大 誠 電 訊 科 技 有 限 公 司
T S Telecom Technologies Limited

Annual Report
2002-2003

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

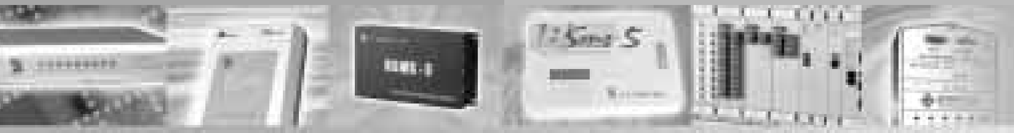
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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.

Contents



Corporate Profile

T S Telecom Technologies Limited ("the Company") is a telecommunications system solution provider. Since 1991, we have been providing product solutions to telephone operators in the Greater China region, including Hong Kong and Macau. Our products range from advanced maintenance and monitoring systems, proprietary monitoring software and digital access equipment for fixed and mobile telecommunications networks, as well as gas turbine generators.

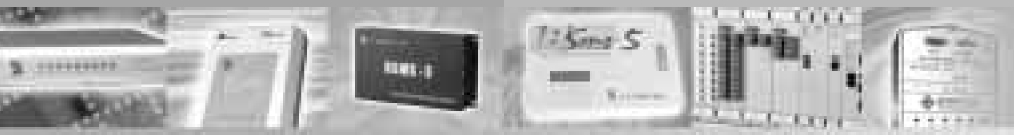
The Company has grown rapidly and became a public company with its shares listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 2nd December 1999.

Currently, operations of the Company and its subsidiaries (collectively the "Group") are carried out primarily through our Hong Kong headquarters, and branch offices in Beijing, Shanghai, Shenzhen, Guangzhou, and Wuhan. We also have investments in joint venture operations in Beijing, Shanghai and Harbin to manufacture advanced telecommunications equipment and gas turbine generators.

The Group's success rests mainly on our investments in technology and customer services. In the 21st century, telecommunications will undoubtedly become more important as a pillar of economic growth. We are excited about the opportunities and challenges that lie ahead in this exciting industry, and we will continue to invest in technological research and human resources to better serve our customers – the strategies that will enable us to be a leader in our marketplace.

Financial Highlights

	2003	2002	2001	2000	1999
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**72,807**	62,153	78,818	96,845	107,620
Gross profit	**26,820**	22,114	47,616	72,875	49,153
(Loss)/profit before taxation	**(40,801)**	(56,634)	1,086	38,027	12,984
(Loss)/profit attributable to shareholders	**(40,739)**	(56,942)	2,096	40,340	11,115
Total assets	**168,767**	185,294	231,821	194,665	63,940
Total liabilities	**64,865**	39,145	30,602	13,324	13,063
Minority interests	**519**	5,926	5,876	934	–
Net assets	**103,383**	140,223	195,343	180,407	50,877



Chairman's Statement

Dear Shareholders:

The Group recorded a loss for the second year. Despite the unsatisfactory results, our business had improved during the year. The Group generated 17% more turnover while our loss position had narrowed by 28% as compared to last year. Although we are not able to generate profit this year, the improvements are promising and we will make all the effort to turnaround the Group in the coming year.

BUSINESS REVIEW

During the year, we ran the Group according to the operation plan and market plan we adopted at the end of last fiscal year. We had developed, manufactured and distributed several network system components that customers originally purchased from outside vendors. We had offered customized versions of our base station monitoring systems to suit the specific needs of customers. We established a 24-hour after-sales service hotline and satellite offices at key customer locations. We had extended our customer base to the petroleum sector. We had promoted our products to customers from the international market. All of these measures contributed to the increase of our business volume.

While our business volume grew, reduction of telecom operators' capital expenditure budgets accompanying competition from rival telecom equipment providers had driven down our pricing. Nonetheless, our focus on product superiority and customer services had led the Group to prevail in such unfavorable business environment. And we were able to secure several significant contracts during the year.

PROSPECT

We expected the China telecom equipment market to continue to slow down and competition will intensify. Our plan for the coming years is bold and simple. We will increase our marketing presence of the international market. We will broaden our product base and increase our investments on product superiority and customer services. We will strengthen our controls on production costs and operating costs. Our ultimate goal is to turn around the Group and return to profitability.

