



DIGITEL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8030)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR 2005

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

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This announcement, 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 of Hong Kong Limited 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.

HIGHLIGHTS FOR THE NINE-MONTH PERIOD RESULTS

- Loss attributable to shareholders was approximately HK\$1.4 million.
- The Directors do not recommend the payment of an interim dividend.

RESULTS

The Directors announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months (the “Nine-Month Period”) and the three months (the “Three-Month Period”) ended 30 September 2005 together with the comparative unaudited figures for the corresponding period of last year as follows:

	<i>Note</i>	(Unaudited)		(Unaudited)	
		For the three months ended 30 September		For the nine months ended 30 September	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	265	733	1,084	3,034
Cost of sales		(191)	(246)	(510)	(1,233)
Gross profit		74	487	574	1,801
Gain on waiver of debts due to creditors		–	2,879	–	45,378
Other revenues		–	–	3	826
Administrative expenses		(250)	(627)	(1,446)	(2,401)
Operating (loss)/profit		(176)	2,739	(869)	45,604
Finance costs		(178)	(191)	(538)	(963)
Recovery of impairment of investment securities		–	–	–	126
Loss/profit before taxation		(354)	2,548	(1,407)	44,767
Taxation	3	–	–	–	–
Loss/profit attributable to shareholders		(354)	2,548	(1,407)	44,767
Loss/earnings per share	5				
Basic (cents)		(0.031)	0.22	(0.123)	3.92

Notes:

1. Basis of preparation

The results have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards.

The results are unaudited but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation of the results are the same as those used in the preparation of the Group's audited financial statements for the year ended 31 December 2004.

2. Turnover

The Group's turnover by principal activities is analysed as follows:

	(Unaudited)		(Unaudited)	
	For the three months ended	30 September	For the nine months ended	30 September
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
System integration contracts revenue	–	180	–	940
Energy saving contracts revenue	265	553	1,084	553
Desutpurisation contracts revenue	–	–	–	1,400
Rental income	–	–	–	141
	<u>265</u>	<u>733</u>	<u>1,084</u>	<u>3,034</u>

3. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits during the periods.

No potential deferred tax assets have been made during the periods as it is uncertain whether the amounts will crystallise in the foreseeable future.

4. Dividend

The Directors do not recommend the payment of an interim dividend for ordinary shares for the Nine-Month Period (2004: Nil).

5. Loss/earnings per share

The calculation of basic loss/earnings per share for the Three-Month Period and Nine-Month Period are based on the loss attributable to shareholders of approximately HK\$354,000 and HK\$1,407,000 respectively (for the three months and nine months ended 30 September 2004: profit HK\$2,548,000 and HK\$44,767,000) and the weighted average of 1,140,730,792 (for the three months and nine months ended 30 September 2004: 1,140,730,792) ordinary shares in issue.

6. Reserves

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Capital reserve on consolidation <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2005	36,247	(226,060)	59,368	–	(130,445)
Loss for the six months ended 30 June 2005	–	(1,053)	–	–	(1,053)
As at 30 June 2005	36,247	(227,113)	59,368	–	(131,498)
Loss for the three months ended 30 September 2005	–	(354)	–	–	(354)
As at 30 September 2005 (Unaudited)	<u>36,247</u>	<u>(227,467)</u>	<u>59,368</u>	<u>–</u>	<u>(131,852)</u>
As at 1 January 2004	36,247	(269,796)	59,368	(67)	(174,248)
Exchange realignment	–	–	–	67	67
Profit for the six months ended 30 June 2004	–	42,219	–	–	42,219
As at 30 June 2004	36,247	(227,577)	59,368	–	(131,962)
Profit for the three months ended 30 September 2004	–	2,548	–	–	2,548
As at 30 September 2004 (Unaudited)	<u>36,247</u>	<u>(225,029)</u>	<u>59,368</u>	<u>–</u>	<u>(129,414)</u>

7. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the Nine-Month Period, the Group is principally engaged in the marketing activities of energy saving and desulphurisation services in Hong Kong and the PRC.

The Group has focused on the energy saving service for commercial and residential buildings in Hong Kong and the PRC.

Besides, the Group is pursuing business opportunity for the implementation of desulphurisation system to power plants located in the PRC. The Group currently negotiating with a main contractor for the provision of consultancy service for the procurement of overseas equipment for a power plant project located in the northern part of the PRC.

The Directors are optimistic to the prospects of the Group. The Directors believe that the strategy of the Group will ultimately create value to its shareholders.

