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## THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION

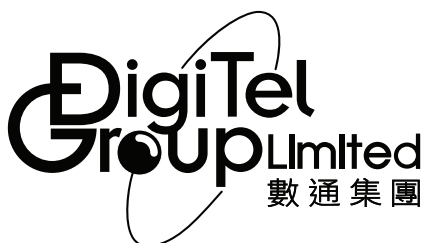
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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in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

This circular, for which the directors of DigiTel Group Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to DigiTel Group Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**If you are in doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in DigiTel Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



## DIGITEL GROUP LIMITED

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

### GENERAL MANDATE FOR THE REPURCHASE BY THE COMPANY OF ITS OWN SHARES

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This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of posting.

6 August, 2003

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**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET  
("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED  
(THE "STOCK EXCHANGE")**

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock 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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## LETTER FROM THE BOARD OF DIRECTORS

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### **DIGITEL GROUP LIMITED**

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

*Directors:*

Lee Chuen Bit (*Chairman*)

Hon Chak Sang

Leung Ka Kui, Johnny<sup>#</sup>

Ho Chiu Kee<sup>#</sup>

<sup>#</sup> *Independent Non-executive Directors*

*Registered office:*

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

*Head office and principal*

*place of business:*

Room 1408A

West Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

6 August, 2003

*To the shareholders of the Company*

Dear Sir or Madam,

### **GENERAL MANDATE FOR THE REPURCHASE BY THE COMPANY OF ITS OWN SHARES**

#### **INTRODUCTION**

At the preceding annual general meeting of DigiTel Group Limited (the “Company”) held on 29 April 2002, the directors of the Company (the “Directors”) were granted a general mandate to repurchase the shares of HK\$0.10 each in the capital of the Company (the “Shares”) on the Growth Enterprise Market (“GEM”) operated by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Repurchase Mandate”). The Repurchase Mandate will expire at the conclusion of the forthcoming annual general meeting of the Company (the “Annual General Meeting”) convened for the financial year ended 31 December, 2002 to be held at

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## LETTER FROM THE BOARD OF DIRECTORS

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Room 1609, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 16 September, 2003 at 3:00 p.m. At the Annual General Meeting, a resolution will be proposed to renew the Repurchase Mandate to enable the Directors to repurchase the Shares on GEM.

The Repurchase Mandate would continue in force until the conclusion of the first annual general meeting of the Company following the passing of the resolution at which time it shall lapse unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or revoked or varied by ordinary resolution of the shareholders of the Company (the “Shareholders”) in general meeting, whichever occurs first.

Under the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”), the Company is required to give to the Shareholders all information which is reasonably necessary to enable the Shareholders to make an informed decision as to whether to vote for or against the resolution to renew the grant to the Directors of a repurchase mandate. This circular is prepared for such purpose. The explanatory statement required by the GEM Listing Rules is set out in the appendix of this circular.

### **THE REPURCHASE MANDATE**

Set out on pages 3 to 6 of the annual report of the Company in respect of the financial year ended 31 December, 2002 is a notice of the forthcoming Annual General Meeting to be held at Room 1609, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on 16 September, 2003 at 3:00 p.m. At the Annual General Meeting, and as part of the special business of that meeting, an ordinary resolution will be proposed to grant a general mandate to the Directors to exercise the powers of the Company to purchase the Shares up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the resolution.

### **ACTION TO BE TAKEN**

Whether or not you intend to attend the Annual General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong branch registrars, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting. The return of a form of proxy will not preclude you from attending and voting in person if you so wish.

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## LETTER FROM THE BOARD OF DIRECTORS

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### RECOMMENDATION

The Directors believe that the exercise of the Repurchase Mandate is in the best interests of the Company and the Shareholders. The exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that a repurchase of Shares will benefit the Company and the Shareholders.

An exercise of the Repurchase Mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31 December, 2002, being the date of its latest audited report and accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing level of the Company.

Accordingly, the Directors recommend that all Shareholders should vote in favour of the Repurchase Mandate.

