002; and
- h) the Second Claim was filed against DCAL on 29th July, 2002 and was withdrawn on 26th August, 2002.

The Company has on 16th July, 2002 received a letter of Deloitte Touche Tohmatsu informing the Company that the First Receivers have been appointed by ICBC in respect of the investment property owned by a subsidiary of the Company to secure credit facilities granted to the Company by ICBC in relation to the First Writ.

The Company has on 16th August, 2002 received a letter of Baker Tilly informing the Company that the Second Receiver has been appointed by Nortel in respect of the Company's equipment subject to a deed of charge in favour of Nortel. The Company is currently negotiating with Nortel alternatives of settling the outstanding amount.

DCAL has on 2nd September, 2002, received the IRD Demand issued by the IRD.

The Company and iGreatLink have on 24th September, 2002 received the Demand from KEF.

As at 25th September, 2002, the Group has cash at bank of approximately HK\$730,000. To strengthen the financial position and the development of the Group, the Company is in the course of negotiations with investors for an investment of around HK\$30 million into the Company (which may include a short term facility of up to HK\$5 million). No agreement has been entered into by the Company as at the date of this announcement. The parties have yet to agree whether the proposed investment is to be in the form of debt or equity or a combination of both. The investment may or may not proceed. If it proceeds, it may or may not constitute a notifiable transaction of the Company under the GEM Listing Rules. **If such investments do not crystallise and if no alternative sources of funding are available to the Company and/or alternative payment arrangements agreed between the parties concerned, the Company may have insufficient working capital for maintaining its daily operations and may have difficulties in settling its debts when they fall due or when judgements are entered against the Group in respect of the Writs, the IRD Demand and the Demand.**

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 2nd July, 2002. The Company has requested that the trading in the shares of the Company be continued to be suspended until the release of an announcement in relation to a proposed investment into the Company and compliance with the relevant requirements of the GEM Listing Rules.

This announcement is made in accordance with Rule 17.10 of the GEM Listing Rules. Further to the announcement of the Company dated 17th June, 2002 in respect of the First Writ, the Directors announce that the following writs were issued against the Group:-

### **The Second Writ**

On 11th March, 2002, the Second Writ was issued and subsequently amended on 22nd August, 2002 by The Center (65) against the Defendants. In the Second Writ, The Center (65) claims against Regal Policy for alleged failure to pay a sum of HK\$1,190,851.45 being the arrears of rent, air conditioning and management charges, rates and government rents up to 31st March, 2002 and due to the withdrawal of rent free period, a monthly sum of HK\$317,410.00 being the rent or mesne profits, HK\$49,637.50 per month being air-conditioning charges and management charges, Government rates at the quarterly rate of HK\$27,150.00 and Government rent at the quarterly rate of HK\$16,290.00 from 1st April, 2002 up to the date of delivery of vacant possession and other damages pursuant to the First Tenancy Agreement in respect of the First Premises. The Center (65) also claims against Asia Tech, DGL and Just Growth as the guarantors in respect of the obligations of Regal Policy under the First Tenancy Agreement. A subsequently re-amended defence was filed by the Defendants on 5th September, 2002. Vacant possession of the First Premises has been delivered to The Center (65) on 9th May, 2002. The Group has settled all rental payment with The Center (65) under the First Tenancy Agreement up to 31st March, 2002 and its three months deposit of HK\$1,177,325.00 for the First Premises is still being retained by The Center (65).

Regal Policy is negotiating with The Center (65) but no settlement has been finalised yet. As vacant possession of the First Premises has been delivered to The Center (65) and the said three months deposit has been retained by The Center (65), the Company does not consider that it has material obligations to pay any further sums to The Center (65) under the Second Writ and therefore the Second Writ was not mentioned in the announcement of the Company dated 17th June, 2002.

### **The Third Writ**

On 1st June, 2002, the Third Writ was issued by Elegance against the Company for failure to pay for printing services provided to the Company for an outstanding sum of HK\$160,849.31. A defence was filed by the Company on 26th June, 2002 which denies all the allegations of Elegance. The Company is currently seeking independent legal advice on its rights and further defence against Elegance and to date, no payment has been made to Elegance in respect of the sums claimed. The Company was advised by its independent legal advisor that it has a valid defence. As a result, the Company does not consider that it has material obligations to pay the alleged claims under the Third Writ and therefore it was not mentioned in the announcement of the Company dated 17th June, 2002.