FINANCIAL REVIEW

For the Nine-Month Period, the Group turnover was approximately HK\$1.1 million, representing a 63% decrease from approximately HK\$3.0 million for the corresponding period in 2004. The Group recorded a loss attributable to shareholders approximately HK\$1.4 million for the Nine-Month Period, which compared to the profit attributable to shareholders approximately HK\$44.8 million recorded in the corresponding period in 2004.

Turnover mainly comprises of income from energy saving services of approximately HK\$1.1 million.

The administrative expenses for the Nine-Month Period were approximately HK\$1.4 million, being reduced by 40% as compared to the corresponding period in 2004. The administrative expenses mainly comprises of employee remunerations, legal and professional fee and marketing expenses.

SHARE OPTION SCHEME

Under the share option scheme (the “Share Option Scheme”) of the Company adopted on 30 June 2000, the Directors and employees of the Group may be granted share options to subscribe for shares of the Company at an exercise price determined by the Directors and shall be no less than the higher of (i) the closing price of the shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. The total number of shares, which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other option scheme of the Company, must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time. The maximum number of shares in respect of which options may be granted to any one director or employee shall not be more than 25% of the number of shares in respect of all the options granted under the Share Option Scheme. A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option. The options are exercisable within a period not less than 3 years and not more than 10 years from the date of grant. No share options were granted under the Share Option Scheme since its adoption.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests and short positions of the directors and chief executive in the shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in shares

(a) The Company

Name	Type of interests	Number of shares of the Company	Percentage of issued shares
Mr. Lee Chuen Bit (Note 1)	Corporate	643,242,469	56.39%

Note 1

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 recognized as exclusively charitable under Cayman Islands laws.

(b) Associated Corporations

No long positions of directors and chief executive in shares of associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules.

Long positions in underlying shares and debentures

No long positions of directors and chief executive in underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules.

Short positions in shares, underlying shares and debentures

No short positions of directors and chief executive in shares, underlying shares of equity derivatives and debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of equity derivatives of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long positions in shares

Name	Capacity	Type of interests	Number of shares of the Company	Percentage of issued shares
Lit Cheong Holdings Limited (Note 1 and 2)	Beneficial owner	Corporate	643,242,469	56.39%
Grand Nature (Cayman) Limited (Note 1)	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Grand Nature Corp (Note 1)	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Grand Will (Cayman) Limited (Note 2)	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Grand Will Limited (Note 2)	Interest of a controlled corporation	Corporate	643,242,469	56.39%
Royal Bank of Canada Trust Company (Cayman) Limited (Note 3)	Trustee	Corporate	643,242,469	56.39%
Mr. Ho Lok Cheong (Note 4)	Trustee	Personal	543,242,469	47.62%

Note 1

Grand Nature (Cayman) Limited holds 100% equity interests in Grand Nature Corp. Grand Nature Corp holds 50% equity interests in Lit Cheong Holdings Limited.

Note 2

Grand Will (Cayman) Limited holds 100% equity interests in Grand Will Limited. Grand Will Limited holds 50% equity interests in Lit Cheong Holdings Limited.

Note 3

Royal Bank of Canada Trust Company (Cayman) Limited is the trustee of Grand Nature (Cayman) Limited and Grand Will (Cayman) Limited.

Note 4

Mr. Ho Lok Cheong holds the shares of the Company for Lit Cheong Holdings Limited as its trustee.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares and underlying shares

No short positions of other persons and substantial shareholders in the shares and underlying shares of equity derivatives of the Company were recorded in the register.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Pursuant to the Share Option Scheme of the Company, the Directors and employees of Group may be granted share options to subscribe for shares of the Company at an exercise price. During the Nine-Month Period, no options were granted or exercised by the Directors and as at 30 September 2005, there were no outstanding options which were granted to the Directors.

Apart from the above, neither the Company nor any of its subsidiaries nor its holding company 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.

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.

COMPETING INTEREST

The Directors are not aware of, as at 30 September 2005, any business or interest of each director, 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 5.28 to 5.33 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 comprises three independent non-executive directors, namely Mr. Ha Kee Choy Eugene, Mr. Ho Chiu Kee and Mr. Leung Ka Kui Johnny. The principal duties of the audit committee's 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, 9 November 2005

As at the date hereof, Mr. Lee Chuen Bit is the chairman and executive director; Mr. Hon Chak Sang is the executive director; Mr. Ha Kee Choy, Eugene, Mr. Ho Chiu Kee and Mr. Leung Ka Kui, Johnny are the independent non-executive directors of the Company.

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