APPRECIATION

On behalf of the directors and officers of the Group, I would like to thank you for your continuing support to the Group.

Mr. Lau See Hoi
Chairman

Hong Kong, 20th June 2003

Management Discussion and Analysis

RESULT OF OPERATIONS

The Group recorded a total turnover of approximately HK$72.8 million and a loss attributable to shareholders of approximately HK$40.7 million for the fiscal year ended 31st March 2003. Despite the loss position, our business had improved as compared to a turnover of approximately HK$62.2 million and a loss of approximately HK$56.9 million in the last fiscal year.

While the Group was challenged by rigorous competition from domestic telecom equipment suppliers and unfavorable business environment from the restructuring of telecom operators, turnover increased by 17% from the last fiscal year. The increase in turnover was the results of our success in the implementation of our marketing and operation plans. The Group's focus on product superiority and customer services was our key success factor to secure business from customers. The Group had started manufacturing and offering to customers our newly developed network system components that were originally purchased from outside vendors by customers. The Group had also extended its customer base to the petroleum sector and telecom operators outside China.

As of 31st March 2003, the Group had HK$10.0 million worth of signed contracts, which were pending for production and delivery to customers.

Our gross profit margin was 37% for the current year under review as compared to a gross profit margin of 36% for the last fiscal year. The pricing pressure from competition continued during the year but seemed to stabilize as customers recognized our product quality and customer services.

Interest income decreased due to the decline in interest rate and cash balance during the year.

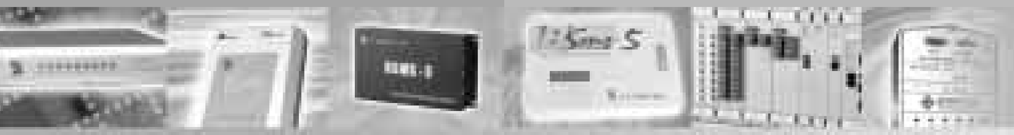
Selling and distribution costs declined by 38% from the last fiscal year. The Group had maintained tight control in marketing and engineering costs during the year.

The total administration expenses remained the same as compared to last year, but our personnel expenses had decreased by 5%, travelling and entertainment decreased by 20%, professional fee decreased by 53% and office expenses decreased by 24%. Such cost savings were offset by the increase in occupancy costs of our Beijing Office, depreciation of our Shenzhen headquarters real estate and gas turbine demo units, and finance costs from bank loans.

Other expenses included general provision for long aged accounts receivable and vendor deposits of approximately HK$6.0 million, provision for long aged field trial inventories of approximately HK$3.2 million and loss on disposal of investment securities of approximately HK$0.4 million.

SEGMENT INFORMATION

For the fiscal year ended 31st March, 2003, business from telecommunications products accounts for approximately 94% of the turnover of the Group and business from gas turbine generators accounts for approximately 6% of the total turnover.



Management Discussion and Analysis

The turnover and the operating loss for the current fiscal year of telecommunications products was HK$68.4 million and HK$7.7 million, respectively, as compared to the respectively turnover and segment operating loss of HK$57.4 million and HK$25.1 million recognized for the same period of last year. The improvement of segment operating loss position was primarily due to the increase in segment turnover and decrease in selling and distribution costs.

The turnover of gas turbine generators for the current fiscal year was HK$4.4 million compared to the turnover of HK$4.8 million for the same period of last year. The segment operating loss of gas turbine generators for the current fiscal year increased to HK$5.3 million from HK$3.4 million of the last year. The decline in segment turnover and increase of segment loss of gas turbine generators was because the Group had not recognized sales revenue of signed contracts pending for production amounted to HK$8.3 million.

The Group recorded 16% and 59% growth on turnover, in both Mainland and other Asia Pacific markets respectively for the current fiscal year despite a drop in turnover by 18% in the Hong Kong market, which is considered as a relatively saturated market.

With our continuing effort to control selling and distribution costs, operating results of all three geographical segments had improved as a result of our success in distributing our pressure monitoring products being extended to New Zealand and Australian customers.

