



大誠電訊科技有限公司
TS Telecom Technologies Limited

(Incorporated in the Cayman Islands with limited liability)

3rd Quarter Report 1999/2000



Monitoring System



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This announcement, for which the directors of T S Telecom Technologies Limited 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 T S Telecom Technologies Limited. 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

- Achieved a net profit of HK\$31,400,000 for the nine months period. The amount represents 44.33% of the turnover.
- Earnings per share rose by 189%, generating further returns to our shareholders.
- Capitalizing on the PRC's growing telecommunications market as the PRC's entry into the World Trade Organization and completion of restructuring its telecommunications industry, the Group set up new PRC headquarters in Shenzhen and expanded its sales network to other regions in the PRC.
- With increasing opportunities in Southeast Asia, the Group is formulating business strategies to cope with the new markets' demand.
- The Group is ready to launch a new series of power monitoring system, specially designed for the 50,000 plus mobile phone based stations in the PRC. New products will also be introduced to meet the growing trend of using fiber optics and broadband applications.

RESULTS

The Board of Directors (the "Board") of T S Telecom Technologies Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31st December, 1999 together with the comparative unaudited figures for the corresponding periods in 1998 as follows:

	<i>Notes</i>	Three months ended 31st December,		Nine months ended 31st December,	
		1999	1998	1999	1998
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Power monitoring equipment		27,913	12,375	55,411	60,483
Cable monitoring equipment		2,706	7,272	14,336	18,207
Network access equipment and other equipment		98	5,764	1,079	19,117
Total turnover		30,717	25,411	70,826	97,807
Cost of sales		(5,024)	(14,670)	(19,052)	(55,121)
Gross profit		25,693	10,741	51,774	42,686
Other revenue		4,273	1,632	4,559	668
Distribution costs		(2,405)	(2,884)	(5,823)	(7,711)
Administrative expenses		(9,245)	(9,596)	(21,924)	(26,481)
Operating profit/(loss)		18,316	(107)	28,586	9,162
Finance costs		(51)	(91)	(89)	(14)
Share of profit of an associated company		253	871	624	2,287
Profit before taxation		18,518	673	29,121	11,435
Taxation credit/(charge)	2	2,860	(470)	2,279	(1,136)
Profit after taxation		21,378	203	31,400	10,299
Earnings per share	3				
– Basic		10.1 cents	0.1 cent	16.2 cents	5.6 cents



Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands on 24th August, 1999 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. In preparation for the listing of the Company's shares on GEM, a group reorganisation was effected whereby the Company became the holding company of the Group. The shares of the Company were listed on GEM on 2nd December, 1999.

The consolidated results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The consolidated results of the Group comprise the consolidation of the results of the Company and all its subsidiaries as at 31st December, 1999 and the results for the periods ended 31st December, 1999 and 1998, which were prepared on a merger basis as if the current group structure had been in existence throughout the periods, or since the respective dates of incorporation/ establishment or acquisition of the respective subsidiaries now comprising the Group, whichever is a shorter period. In the opinion of the Board, the accounts prepared on the above basis present fairly the consolidated results of the Group as a whole.

2. Taxation credit/(charges)

Hong Kong profits tax has been provided at the rate of 16% (three months and nine months ended 31st December, 1998: 16%) on the estimated assessable profits for the periods. PRC income tax has been provided at the applicable rates of taxation on the estimated assessable profits for the periods.

	Three months ended		Nine months ended	
	31st December, 1999	1998	31st December, 1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
Hong Kong profits tax – credit/(charge)	3,182	(132)	3,050	(343)
PRC income tax charge	(284)	(173)	(632)	(355)
	<u>2,898</u>	<u>(305)</u>	<u>2,418</u>	<u>(698)</u>
Associated company				
PRC income tax charge	(38)	(165)	(139)	(438)
	<u>(38)</u>	<u>(165)</u>	<u>(139)</u>	<u>(438)</u>
	<u>2,860</u>	<u>(470)</u>	<u>2,279</u>	<u>(1,136)</u>

3. Earnings per share

The calculation of the Group's basic earnings per share for the three months and nine months ended 31st December, 1999 is based on the Group's profit attributable to shareholders of approximately HK\$21,378,000 and HK\$31,400,000 (three months and nine months ended 31st December, 1998: approximately HK\$203,000 and HK\$10,299,000) and the weighted average number of approximately 211,487,000 shares and 193,761,000 shares (three months and nine months ended 31st December, 1998: approximately 184,800,000 shares) respectively in issue during the respective periods. In determining the weighted average number of shares, a total of approximately 3,500,000 shares issued on the establishment of the Company and reorganisation of the Group and a further 181,300,000 shares being the capitalisation issue immediately following the new issue of shares to the public were deemed to have been issued since 1st April, 1998.

There is no diluted earnings per share for the three months and nine months ended 31st December, 1999 since the Company has no potential dilution of earnings per share during the periods.

INTERIM DIVIDEND

A dividend of HK\$170 per ordinary share, totalling HK\$17,000,000, was declared and paid by a subsidiary, T S International Company Limited ("TSI"), during the five months ended 31st August, 1999 to T S Telecom Ltd. ("TST"), a then shareholder of TSI prior to the Group reorganisation and is now the ultimate holding company of the Group. The payment was made in form of an accounting entry to eliminate the TSI's current account with TST. Hence, the Group's cash position was not affected.



Except for the above dividend, the Directors do not recommend the payment of an interim dividend for the nine months ended 31st December, 1999.

BUSINESS REVIEW AND PROSPECTS

Financial Performance

The Group's third quarter results for the 1999/2000 fiscal year showed a strong recovery of business and soar in profit. Turnover for the nine months ended 31st December, 1999 amounted to approximately HK\$70,826,000, whereas gross profit and profit attributable to shareholders amounted to approximately HK\$51,774,000 and HK\$31,400,000 respectively.