### **The Fourth Writ**

On 26th June, 2002, the Fourth Writ was issued by the Plaintiffs against the Company. Pursuant to the indorsement of claim on the Fourth Writ, the Plaintiffs claim against the Company for a sum of US\$1,736,133 (approximately HK\$13,541,837.40) for breach of an agreement for redemption of convertible debentures dated 3rd December, 2001 between the Plaintiffs and the Company, details of which are set out in the announcement of the Company dated 7th December, 2001 and for failure by the Company to make timely payments pursuant to a subscription agreement dated 23rd March, 2001 between the Plaintiffs and the Company, details of which are set out in the announcement of the Company dated 23rd March, 2001 and 3rd April, 2001. The Company has filed its defence on 27th July, 2002. A judgement was entered against the Company on 26th August, 2002. The Company has filed an appeal on 5th September, 2002. For information, the last payment date under the agreement for redemption of convertible debentures was on 28th February, 2002 and no payment has been made by the Company from that day and thereafter. The Company is currently negotiating with the Plaintiffs to revise the payment schedule.

### **The Fifth Writ**

On 5th July, 2002, the Fifth Writ was issued by Compaq Finance against the Company for a sum of HK\$8,701,201.29 in respect of lease of computer equipment for the period from 1st March, 2002 to 30th August, 2003. Pursuant to the endorsement of claim of the Fifth Writ, Compaq Finance claims against the Company in relation to two lease guarantees provided by the Company to Compaq Finance to guarantee the performance and payment obligations of iGreatLink, pursuant to a lease agreement for lease of computer equipment. The Company filed its defence on 13th August, 2002. In the meanwhile, the Company has already submitted a settlement proposal for Compaq Finance's consideration. Compaq Finance has re-possessed the computer equipment. The re-possession of the computer equipment will not have any significant impact on the daily business operations of the Group.

### **The Sixth Writ**

On 2nd September 2002, the Sixth Writ was issued by The Center (43) against Regal Policy. In the Sixth Writ, The Center (43) claims against Regal Policy for alleged failure to pay rent for the period from 1st June 2002 to the expiry date under the Second Tenancy Agreement. The alleged total amount claimed against Regal Policy is HK\$4,398,421.89. The Group is currently seeking legal advice in respect of the Sixth Writ. Vacant possession was delivered on 1st August, 2002.

## **The Seventh Writ**

On 18th September, 2002, the Seventh Writ was issued by FSCL against the Company. In the Seventh Writ, FSCL claims against the Company a total sum of HK\$698,333.33 for failure to pay its monthly retainer fees for the period from 31st August, 2001 to 17th September, 2002 and advisory fees. FSCL terminated as continuing sponsor of the Company pursuant to Rule 6.61 of the GEM Listing Rules on 18th September, 2002. The Company is currently seeking legal advice in respect of the Seventh Writ. A separate announcement was made by the Company dated 26th September, 2002 containing the details of the Seventh Writ and the resignation of FSCL as continuing sponsor of the Company.

## **Appointment of First Receivers**

On 16th July, 2002, the Company received a letter of Deloitte Touche Tohmatsu informing the Company that the First Receivers were appointed by ICBC in respect of the investment property owned by a subsidiary of the Company used to secure credit facilities granted to the Company by ICBC. The Company is currently negotiating with ICBC alternatives of settling the outstanding amount under the First Writ. As the property was held for investment purpose, the appointment of the First Receivers in relation to the investment property will not have any significant impact on the Group's daily business operations. For information, the investment property was put on auction on 18th September, 2002 by the First Receivers but was not disposed of at the auction as the reserve price was not met.

## **The First Claim**

On 20th July, 2002, the First Claim was filed by 2 ex-employees for a total sum of HK\$99,708.20. DCAL disputed portion of the sum and reached settlements for the sum of HK\$86,300 with the claimants to the First Claim. The Labour Tribunal issued a settlement order on 16th August, 2002. DCAL will settle the amount in 4 monthly instalments. The first instalment was paid on 15th September, 2002.