Telecommunications Products

Mainland China Market

The Ministry of Information Industries of China reported that capital investments completed in the year 2002 was 20% less than the previous year. This has somewhat reflected the business prospect in the mainland for the coming year. The Group anticipated that competition will intensify and, thus the Group continued to implement strategies to grow our business by focusing on product superiority and customer services. Network reliability and quality of service have become mission-critical for telecom operators who are seeking competitive advantages to attract end users. The Group has responded to such market trends with the introduction of our thirteen members of BSMS family. Each member of the BSMS family is designed to tailor the specific needs of each individual customer on a cost efficient and effective basis. The Group also fulfilled its commitment in offering superb customer service by the establishment of a 24-hour after-sales service hotline and presence of dedicated customer service personnel at key customer locations. The product customization strategy along with world-class customer service led the Group to maintain as the key supplier of monitoring solutions in the industry.

The Group expects to continuously experience pressure on pricing and payment terms. While rigid competition and continuous changing of business environment in the mainland will likely limit the growth of telecom monitoring equipment, the Group had implemented initiatives to broaden the revenue base and market share.

Management Discussion and Analysis

During the current fiscal year, the Group developed several new network system components, including network transmission equipment DTS-1 and access network monitoring system ANMS. These network system components were usually purchased from other vendors of our customers. By incorporating these network system components into our monitoring system package for distribution to our customers, we were able to capture additional revenue and profit. To extend this strategy, the Group had signed an agreement with a research institute in Wuhan, China, to develop a digital surveillance system. Such system will work together with our telecom monitoring system to provide visual monitoring of fixed line stations and mobile base stations. The development of digital surveillance system is expected to be completed in September, 2003.

Other Asia Pacific and Other Markets

Establishing international markets has been one of the key initiatives of the Group. Our New Zealand subsidiary has become a key supplier of pressure monitoring equipment of telecom operators in that region. The Group expects that the New Zealand subsidiary will contribute to 10% of our total revenue in the coming year. In North America, the Group is working with its ultimate holding company to market our power monitoring systems and would expect to generate business within the next few months.

Gas Turbine Generators

Mainland China Market

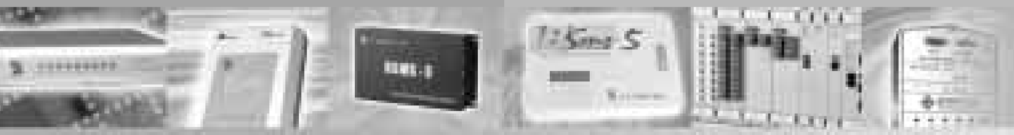
The Group continued to implement aggressive marketing strategies to promote gas turbine generators in the telecom, petroleum and military industries. During the year, we had signed a total of RMB14.4 million of gas turbine generator contracts. We held a marketing campaign at the 3rd China Wuhan International Machinery and Electronic Products Fair. We had licensed a right to market a dual currency generator with revolutionary technologies capable of producing AC and DC currency simultaneously. Using gas turbine to generate power under 4,000 KW is an uprising concept of the energy revolution. There are increasingly more initiatives from the mainland government to endorse the use of gas turbine generators. Power shortages due to aging transmission and fragile distribution infrastructure are critical realities. The Group is confident that gas turbine generators would become a prosperous business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st March 2003, our cash balance of approximately HK$42.4 million included pledged bank deposits of approximately HK$12.0 million. The cash balance declined from approximately HK$66.9 million of the last fiscal year primarily due to the current year loss position and longer credit terms offered to certain customers.

As at 31st March 2003, the Group had net current assets of approximately HK$59.5 million, including two short-term bank loans totaling approximately HK$20.2 million denominated in Renminbi. The loans were primarily used to finance short-term cash flows for our China operations and as a bridge financing for the acquisition of our headquarters in Shenzhen, China.

During the year, the Group obtained a new bank loan of approximately RMB9.6 million (approximately HK$9.0 million) by pledging certain of its trade receivables amounting to approximately RMB9.6 million (approximately HK$9.0 million). The pledge is with recourse and the loan is repayable upon collection of such receivables or no later than 10th December 2003. The loan bears fixed interest rate of 5.31% per annum.



Management Discussion and Analysis

Another loan of approximately RMB$12.0 million is wholly repayable on 8th July 2003 and is secured by a fixed deposit of approximately HK$12.0 million. This loan bears a fixed interest rate of 6.435% per annum. The Group is currently working on a proposal with the bank to refinance this loan into a longer term nature.

Save as the short-term bank loans disclosed above, the Group had no bank financing other than certain finance leases totaling approximately HK$554,000 as at 31st March 2003.

