



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



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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

- Turnover was approximately HK\$28,618,000 for the first quarter ended 30th June 2001, a significant increase in turnover by 307 % from approximately HK\$7,026,000 for the same period of last year.
- Net profit attributable to shareholders was approximately HK\$4,082,000 for the first quarter ended 30th June 2001 versus a net loss of HK\$6,238,000 for the first quarter of last year.
- As at 30th June 2001, the Group had approximately \$86,857,000 or \$0.31 per share of cash on hand.

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 ended 30th June 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Notes	Three months ended	
		2001	2000
		HK\$'000	HK\$'000
Power monitoring equipment		21,005	2,018
Cable monitoring equipment		2,770	1,257
Network access equipment		2,168	2,566
Other equipment		2,675	1,185
Total turnover		28,618	7,026
Cost of sales		(8,303)	(3,394)
Gross profit		20,315	3,632
Other revenues		939	1,796
Selling and distribution costs		(4,072)	(1,217)
Administrative expenses		(12,873)	(10,129)
Operating profit/(loss)		4,309	(5,918)
Finance costs		(61)	(7)
Share of profits/(loss) of associated companies		128	(266)
Profit/(loss) before taxation		4,376	(6,191)
Taxation	2	(489)	(75)
Profit/(loss) after taxation		3,887	(6,266)
Minority interests		195	28
Profit/(loss) for the period and attributable to shareholders		4,082	(6,238)
Earnings/(loss) per share — Basic	3	1.4 cents	(2.4) cents

Notes:

1. Basis of preparation

The accounts have been prepared under the historical cost convention as modified by the revaluation of investment securities and in accordance with generally accepted accounting principles in Hong Kong.

2. Taxation

No provision for Hong Kong profits tax has been made as the Group companies operating in Hong Kong have no assessable profit for the three months ended 30th June 2001 and 2000. Income tax in the People's Republic of China (the "PRC") has been provided at the applicable rates of taxation on the estimated assessable profits for the periods.

The Group's PRC subsidiaries, T S Telecom (Shenzhen) Company Limited and Ying Zhi Xun Telecom Equipment (Shenzhen) Co. Ltd., are under the Income Tax Law of the PRC for Enterprises with Foreign Investment, entitled to an income tax holiday for two years from the first profit making year and a 50% reduction of income tax for the following three years. The first profit making year, for tax purposes, for the PRC subsidiaries is the year ended 31st December 1999.

Another subsidiary, Beijing Kong Da Net Telecommunication Equipment Ltd. is, under the Income Tax Law of the PRC for Enterprises with Foreign Investment, entitled to an income tax holiday for three years from its fiscal year ended 31st December 2000 and a 50% reduction of income tax for the following three years.

A subsidiary, Beijing Telecom Science-Soft Information System Co., Ltd. and an associated company, D&T Engineering Co., Ltd., Harbin in the PRC are in the course of applying for certain income tax preferential treatments in the PRC.

	Three months ended	
	30th June	
	2001	2000
	HK\$'000	HK\$'000
Company and subsidiaries		
Hong Kong profits tax	—	—
PRC income tax	(472)	—
	(472)	—
Associated company		
PRC income tax	(17)	(75)
	(489)	(75)

3. Earnings/(loss) per share

The calculation of the Group's basic earnings per share for the quarter ended 30th June 2001 is based on the Group's net earnings of approximately HK\$4,082,000 (2000: a loss of approximately HK\$6,238,000) and the weighted average number of approximately 282,196,000 ordinary shares (2000: approximately 264,000,000 ordinary shares) in issue during the period.

There is no diluted earnings/loss per share since the Company has no dilutive potential ordinary shares during the period.

4. Reserves

	Share premium HK\$'000	PRC			Retained earnings HK\$'000	Total HK\$'000
		statutory reserves HK\$'000	Merger difference HK\$'000	Investment revaluation HK\$'000		
At 1st April 2001	96,616	5,639	(250)	(1,822)	66,940	167,123
Deficit on revaluation	—	—	—	(2,686)	—	(2,686)
Profit for the period	—	—	—	—	4,082	4,082
At 30th June 2001	<u>96,616</u>	<u>5,639</u>	<u>(250)</u>	<u>(4,508)</u>	<u>71,022</u>	<u>168,519</u>

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the quarter ended 30th June 2001 (2000:Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

Turnover was approximately HK\$28,618,000 for the first quarter ended 30th June 2001, a significant increase in turnover by 307% from approximately HK\$7,026,000 for the same period of last year. The increase was primarily due to the success of our marketing effort on PowerCom BSMS to the major mobile phone operators in China.