## **The Second Claim**

On 29th July, 2002, the Second Claim was filed by 6 ex-employees for a total sum of HK\$664,133.00. The total sum of HK\$664,133.00 was disputed by DCAL as all these ex-employees have been legitimately terminated and the 6 ex-employees agreed to waive their entitled benefits. The Second Claim was heard on 26th August, 2002 and was withdrawn by the 6 ex-employees on 26th August, 2002.

## **Appointment of Second Receiver**

On 16th August, 2002, the Company received a letter of Baker Tilly informing the Company that the Second Receiver has been appointed by Nortel in respect of Company's equipment subject to a deed of charge in favour of Nortel. The equipment was purchased by iGreatLink and was financed partly by cash and partly by the issue of convertible notes by the Company and title will only pass upon the repayment by the Company of the principal amount of the convertible notes. The Company has returned the equipment to Nortel and is currently negotiating with Nortel alternatives of settling the outstanding amount due to Nortel of US\$738,508.16 (approximately HK\$5,760,363.65). After the re-possession of the equipment by Nortel, the Group will no longer be able to resell the equipment.

## **The IRD Demand**

On 2nd September, 2002, DCAL has received the IRD Demand issued from the IRD for the sum of HK\$340,619.00 being profits tax for the year of assessment 2000/01. The Company is currently negotiating with the IRD to pay the outstanding profits tax by instalments.

## **The Demand**

On 24th September, 2002, the Company received the Demand issued by KEF demanding payment for the sum of US\$503,087.30 (approximately HK\$3,924,080.94) pursuant to a master lease agreement between KEF and iGreatLink dated 22nd June, 2001 for lease of equipment; and a guarantee issued by the Company on 22nd June, 2001 in favour of KEF to guarantee the obligations of iGreatLink under the master lease agreement. The Company is currently negotiating with KEF with a view to settle the Demand. KEF has on 12th September, 2002 repossessed all the equipment. However, there is no significant impact on the Group's daily business operations.

Apart from the actions against the Group disclosed in this announcement, in the announcement of the Company dated 17th June, 2002 and the announcement of the Company dated 26th September, 2002, there are no material outstanding writs, claims and litigations against the Group. The Company is currently seeking independent legal advice in relation to the Writs, the IRD Demand and the Demand. Further announcements will be made as and when appropriate.

The Company has been negotiating with its creditors and has proposed to settle portion of the outstanding amounts by issuing shares and convertible bonds of the Company. As at the date of this announcement, no such settlement has been finalised and the Company may or may not settle its outstanding amounts to its creditors by issuing new shares or convertible bonds. In relation to the day to day operation, the Company will continue to sell its stock-at-hand and take immediate action to recover its accounts receivables to generate cash inflow.

The Group confirms that the repossession of the equipment by Compaq Finance, KEF and Nortel with an aggregate net book value of HK\$6,763,000 as at 30th June, 2002 out of the total net book value of total fixed assets and inventories of HK\$35,205,000 will not have any significant impact on the Group's operation as the Group has downsized its business operations and does not require the use of such equipment for its day to day business operations.

## The Latest Financial Position of the Group

The unaudited consolidated profit and loss account of the Group for the 3 months ended 30th June, 2002 and for the 6 months ended 30th June, 2002 are as follows:–

		<b>Unaudited</b>	<b>Unaudited</b>
		<b>3 months ended</b>	<b>6 months ended</b>
		<b>30/6/2002</b>	<b>30/6/2002</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		2,992	3,809
Cost of sales		<u>(3,367)</u>	<u>(3,625)</u>
Gross (loss)/profit		(375)	184
Other revenues		269	681
Administrative expenses		(11,485)	(22,536)
Loss on disposal/write off of fixed assets	<i>1</i>	(10,843)	(10,843)
Provision for diminution in value of inventories	<i>2</i>	<u>(11,259)</u>	<u>(11,259)</u>
Operating loss		(33,693)	(43,773)
Finance costs		<u>(3,832)</u>	<u>(4,823)</u>
Loss before taxation		(37,525)	(48,596)
Taxation		<u>–</u>	<u>–</u>
Loss after taxation		<u><u>(37,525)</u></u>	<u><u>(48,596)</u></u>