The Group financed its operations and investing activities primarily by operating revenue, internal resources, balance of proceeds from our initial public offering, proceeds from a share placement exercised in August, 2000 and bank facilities. Despite the declining in cash balance, the net current assets of approximately HK$59.5 million should provide sufficient working capital for our present operations.

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi. The Group adopted a conservative treasury policy with almost all bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31st March 2003, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

For the fiscal year ended 31st March 2003, there had been no change in the capital structure and issued capital of the Group.

CHARGES ON GROUP ASSETS

As at 31st March 2003, the Group pledged a bank deposit of approximately HK$12.0 million and trade receivables of approximately RMB9.6 million for short-term bank loans of approximately RMB12.0 million and RMB9.6 million, respectively.

GEARING RATIO

The Group's gearing ratio, which was derived from the total borrowings to shareholders' funds, increased to 20% from 9% in the previous fiscal year.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As at 31st March 2003, the Group neither had any authorized or contracted capital expenditure commitments nor any future plan for material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the fiscal year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies except the dissolution of Beijing Telecom Science-Soft Information System Co. Ltd., completed in the first quarter.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31st March 2003, the Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

No subsequent events occurred after 31st March 2003, which may have a significant effect, on the assets and liabilities or future operations of the Group.

FOREIGN EXCHANGE EXPOSURE

Since most of the transactions of the Group are denominated in Renminbi or US dollars, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 31st March 2003, the Group employed 284 staff in the PRC, Hong Kong and New Zealand, representing an increase of 59 staff from 31st March 2002. The increase in staff was mainly from the PRC operations. Despite this increment, the Group's remuneration for employees, including directors' emoluments, decreased from approximately HK$28.9 million for the preceding year to approximately HK$23.9 million for the current fiscal year due to the departure of two directors last year and our continuing effort to control the employee remuneration.

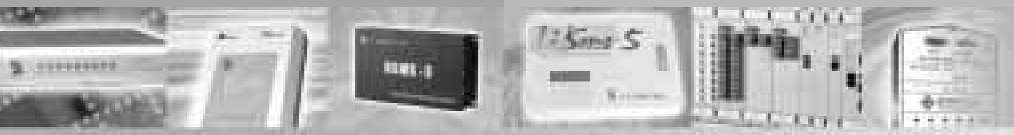
The Group reviews employee remuneration from time to time and increases are normally granted annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

BOARD PRACTICES AND PROCEDURES

Throughout the year, the company was in compliance with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.



Management Discussion and Analysis

ON GOING CONNECTED TRANSACTIONS

At an extraordinary general meeting of the Company held on 23rd December 2002, shareholders of the Company have passed an ordinary resolutions in relation to a licence agreement entered into with a connected company, T.S. (Holdings) Company Limited, (“TSH”), to continue to use 50% of an office premises situated at Room 4002-4004, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong (“the Premises”) for a monthly licence fee of approximately HK$121,000, subject to a rent-free period of 15 days between 1st December 2002 and 15th December 2002, for the period between 16th December 2002 and 31st March 2005. The Premises were originally leased to TSH under a lease agreement dated 11th March 1999 entered into between TSH and an independent third party for a period of three years between 1st April 1999 and 31st March 2002. Such lease agreement was renewed between the same contracting parties on 20th March 2002 for a period of further three years between 1st April 2002 and 31st March 2005 at a total monthly rental of approximately HK$203,000 and a monthly management fee of approximately HK$38,000. For the year ended 31st March 2003, the Group had paid total of licence fee to TSH of approximately HK$1.4 million and HK$1.5 million for last fiscal year.

Moreover, at the extraordinary general meeting, the shareholders of the Company also approved a research and development service agreement entered into with another connected company, T S Telecom Ltd. (“TST”), to provide research and development services including enhancement and upgrading of the hardware design and software of fiber optic monitoring and related equipment, research on the application of fiber optic monitoring and related equipment to industries other than the telecommunication industry to the Group for the period between 27th November 2002 and 31st March 2005, provided that the annual research and development fees payable shall not exceed HK$4.0 million. For the year ended 31st March 2003, the Group had paid total research and development fees to TST of approximately HK$3.0 million.