The Group posted a net profit of approximately HK\$4,082,000 for the first quarter ended 30th June 2001 versus a net loss of HK\$6,238,000 for the first quarter of last year. The turn-around was mainly attributed to increase in turnover and gross profit from sales of power monitoring equipment.

As at 30th June 2001, the Group has approximately \$86,857,000 or \$0.31 per share of cash on hand.

Prospect

The Market Place

The Group has been enjoying the prosperity from the mobile phone market. As the number of subscribers continued to increase significantly and on the other hand competition among mobile operators in China had intensified, their need for quality services had driven the demand for our Powercom BSMS. As a result, the Group had secured a total of HK\$18.5 millions of new contracts of Powercom BSMS during this quarter.

The Group will continue to expand its market coverage and customer base on the mainland by implementing aggressive marketing strategies. Our focus is to develop and strengthen our relationship with the two mobile phone operators as well as the local telephone bureaus of second— tier cities and inland area as we believed significant business growth will come from these areas.

New Products

PowerCom BSMS (for Mobile Base Stations)

This new product was launched in June, 2000. Since then, we had signed approximately HK\$46 millions of sales contracts with various branches of China Mobile Communication Corporation (“China Mobile”) and China United Telecommunications Corporation (“China Unicom”).

The Group is now actively in negotiation of signing additional contracts to provide PowerCom BSMS for other branches of China Mobile and China Unicom.

To anticipate future growth, the Group entered into an agreement in May, 2001 to acquire a real estate property in Shenzhen for the purpose of expanding our capacity to assemble PowerCom BSMS. In the mean-time, our researchers are now working very hard to develop our next generation of PowerCom BSMS for the monitoring of the 3G mobile base stations.

Fibersmart

The development of Fibersmart system was close to completion. We targeted for commercial launch in the coming fourth quarter.

Gas Turbine Generator

This new product was launched in June 2000. We expect our business in gas turbine generators will prosper. As China was preparing for the entrance of the World Trade Organization and the hosting of the Olympic Game, its concerns over the environment will encourage the adoption of new, clean, and low emission gensets for distributed power generation. Hence, we are now devoting considerable resources to cultivate this opportunity.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30th June 2001, the interests of the directors, chief executives and their associates in the shares and options of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock 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 (<i>Note 1</i>)	—	—	168,960,000	—	168,960,000	59.87
Mr. Chong Tak Wah (<i>Note 2</i>)	—	—	—	168,960,000	168,960,000	59.87
Mr. Wong Weng (<i>Note 3</i>)	—	—	—	168,960,000	168,960,000	59.87
Mr. Hung, Randy King Kuen	360,000	—	—	—	360,000	0.13

Notes:

1. These shares are held by T S Telecom Ltd., (“T S Telecom”), the ultimate holding company of the Company, in which Mr. Lau holds 7,239,250 shares (representing approximately 32.92% of the issued share capital of T S Telecom).
2. These shares are held by T S Telecom in which Mr. Chong holds 2,165,250 shares (representing approximately 9.85% of the issued shares capital of T S Telecom).
3. These shares are held by T S Telecom in which Mr. Wong holds 2,885,500 shares (representing approximately 13.12% of the issued shares capital of T S Telecom).

Save as disclosed above, none of the directors, chief executives 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 as at 30th June 2001 maintained under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock 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 30th June 2001.

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 or chief executives (including their spouses or children under 18 years of age) 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

The register of substantial shareholders maintained under Sections 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30th June 2001, the Company had been notified of the following substantial shareholders' 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 interests of 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) in the share capital of the Company as at 30th June 2001 and 10th August 2001 are summarized below:

	As at 30th June 2001	As at 10th August 2001
Dao Heng Securities' employees (excluding directors)	—	—
Dao Heng Securities' directors	—	—
Dao Heng Securities	1,000,000	1,000,000
Dao Heng Securities' associates	578,000	—
Total	<u>1,578,000</u>	<u>1,000,000</u>

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.



AUDIT COMMITTEE

Pursuant to Rules 5.23 and 5.24 an audit committee was established on 18th November 1999. The principal duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee met one time during this financial year to review the Company's operating results, providing advice and recommendations to the Board.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

By Order of the Board

T S Telecom Technologies Limited

Lau See Hoi

Chairman

Hong Kong, 13th August 2001