The unaudited consolidated balance sheet of the Group as at 30th June, 2002 and the audited consolidated balance sheet of the Group as at 31st December, 2001 are as follows:–

	<i>Note</i>	<b>Unaudited 30/6/2002 HK\$'000</b>	<b>Audited 31/12/2001 HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	3	23,946	39,475
Interests in associates		721	721
Investment securities	4	51,000	51,000
Financial asset	5	10,500	10,500
		86,167	101,696
<b>Current assets</b>			
Inventories	2	11,259	23,432
Trade and other receivables	6	42,763	52,515
Bank and cash balances		634	2,282
		54,656	78,229
<b>Current liabilities</b>			
Trade and other payables		21,653	19,546
Borrowings – current portion	7	18,057	9,010
Convertible debentures	8	11,700	12,870
Provision for taxation		1,029	1,609
Trust receipt loans	7	9,954	9,558
Bank overdrafts	7	9,762	13,637
		72,155	66,230
<b>Net current (liabilities)/assets</b>		<u>(17,499)</u>	<u>11,999</u>
<b>Total assets less current liabilities</b>		68,668	113,695
<b>Non-current liabilities</b>			
Borrowings – long term portion	7	<u>(8,577)</u>	<u>(14,720)</u>
<b>NET ASSETS</b>		<u><u>60,091</u></u>	<u><u>98,975</u></u>
Financed by:			
<b>CAPITAL AND RESERVES</b>			
Share capital		114,073	104,073
Deficits		<u>(53,982)</u>	<u>(5,098)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>60,091</u></u>	<u><u>98,975</u></u>

Note 1: The loss for the six months ended 30th June, 2002 including a loss of HK\$10.8 million on the disposal of fixed assets, arising from the disposal of surplus equipment and furniture and the write off of leasehold improvements and fixtures due to the relocation of the Group's offices.

Note 2: (a) This includes the Nortel equipment the value of which amounts to HK\$3.51 million. Nortel has appointed the Second Receiver in respect of such equipment.

(b) The Directors are currently reviewing whether any further provisions are required. In the meantime the Directors consider that it is necessary to make a general provision of approximately HK\$11 million against the inventories as at 30th June, 2002 (out of which approximately HK\$3.51 million are provisions made for the Nortel equipment). The ageing analysis of inventories after the provision is as follows:–

	<i>HK\$'000</i>
0-12 months	7,871
Over 1 year	3,388
	<hr/>
	11,259
	<hr/> <hr/>

Note 3: The total fixed assets include the investment property valued at approximately HK\$19 million which is subject to the First Writ and an amount of HK\$3,160,000 which is subject to the Fifth Writ and the Demand.

Note 4: The investment securities represent 17% equity interest held by the Group in Netpolis Communication Hong Kong Limited, a company incorporated in the British Virgin Islands and principally engaged in telecommunication services in Hong Kong, the PRC and overseas. The amount was stated at cost as at both 30th June, 2002 and 31st December, 2001. Further details of the above acquisition are set out in the announcement of the Company dated 2nd January, 2002 and the circular dated 22nd January, 2002. As disclosed in the circular of the Company dated 22nd January, 2002, the proforma unaudited net liabilities of Netpolis Communication Hong Kong Limited group as at 31st December, 2001 was HK\$7.5 million. Based on the valuation report dated 31st December, 2001 prepared by American Appraisal Hongkong Limited, an independent valuer, the approximate value of Netpolis Communication Hong Kong Limited group as a whole as at 30th November, 2001 was H\$300 million. The Directors consider that no provisions in the investment should be made in the meantime since there have been no major changes in the operation of Netpolis Communication Hong Kong Limited since 31st December, 2001.

