



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



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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report 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\$59,036,000 for the nine months ended 31st December 2001.
- Net loss attributable to shareholders was approximately HK\$28,173,000 for the nine months ended 31st December 2001 versus a net loss of HK\$8,121,000 for the corresponding period of last year.
- As at 31st December 2001 and 7th February 2002, the Group had approximately HK\$70,767,000 and HK\$69,169,000 or \$0.25 and \$0.25 per share of cash on hand, respectively.

RESULTS

The Board of Directors (the "Board") of T S Telecom Technologies Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31st December 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	<i>Notes</i>	Three months ended 31st December		Nine months ended 31st December	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Power monitoring equipment		15,839	410	39,648	25,463
Cable monitoring equipment		820	2,141	4,056	9,253
Network access equipment		344	54	2,512	3,189
Gas turbine generators		—	407	4,793	407
Other equipment		4,752	2,467	8,027	5,146
Total turnover		21,755	5,479	59,036	43,458
Cost of sales		(11,037)	(3,671)	(26,830)	(15,567)
Gross profit		10,718	1,808	32,206	27,891
Other revenues		343	2,023	1,926	5,128
Selling and distribution costs		(4,226)	(1,183)	(12,777)	(2,979)
Administrative expenses		(16,171)	(17,807)	(43,012)	(38,274)
Others operating expenses		—	—	(5,983)	—
Operating loss		(9,336)	(15,159)	(27,640)	(8,234)
Finance costs		(154)	(52)	(407)	(70)
Share of net (losses)/profits of associated companies		(174)	(286)	201	13
Loss before taxation		(9,664)	(15,497)	(27,846)	(8,291)
Taxation charge	2	(199)	—	(216)	(150)
Loss after taxation		(9,863)	(15,497)	(28,062)	(8,441)
Minority interests		(995)	238	(111)	320
Loss for the period and attributable to shareholders		(10,858)	(15,259)	(28,173)	(8,121)
Loss per share					
— Basic	3	(3.8) cents	(5.3) cents	(10.0) cents	(3.0) 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 charge

	Three months ended		Nine months ended	
	31st December		31st December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
Hong Kong profits tax	—	—	—	—
PRC income tax	(159)	—	(159)	—
	(159)	—	(159)	—
Associated companies				
PRC income tax	(40)	—	(57)	(150)
	(199)	—	(216)	(150)

No provision for Hong Kong profits tax has been made as the Group companies operating in Hong Kong have no assessable profit for the nine months ended 31st December 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.

An associated company, D&T Engineering Co., Ltd., Harbin in the PRC is in the course of applying for certain income tax preferential treatments in the PRC.

3. Loss per share

The calculation of the Group's basic loss per share for the three months and nine months ended 31st December 2001 is based on the Group's net loss of approximately HK\$10,858,000 and HK\$28,173,000 (the Group's net loss for the three months and nine months ended 31st December 2000: approximately HK\$15,259,000 and HK\$8,121,000) and the number of approximately 282,196,000 ordinary shares (three months and nine months ended 31st December 2000: weighted average number of approximately 285,817,000 ordinary shares and 273,895,000 ordinary shares) in issue during the period.

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

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the nine months ended 31st December 2001 (2000:Nil).

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the three months ended 31st December 2001, turnover of the Group amounted to approximately HK\$21,755,000, an increase of 297% from approximately HK\$5,479,000 for the same three months period last year. Turnover for the nine months ended 31st December 2001 was HK\$59,036,000, an increase of 36% as compared to approximately HK\$43,458,000 for the corresponding nine months period last year. The increase in turnover mainly came from the increase of power monitoring equipment contracts from mobile operators and sales of our first mobile gas turbine generator.

Despite the increase in turnover, the Group posted a net loss of approximately HK\$10,858,000 and HK\$28,173,000 for the three months and nine months under review, as compared to the net loss of approximately HK\$15,259,000 and HK\$8,121,000 for the same period of last year. The net loss of the nine months result was due to the decline in interest revenue, increase in engineering expenses for mobile operator customers, provision of long aged accounts receivable, marketing expenses incurred for promoting our gas turbine generator product line and payments for compensation for loss of office of certain management staff during the course of the Group's corporate re-engineering process in the previous quarters. At the end of the third quarter, the Group implemented cost control initiatives as part of the corporate re-engineering effort to decrease general and administrative expenses in the coming quarters.

As at 31st December 2001 and 7th February 2002, the Group had approximately HK\$70,767,000 and HK\$69,169,000 or \$0.25 and \$0.25 per share of cash on hand, respectively.

Prospect

The Market Place

The Group's main business is in distribution of monitoring systems to fixed line and mobile operators. Despite the increase in turnover for the nine months period, most of the sales came from mobile operators which required high engineering costs resulting less profit than contracts from fixed line operators. During our third quarter, the fixed line operators in China had finally announced their restructuring plan. Under such plan, all fixed line telephone offices would be reorganized into two separate companies. We anticipated that contracts from fixed line operators should resume as soon as the announced restructuring plan is completed.

New Products

Fibersmart

The Group targeted to commence a soft launch of Fibersmart at the end of our fourth quarter allowing the Group to deliver Fibersmart to the market place. The Group noted that similar equipment were also being offered by certain multinational companies. These multinational companies would compete head-to-head with us. The Group believed that the key success factors would be functionality and customer services, which we had invested immensely during the course of our development of Fibersmart.

Gas Turbine Generator

The Group had continued its effort in marketing our gas turbine generator. In October, the Group conducted a conference in Beijing Diaoyutai State Guesthouse attended by key personnel of telephone offices as well as officials from provincial and national government and military units. The result of the conference was extremely positive and the Group had since started negotiating field trials, technical conferences and follow-up meetings with most attendants.

Establishment of New Zealand Office

In October, 2001, the Group entered into an agreement with Sparton Technology, Inc., of Albuquerque, USA an independent third party and our long time technical partner for an exclusive rights to distribute cable monitoring equipment in Australia, New Zealand and South East Asia (except for Taiwan). To implement the agreement, the Group established a new subsidiary in New Zealand to serve the telecom operators in Australia and New Zealand. The Group is also planning to establish additional offices in South East Asia to serve telecom operators in that region.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 31st December 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. Wong Weng (<i>Note 2</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. 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 31st December 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 31st December 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 31st December 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 31st December 2001 and 7th February 2002 are summarized below:

	As at 31st December 2001	As at 7th February 2002
Dao Heng Securities' employees (excluding directors)	—	—
Dao Heng Securities' directors	—	—
Dao Heng Securities	1,000,000	1,000,000
Dao Heng Securities' associates	—	—
	<hr/>	<hr/>
Total	<u>1,000,000</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 three times 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, 8th February 2002