

**DIGITEL GROUP LTD**  
**THIS IS A FIVE-CUSTOMER COMPANY**

It is probably well that Management of DigiTel Group Ltd opted for a Placement of shares instead of a public Offering -- because it is doubtful that many people would have applied for the shares in this start-up, Internet engineering company.

It only has 5 customers, you know.

Management of DigiTel must know something rather ethereal than we, mere mortals, because it has Placed 100 million, 10-cent shares at a Premium of between 85 cents per share and \$HK1 per share.

And it appears to be extremely confident to pull it off, successfully.

The money, raised in this exercise, is to be used for research and development, marketing and promotional activities, beefing up the Group's Internet infrastructure, buying into other companies, and, lastly, the establishment of a sales and customer support service centre in Guangzhou, the People's Republic of China (PRC).

The Net Proceeds of this Placement, amounting to about \$HK90.50 million, is to be carried over until the year 2002, according to the Prospectus of the Company.

DigiTel was established in about 1998 although Messrs Lee Chuen Bit and Hung Hin Cheong, the co-Founders of the Group, had been working together prior to that date.

The Company describes its activities as being '*system integration and engineering of broadband multimedia communication networks for public utilities and service providers in Hong Kong and the PRC*', according to Page One of the Prospectus.

Between January 1, 1998 and December 31, 1999, DigiTel earned, in aggregate, \$HK14,164,000, that being the Profit Attributable to Shareholders.

It paid a Dividend of \$HK10 million in respect of the 1999 Financial Year, ended December 31, clearing out the cash, just prior to going public on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

The following is the Company's Trading Record for those 2 Financial Years:

	Financial Year Ended December 31	
	1998	1999
	(All Figures are Denominated in \$HK'000)	
<b><u>Turnover:</u></b>		
System integration and engineering of broadband multimedia communications equipment	31,211	37,313
Distribution of digital and multimedia communication equipment	2,127	4,750
Maintenance of digital communication equipment	242	239
Provision of consultancy services	<u>277</u>	<u>408</u>
<b><u>TOTALS</u></b>	<b><u>33,857</u></b>	<b><u>42,710</u></b>

Profit Before Taxation	6,949	9,751
Taxation	(1,478)	(1,058)
Profit Attributable to Shareholders	5,471	8,693

Reference is clearly given in the Prospectus to the fact that, in the 1998 Financial Year, 93.94 percent of the Turnover was brought about by work, carried out in the PRC for and on behalf of PRC Governmental bodies, while the remaining 6.06 percent of the volume of activity of this Company was conducted in the Hongkong Special Administrative Region (HKSAR) of the PRC.

In the 1999 Financial Year, 33.67 percent of that Year's Turnover was derived from activities in the PRC, again, for and on behalf of PRC Governmental bodies, with the remaining 66.33 percent of the volume of activity, coming from the HKSAR.

So, in addition to this Company, having just 5 customers, it, also, has only 2 areas of operation, at this time: The HKSAR and the PRC.

And this weakness is being attacked, now, it seems, with Management, hoping to form alliances in order to create what Management terms: *'Provision of total communication and Internet solutions to its customers in the future by combining its experience and technical networks and provision of ISP (Internet Service Provider) and ASP (Application Service Provider) services ...'*.

The idea is that such provision of services by DigiTel can cause it to be a one-stop-shop provider, thus promoting inter-business and intra-business, with DigiTel, being the cashier, standing at the Internet door, collecting its due rewards, as customers finish their transactions.

All well and good.

The trouble is that hundreds of other companies ... [CLICK TO ORDER FULL ARTICLE](#)

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