Note 5: The financial asset is the Option Asset valued at fair value. Pursuant to an agreement dated 30th November, 2001 entered into by the Group and two Independent Third Parties, the Group agreed to purchase from the Independent Third Parties the Option to acquire the Option Asset. The total fees for the grant of the Option is HK\$10.5 million. The Group has the total discretion to exercise the Option in parts or in full within a term of 5 years from the date of the agreement. The exercising of the Option is subject to relaxation on the restrictions in foreign investments in Internet companies under the PRC's laws and regulations. The purchase price for acquiring the Option Asset would be computed proportionately in accordance with the higher of HK\$60 million or the net book value of GZ Rui Xin according to the prevailing PRC accounting regulations at the date of exercise. GZ Rui Xin was incorporated on 11th April, 2000 and is a domestic limited liability company organised and existing under the laws of the PRC with a total registered capital of RMB 57 million. The net book value of GZ Rui Xin is approximately RMB 55.9 million as at 31st October, 2001. GZ Rui Xin has obtained all necessary approvals to operate as a provider of Internet services at various cities in the Guangdong Province. The value of GZ Rui Xin, as valued by Grant Sherman Appraisal Limited, an independent valuer was RMB 88 million as at 31st December, 2001. The trade and other receivables referred to in Note 6 below include approximately HK\$13.5 million due from GZ Rui Xin to the Group, being money advanced to it by the Group in connection with an Internet access project.

The basis of the fees for the grant of Option was based on arm's length commercial negotiation between the Company and the shareholders of GZ Rui Xin. In addition, the Company has taken into account the following:–

- (a) the current stringent restrictions in foreign investments in Internet companies in the PRC;
- (b) GZ Rui Xin has already obtained various business licences to operate Internet related business;



(c) the market potential of GZ Rui Xin; and

(d) the registered capital of GZ Rui Xin was RMB 57 million and was fully paid-up.

*Note 6:* The trade and other receivables as at 30th June, 2002 include HK\$32,801,000 advance payments made in respect of two Internet access projects in China and a voice over IP project in Hong Kong. The balance of HK\$9,962,000 comprises HK\$5,563,000 trade receivables, HK\$2,302,000 prepayments and deposits and HK\$2,097,000 for sundry receivables. The advance payments were unsecured and interest free and were made to an Independent Third Parties. The Company has been recovering partial payments from the Independent Third Parties in relation to the advance payments. The Directors do not consider any provision is necessary as the Company is recovering these receivables and will consider if any provision is necessary in the 3rd quarter report of 2002. The ageing analysis of such receivables are as follows:-

<b>Advance Payments</b>	<i>HK\$ '000</i>	<b>Latest Recovery as at 31st August, 2002</b> <i>HK\$ '000</i>
4-6 months	2,136	–
7-9 months	25,179	2,400
10-12 months	184	–
Over 1 year	5,302	117
	<u>32,801</u>	<u>2,517</u>

<b>Trade Receivables, Prepayments and Deposits; and Sundry Receivables</b>	<i>HK\$ '000</i>	<b>Latest Recovery as at 31st August, 2002</b> <i>HK\$ '000</i>
0-3 months	339	76
4-6 months	678	11
7-9 months	2,768	212
10-12 months	325	1
Over 1 year	5,852	–
	<u>9,962</u>	<u>300</u>

*Note 7:* Approximately HK\$25,035,000 is subject to the First Writ and HK\$10,746,000 is subject to the Fifth Writ and the Demand.

*Note 8:* Approximately HK\$11,700,000 is subject to the Fourth Writ issued against the Company by the Plaintiffs.

*Note 9:* The Company has given unconditional guarantees to a financial institution to secure a short-term loan granted to an Independent Third Party who is a business partner of the Group for short term cash flow purpose to the extent of approximately HK\$27,142,000. As at 30th June, 2002, an amount of HK\$4,857,000 was due to this business partner and has been recorded in the accounts. This amount was due to the Independent Third Party by the Company and therefore the net contingent liability of this guarantee to the Company and the Group is approximately HK\$22,285,000. The guarantee was released on 28th August 2002.

*Note 10:* The Directors estimate that the maximum claim of the Writs, the IRD Demand and the Demand are approximately HK\$58,728,000, out of which a total sum of HK\$54,110,000 has been recorded in the interim accounts for the six months ended 30th June, 2002. In the event that final judgements and/or orders are entered against the Group for the disputed amounts, the Group would incur additional liabilities of a total estimated sum of HK\$4,618,000, in which no provision have been made for in the interim accounts of the Group for the six months ended 30th June, 2002.