Having reviewed the above transactions, the independent non-executive Directors of the Company confirmed that the above transactions have been entered into: (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. LAU See Hoi, aged 54, is the chairman, chief executive officer and founder of the Group and T S Telecom Ltd. Mr. Lau is responsible for the overall strategic direction of the Group. He is a member of the Shandong Provincial Committee of the Chinese People's Political Consultative Conference, a standing committee member of the Chinese People's Political Congress Committee, Yantai, Shandong, the PRC and the vice chairman of the Foreign Investment Association of Penglai City, Shandong, the PRC.

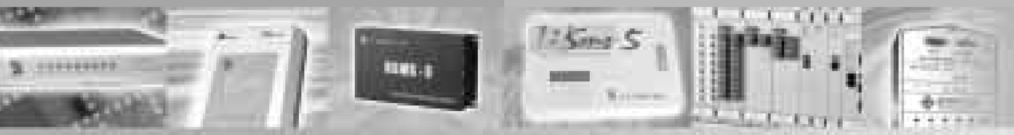
Mr. WONG Weng, aged 44, is the president of the Group. He is also the vice president and chief staff of T S Telecom Ltd. Mr. Wong, a founder of the Group, is primarily responsible for the product research and development of the Group. Prior to joining the Group, he worked with the Macau subsidiary of Cable and Wireless PLC, a diversified multi-national telecommunications company, for almost ten years, during part of which time he was a member of the management team overseeing the cable maintenance division.

Mr. HUNG, Randy King Kuen, aged 37, is the chief financial officer, qualified accountant and the company secretary of the Group. He is also the director and chief financial officer of T S Telecom Ltd. Mr. Hung holds a bachelor's degree of accounting and a certificate of programming and data processing from the University of Southern California, and a certificate of China Accounting, Finance, Taxation and Law from the Chinese University of Hong Kong. He is primarily responsible for development and implementation of the Group's financial strategies and oversees compliance of the Listing Rules as well as securities and other relevant laws and regulations. Mr. Hung also developes and supervises the Group's accounting and financial reporting procedures and internal controls. Prior to joining the Group in 1998, Mr. Hung was an auditor with Ernst & Young and had been the financial officer of a multi-national Internet service provider and a group of listed companies in Hong Kong. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Society of Accountants.

Mr. WONG Kai Tat, aged 51, is a practising accountant. Mr. Wong holds an LLB (Honours) degree from the University of Hong Kong, a bachelor's degree of business administration from the University of Iowa, U.S.A., a master of business administration degree from the University of Strathclyde, Scotland, a master of applied finance degree from Macquarie University, Australia, a master of corporate finance from Hong Kong Polytechnic University and an honorary doctor of law degree from Armstrong University in the U.S.A..

Independent Non-executive Directors

Mr. SZE, Tsai Ping Michael, aged 58, has over twenty years' experience in the financial and securities field. He was a Council Member of The Stock Exchange of Hong Kong Limited from November, 1996 to March, 2000 and was a Member of the Main Board of the Listing Committee. Currently, he is a Member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited. He is a Lay Member of the Insider Dealing Tribunal and a Committee Member of the Hong Kong Stockbrokers Association Limited.



Biographical Details of Directors and Senior Management

Mr. Sze is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Hong Kong Society of Accountants, a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Hong Kong Institute of Directors Limited. He was appointed as an Independent Non-Executive Director of the Group on 24th July 2000.

Mr. TAN, Ye Kai Byron, aged 34, was appointed as an independent non-executive director of the Company on 2nd January 2001. Mr. Tan is an investment adviser and has more than ten years experience in the fields of auditing, accounting and merchant banking. Mr. Tan holds a degree in accountancy from Deakin University in Australia. He is a member of Australian Society of CPAs and is a Chartered Financial Analyst.

Senior Management

Mr. HU Han Jiang, aged 34, is the director of the Group's research and development division. Prior to joining the Group in May, 1995, he had over four years of experience in the electronics industry. Mr. Hu graduated from Xian University with a bachelor's degree in engineering and is responsible for development of power monitoring system for fixed network and mobile stations.

Ms. HOU Tie Juan, aged 39, is the deputy director of engineering responsible for the installation and maintenance of the Group's telecommunications monitoring products. Ms Hou graduated from the Automatic Control System Department of Beijing University of Aeronautics and Astronautics with bachelor's and master's degrees and was a lecturer in the university. She has extensive experience in computer programming and joined the Group in November, 1996.