During the earlier period of the fiscal year, the Group's business was affected by the restructuring of the telecommunications regulators in the PRC. The restructuring has resulted in a general slow down of telecom investments for the country. Such restructuring is now largely completed and the Group expects to regain momentum in its rapid growth.

The Group is extremely pleased with the success of vertical integration and reengineering of its business process. As a result, profit after taxation as a percentage of turnover for the three months and nine months ended 31st December, 1999 are 69.60% and 44.33% respectively.

Prospects

The Market Place

PRC

The Group is proceeding in full speed to position itself to capitalize on the PRC's growing telecommunications demands and opportunities from its entry into the World Trade Organization. Along with the anticipated completion of restructuring of the telecommunications industry on the mainland, growth of business from the customers in the PRC is expected to be more rapid in the coming years.

Southeast Asia

The Group has been approached by enterprises from Southeast Asian countries for business opportunities, both in their local markets and Greater China. The Group is now formulating business strategies to cope with the demands from these new markets.

New Products

PowerCom for Mobile Base Stations

The Group is now in its final stage to launch its new series of power monitoring systems, specially designed for the 50,000 plus mobile phone based stations in the PRC. Sales contracts on these systems are expected to be forthcoming by June 2000.

Fibersmart

The Fibersmart system is still under field trial at Beijing Telecom and Shanghai Telephone Office. Sales contracts are expected to be forthcoming immediately upon completion of the field trial targeted in June 2000.

*Broadband Access Equipment*

The Group is now actively working with the Broadband Access Office of the Shanghai Telephone Office and Beijing Telecom to develop product strategies and standards for the broadband applications.

Gas Turbine Generators

The Group is at the final stage of forming D & T Engineering Co., Ltd., Harbin, the Group's joint venture with Harbin Dongan Engine (Group) Co., Ltd. Sales contracts are expected to be forthcoming by the end of June 2000 and production is expected to be commenced by the end of July 2000.

ISDN

The Group is preparing for the formation of Beijing Wei Fan Communication Equipment Co, Ltd., a joint venture to produce ISDN equipment.

New PRC Headquarters

To cope with rapid growth of its business, the Group is currently setting up a new PRC headquarters in Shenzhen and it is expected to be completed in February 2000.

New Sales Offices

Expansion of sales network is a part of the main focus of the Group for the year. The Group has been conducting feasibility studies in setting up new sales offices in Wuhan, Changchun and Jinan to capture the market potential in these regions.

DIRECTORS' INTEREST IN SHARES AND OPTIONS

As at 31st December, 1999, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

Directors	Personal interest	Family interest	Corporate interest	Other interest	Total no. of shares	Approximate percentage holding of shares %
Mr. Lau See Hoi (Note 1)	–	–	168,960,000	–	168,960,000	64.00
Mr. Chong Tak Wah (Note 2)	–	–	–	168,960,000	168,960,000	64.00
Mr. Wong Weng (Note 3)	–	–	–	168,960,000	168,960,000	64.00
Mr. Hung, Randy King Kuen	360,000	–	–	–	360,000	0.14

*Notes:*

1. These shares are held by T S Telecom Ltd., (“TST”), the ultimate holding company of the Company, in which Mr. Lau holds 6,839,250 shares (representing approximately 34.1% of all issued shares of TST) together with an option to subscribe for 400,000 common shares in TST.
2. These shares are held by TST in which Mr. Chong Tak Wah holds 1,865,250 shares (representing approximately 9.3% of all issued shares of TST) together with an option to subscribe for 300,000 common shares in TST.
3. These shares are held by TST in which Mr. Wong Weng holds 2,604,000 shares (representing approximately 13% of all issued shares of TST) together with an option to subscribe for 300,000 common shares in TST.

Save as disclosed above, as at 31st December, 1999, none of the Directors and their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register maintained under Section 29 of the SDI Ordinance or which required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Exchange.

The Company has a share option scheme (the “Scheme”) under which the directors may take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The maximum number of shares which can be granted under the Scheme may not exceed 10% of the issued share capital of the Company at the time of granting of the option. No option had been granted under the Scheme during the periods under review or outstanding as at 31st December, 1999.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the periods under review was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 1999, the register of substantial shareholders maintained under Sections 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company’s issued share capital.

Name of shareholder	Number of shares
T S Telecom Ltd.	168,960,000

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.



SPONSOR'S INTERESTS

The Company's sponsor, Dao Heng Securities Limited ("Dao Heng Securities"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), were interested in 950,000 and 6,214,000 shares of HK\$0.10 each in the share capital of the Company as at 31st December, 1999 and 8th February, 2000 respectively.

Pursuant to the agreement dated 1st December, 1999 entered into between the Company and Dao Heng Securities, Dao Heng Securities has received and will receive a fee for acting as the Company's retained sponsor for the period from 2nd December, 1999 to 31st March, 2002.

YEAR 2000 COMPLIANCE RESULTS

The Board is pleased to announce that all accounting and financial applications in the Group were fully compliant and therefore, the fear of Year 2000 compliance issue did not create any material adverse impact on the business operations in all functional areas.

AUDIT COMMITTEE

The Company established an audit committee on 18th November, 1999 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The audit committee has three members comprising an Executive Director, Mr. Lau See Hoi, and the two Independent Non-Executive Directors, Mr. Tang Chi Keung and Mr. Wong Kai Tat.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the periods.

By Order of the Board
T S Telecom Technologies Limited
Lau See Hoi
Chairman

Hong Kong, 9th February, 2000

The Company's web site address:

<http://www.tstelecom.com>

<http://www.irasia.com/listco/hk/tstelecom>

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