## **The Operations of the Group**

The Group is principally engaged in the provision of system integration services and engineering of broadband multimedia communication networks for public utilities and service providers in Hong Kong and the PRC. There has been no change in the principal business since the listing of the Company on 12th July, 2000. The Group employed 153 persons when listed. The Group currently employs 10 employees as at the date of this announcement. The reduction of the number of employees were due to business needs of the Group. The existing employees consist of 2 directors, 1 senior management, 1 qualified accountant, 1 accounting clerk, 1 human resources and administration staff and 5 technical staff.

The Group is currently engaged in two system integration projects which are running concurrently for a total contract sum of approximately HK\$3.3 million for Independent Third Parties. These include a system integration project for an extranet system in Hong Kong (which project is expected to complete by November, 2002 and has a contract sum of approximately HK\$1,390,000); and a project which involves the provision of system integration services for a communication backbone project in the PRC (which is expected to complete by the end of the year 2002 and has a contract sum of approximately HK\$1,740,000). In addition, the Group is also engaged in a radio system project in the PRC (which is expected to be completed by mid-2003 and has a contract sum of approximately HK\$45 million). This project has not yet commenced, however, once the technical planning has been accepted and confirmed by the clients, the Company will proceed to make relevant purchases of equipment for the project. Further details of the radio system project are set out below. The Company confirms that it has not received any money for the extranet project and has received approximately HK\$1.3 million for the communication backbone project.

In addition to the above 3 projects, the Group has been engaged in two Internet access projects for initial investment purposes in the Guangdong Province (which is expected to commence in the first quarter of 2003 and to be completed by the end of 2004 once commenced). The Group has since October, 2001 advanced an aggregate of approximately HK\$27 million temporary project funds to business partners for these Internet access projects so that they can secure relevant licences, undertake various feasibility studies and construct various facilities. Generally, the Group makes temporary advance funding for specific projects which may ultimately become the Group's investment. The advance made will be recovered when the project commences to generate income.

### **The Radio System Project**

As disclosed above, one of the projects on hand of the Company to be commenced is the radio system project (with a contract sum of approximately HK\$45 million). The technical planning for the radio system project was submitted by the hardware vendor in August 1999 and the Company entered into a system integration project contract on 1st June, 2000. As this project involves a number of different parties, the technical planning document has been revised and resubmitted on numerous occasions during the past two years for clients' consideration. The project has not yet commenced, however, once the technical planning has been accepted and confirmed by the clients, the Company will proceed to make relevant purchases of equipment for the project. The Company has obtained verbal assurance from all parties that the project is still ongoing and is pending the approval of the technical planning of the application by the client and of a new frequency and bandwidth to be granted by the Central Government of the PRC. The Company's technical partner is responsible for the technical issues involved with the project and for the feasibility study of the project. The PRC client is responsible for the submission of the frequency application for approval by the relevant authorities in the PRC. The funding required for the purchase of equipment will be deposited by the clients. So far, no money has been distributed as the technical planning has yet to be accepted and confirmed by the clients. As a result, no income

has been recognised for the financial years ended 2000 and 2001 and for the 6 months ended 30th June 2002 in relation to the Radio System Project.

## Potential Investment

As at 25th September, 2002, the Group has cash at bank of approximately HK\$730,000. To strengthen the financial position and the development of the Group, the Company is in the course of negotiations with investors who are Independent Third Parties, for an investment of around HK\$30 million into the Company (which may include a short term facility of up to HK\$5 million). No agreement has been entered into by the Company and the Independent Third Parties as at the date of this announcement. The parties have yet to agree whether the proposed investment is to be in the form of debt or equity or a combination of both. The investment may or may not proceed. If it proceeds, it may or may not constitute a notifiable transaction of the Company under the GEM Listing Rules. Based on the current discussions, the Company does not expect the proposed investment to result in a change in the control of the Company or a person incurring an obligation under the Hong Kong Code on Takeovers and Mergers to make a mandatory offer for all the shares of the Company. **If such investments do not crystallise and if no alternative sources of funding are available to the Company and/or alternative payment arrangements agreed between the parties concerned, the Company may have insufficient working capital for maintaining its daily operations and may have difficulties in settling its debts when they fall due or when the judgments are entered against the Group in respect of the Writs, the IRD Demand and the Demand.**

Trading in the shares of the Company was suspended at the request of the Company with effect from 9:30 a.m. on 2nd July, 2002. The Company has requested that the trading in the shares of the Company be continued to be suspended until the release of an announcement in relation to a proposed investment into the Company and compliance with the relevant requirements of the GEM Listing Rules.