Mr. FOO, Tin Chung Victor, aged 34, is the senior finance manager overseeing the finance and accounting functions of the Group. Mr. Foo holds a bachelor's degree of accounting and information system in the University of New South Wales. Prior to joining the Group in 1999, Mr. Foo was an auditor in PricewaterhouseCoopers and the finance manager of a listed company in Hong Kong. He is a member of the Australia Society of CPAs and an associate member of the Hong Kong Society of Accountants.

Mr. MAK, Ka Chun Billy, aged 32, is the finance manager overseeing the accounting activities of the Group. Mr. Mak holds a bachelor's degree in business administration from Shenzhen University and a master degree of business administration from the Open University of Hong Kong. Mr. Mak has extensive experience in PRC accounting and taxation. He joined the Group in December, 1998.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of T S Telecom Technologies Limited (the "Company") will be held at Suite 4002, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong on Friday, 1st August 2003 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated accounts and the reports of the directors and auditors of the Company for the year ended 31st March 2003.

2. To re-elect retiring director(s) and to authorize the board of directors of the Company to fix their remuneration.

3. To re-appoint auditors and to authorize the board of directors of the Company to fix their remuneration.

4. As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as an ordinary resolution:

   "**THAT**:

   (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the Directors be and are authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power during or after the end of the Relevant Period;

   (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraphs (a) and (b) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to employees and/or specified participants of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company or, (iv) any scrip dividend or similar arrangement providing for the allotment of shares in the capital of the Company in lieu of the whole or part of the cash payment for any dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution; and

(d) for the purpose of this Resolution:–

"Relevant Period" means the period from the time of passing of this Resolution until whichever is the earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means the allotment, issue or grant of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in or in any territory applicable to the Company)."

5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase (i) issued shares capital of the Company and (ii) other rights to subscribe for shares in the capital of the Company in accordance with laws and requirements and regulations of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution; and

(c) for the purpose of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is earliest of:–

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

6. As special business, to consider and if, pass the following resolution as an ordinary resolution:

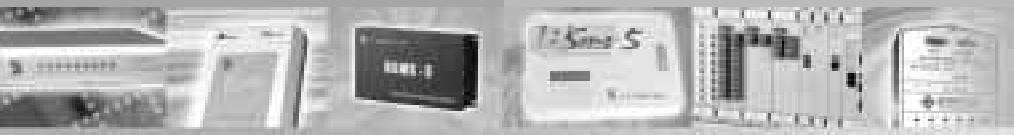
"**THAT** subject to the passing of the Ordinary Resolution Nos. 4 and 5 in the notice convening the meeting dated 20th June 2003, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional securities pursuant to Resolution No. 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to Resolution No. 5, provided that such amount of shares so repurchased shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

By Order of the Board

HUNG, Randy King Kuen
Company Secretary

Hong Kong, 20th June 2003

Principal Place of Business in Hong Kong:
Suite 4002, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong



Notice of Annual General Meeting

Notes:

1. In order to qualify for attending for the forthcoming meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Hong Kong Registrars Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting.

2. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorized in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

3. Where there are joint registered holders of any share, any one of such persons may vote at the meeting either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

4. Any member of the Company entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at the meeting.

5. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority, (if any) under which it is signed or a notarially certified copy of such power or authority, must be delivered at the Company's branch registrars in Hong Kong, Hong Kong Registrars Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument purposed to vote, or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting not less than forty-eight hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated valid provided always that the chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company.

6. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. A form of proxy for use at the meeting is enclosed herewith.

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lau See Hoi,
Chairman and Chief Executive Officer
Mr. Wong Weng, *President*
Mr. Hung, Randy King Kuen,
Chief Financial Officer
Mr. Wong Kai Tat

Independent Non-Executive Directors
Mr. Sze Tsai Ping, Michael
Mr. Tan Ye Kai, Byron

COMPANY SECRETARY

Mr. Hung, Randy King Kuen AHKSA, AICPA

AUTHORISED REPRESENTATIVES

Mr. Hung, Randy King Kuen AHKSA, AICPA
Mr. Lau See Hoi

COMPLIANCE OFFICER

Mr. Hung, Randy King Kuen AHKSA, AICPA

QUALIFIED ACCOUNTANT

Mr. Hung, Randy King Kuen AHKSA, AICPA

AUDIT COMMITTEE

Mr. Lau See Hoi
Mr. Sze Tsai Ping, Michael
Mr. Tan Ye Kai, Byron

REGISTERED OFFICE

Ugland House
P.O. Box 309
South Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 4002, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

PRINCIPAL BANKERS

The Dao Heng Bank Limited, Hong Kong
Shanghai Commercial Bank, Hong Kong
The Bank of East Asia, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
P.O. Box 705, Butterfield House
Fort Street, George Town
Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1901-5, 19th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong.