Yours faithfully  
By order of the board of Directors  
**Lee Chuen Bit**  
*Chairman*

This appendix serves as an explanatory statement, as required by the GEM Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

## **1. GEM LISTING RULES RELATING TO THE REPURCHASE OF SHARES**

The GEM Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their shares on GEM subject to certain restrictions, the more important of which are summarized below. The Company is empowered by its articles of association to repurchase its own shares.

### **Shareholders' approval**

The GEM Listing Rules provide that all shares purchases on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions.

### **Source of funds**

Repurchase must be funded out of funds which are legally available for the purpose in accordance with the articles of association of the company and the laws of Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the laws of Cayman Islands, a company may repurchase its shares out of the proceed of a fresh issue of shares made for the purpose. Any amount of premium payable on a repurchase over the par value of the shares may be effected out of funds of the company which would otherwise be available for dividend or distribution or out of the company's share premium account. Capital can be used if the company will be solvent following such payment.

### **Suspension of purchase**

The GEM Listing Rules prohibit any purchase of shares at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of the company's annual results or the publication of the company's half year report or quarterly report, the company may not purchase shares on GEM, unless the circumstances are exceptional.

### **Connected parties**

The GEM Listing Rules prohibit the company from knowingly purchasing its own shares on GEM from a "connected person", that is, a director or chief executive or substantial shareholder or management shareholder or their respective associates (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company on GEM.

## 2. SHARE CAPITAL

As at 5 August, 2003, being the latest practicable date prior to the printing of this circular (the “Latest Practicable Date”), the issued share capital of the Company comprised 1,140,730,792 shares of HK\$0.1 each (the “Shares”).

Subject to the passing of the Repurchase Mandate and on the basis that no Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 114,073,079 Shares which equivalent to a maximum of 10 per cent. of the issued share capital of the Company.

## 3. REASONS FOR THE REPURCHASE

The Directors believe that the proposed Repurchase Mandate is in the best interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that a repurchase of Shares will benefit the Company and the Shareholders.

## 4. FUNDING OF REPURCHASE

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the articles of association of the Company, the GEM Listing Rules and the applicable laws of Cayman Islands. A company may not repurchase its shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Pursuant to the Repurchase Mandate, repurchase would be funded entirely from the Company’s available cash flow or working capital facilities which will be funds legally available under the laws of Cayman Islands for the purpose.

There could have a material adverse impact on the working capital and gearing position of the Company (as compared with the position disclosed in the most recent audited financial statement for the year ended 31 December, 2002) in the event that the proposed repurchase were to be carried out in full at any time during the proposed repurchase period. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing level of the Company.

## 5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on GEM during each of the last twelve months preceding the Latest Practicable Date were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
August 2002 to July 2003 ( <i>Note 1</i> )	N/A	N/A

*Note 1:* By the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 2 July, 2002 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.

## **6. UNDERTAKING**

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of Cayman Islands and in accordance with the articles of association of the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any associates of the Directors have a present intention to sell any Shares to the Company under the Repurchase Mandate if such is approved by the Shareholders.

As at the Latest Practicable Date, no connected person of the Company (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell any Shares to the Company or has any such connected person undertaken not to sell any of the Shares held by him to the Company in the event that the Repurchase Mandate is passed.

## **7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If a shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purpose of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

As at the Latest Practicable Date, by virtue of Part XV of the Securities and Futures Ordinance (Disclosure of Interests), Lit Cheong Holdings Limited ("Lit Cheong"), which is a substantial shareholder of the Company, was interested in 643,242,469 Shares, representing approximately 56.39% of the issued share capital of the Company. In the event that the Repurchase Mandate is exercised in full, the interest of Lit Cheong in the Company will be increased to approximately 62.65% of the issued share capital of the Company and Lit Cheong will not be obliged to make a mandatory offer under Rule 26 of the Code.

## **8. SHARE REPURCHASE MADE BY THE COMPANY**

The Company had not purchased any of the Shares (whether on GEM or otherwise) in the previous 6 months up to the date of this circular.