## Definitions

“Asia Tech”	Asia Tech Holdings Limited, an associate of the Company of which 49% is indirect owned by the Company with the remaining 51% held by an Independent Third Party
“Company”	DigiTel Group Limited, a company incorporated in the Cayman Islands with limited liability
“Compaq Finance”	Compaq Financial Services (Hong Kong) Limited
“DCAL”	DigiTel Communication (Asia) Limited, an indirect wholly owned subsidiary of the Company
“Defendants”	Asia Tech, Just Growth, DGL, and Regal Policy
“Demand”	a demand issued by KEF
“DGL”	DigiTel Group (BVI) Limited, formerly known as DigiTel Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company

“Directors”	the directors of the Company
“Elegance”	Elegance Finance Printing Services Limited
“Fifth Writ”	the writ under HCA 2604/2002 issued by Compaq Finance against the Company
“First Claim”	a claim (no. LBTC6760/2002) filed pursuant to the Labour Tribunal Ordinance (Cap. 25) against DCAL
“First Premises”	Units 6507-6510, 65th Floor, The Center, 99 Queen’s Road Central, Hong Kong
“First Receivers”	two of its employees of Deloitte Touche Tohmatsu were appointed as receivers and managers in respect of a property of the Company
“First Tenancy Agreement”	the tenancy agreement in respect of the First Premises between The Center (65) and Regal Policy dated 16th May, 2000
“First Writ”	the Writ issued by ICBC, details of which are set out in the announcement of the Company dated 17th June, 2002
“Fourth Writ”	the writ under HCA 2466/2002 issued by the Plaintiffs against the Company
“FSCL”	First Shanghai Capital Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“GZ Rui Xin”	Guangzhou Rui Xin Communication Technology Company Limited
“ICBC”	Industrial and Commercial Bank of China (Asia) Limited
“iGreatLink”	iGreatLink.com Limited, an indirect wholly owned subsidiary of the Company
“Independent Third Party”	an independent third party not connected with the directors, chief executive, management shareholders or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the GEM Listing Rules
“IRD”	Inland Revenue Department
“IRD Demand”	a demand issued by the IRD against DCAL
“Just Growth”	Just Growth Investments Limited, an indirect wholly owned subsidiary of the Company

“KEF”	Key Equipment Finance Asia Limited
“Nortel”	Nortel Networks (Asia) Limited
“Option”	an irrevocable option to acquire 100% equity of GZ Rui Xin
“Option Asset”	100% equity interest in GZ Rui Xin
“Plaintiffs”	Strong River Investments Incorporated and Montrose Investments Limited
“PRC”	The People’s Republic of China
“Regal Policy”	Regal Policy Limited, an indirect wholly owned subsidiary of the Company
“Second Claim”	a claim (no. LBTC7090/2002) filed pursuant to the Labour Tribunal Ordinance (Cap. 25) against DCAL
“Second Premises”	the entire 43rd Floor, The Center, 99 Queen’s Road Central, Hong Kong
“Second Receiver”	Rupert James Purser of Baker Tilly
“Second Tenancy Agreement”	the tenancy agreement in respect of the Second Premises between The Center (43) and Regal Policy dated 18th April, 2000
“Second Writ”	the writ under HCA 956/2002, issued by The Center (65) against the Defendants;
“Seventh Writ”	the writ under HCA 3579/2002, issued by FSCL against the Company
“Sixth Writ”	the writ under HCA 3356/2002, issued by The Center (43) against Regal Policy
“The Center (43)”	The Center (43) Limited
“The Center (65)”	The Center (65) Limited
“Third Writ”	the writ under DCCJ 3361/2002 issued by Elegance against the Company
“Writs”	the First Writ, the Second Writ, the Third Writ, the Fourth Writ, the Fifth Writ, the Sixth Writ and the Seventh Writ

By order of the Board  
**DigiTel Group Limited**  
**Lee Chuen Bit**  
*Chairman*

Hong Kong, 4th October, 2002

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days of its posting.*