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central, Hong Kong

LEGAL ADVISER

As to Cayman Islands Law:
Maples and Calder Asia
Suite 1504
One International Finance Centre
1 Harbour View Street
Hong Kong

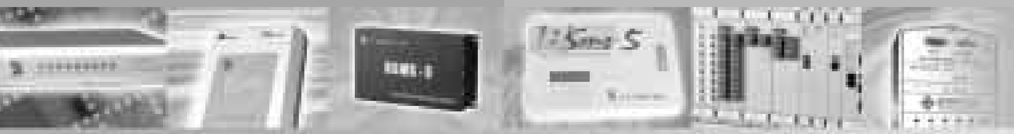
As to Hong Kong Law:
Kwok & Yih
37th Floor, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

STOCK QUOTE

8003

WEB SITE OF THE COMPANY

http://www.tstelecom.com



Report of the Directors

The directors submit their report together with the audited accounts of T S Telecom Technologies Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st March 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 12 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 28.

The directors do not recommend the payment of a dividend.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 21 to the accounts.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$467,000.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the accounts.

BORROWINGS

Details of the Group's borrowings are set out in note 26 to the accounts.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 3.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law of the Cayman Islands and the Articles of Association of the Company, the share premium of the Company is distributable to the shareholders under certain circumstances. At 31st March 2003, in the opinion of the directors, the Company's reserves available for distribution to shareholders, comprising share premium account and retained earnings, amounted in total to approximately HK$144.3 million.

SHARE OPTIONS

(i) The Company

In view of the amendments in September, 2001 for Chapter 23 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") regarding the share option schemes of the listed issuers, the old share option scheme of the Group which was approved on 18th November 1999 was terminated and a new share option scheme ("Share Option Scheme") was approved on 2nd August 2002 at the annual general meeting of the Company as an incentive to eligible persons under which the Board may, at its discretion, invite (i) any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) of, or any individual for the time being seconded to work for the Company and/or any of its subsidiaries and/or any entity ("Invested Entity") in which the Company and/or any of its subsidiaries holds any equity interest either directly or indirectly; (ii) any holder of legal and/or beneficial title of any securities issued by the Company and/or any subsidiary and/or any Invested Entity; (iii) any business or joint venture partner, contractor, subcontractor, agent, sub-agent of, any person or entity providing research, development and/or other technological support and/or advisory, consultancy, professional services to, any supplier of goods and/or services, customer or distributor of, the Company and/or any subsidiary and/or any Invested Entity either directly or indirectly, to take up options to subscribe for shares in the Company at a price to be determined by the Board which will be at least the higher of (a) the closing price of the shares on the GEM in the Stock Exchange daily quotations sheet on the grant date, or (b) the average of the closing prices of the shares on GEM as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date, provided that the subscription price shall not be lower than the par or nominal value of the shares.

The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any options remain outstanding) under the Share Option Scheme of the Company may not exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options granted pursuant to the Share Option Scheme.

No option may be granted under the Share Option Scheme which would result in the aggregate 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 any other share option schemes of the Company exceeding 30% of the shares in issue from time to time.

No option may be granted to any eligible person which would cause the aggregate number of shares already issued and to be issued upon exercise of options granted to such eligible person under the Share Option Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding options) in any 12-month period up to the date on which the option is granted exceeding 1% of the shares in issue for the time being. Any further grant of options in excess of the individual limit may be made only with the separate approval of the shareholders in general meeting with the eligible person and his associates abstaining from voting. The number and terms of the options to be granted (including the option price) shall be fixed before shareholders' approval and the Company shall send a circular to the Shareholders which shall contain the information required by the GEM Listing Rules.

The offer of a grant of share options may be accepted within 28 days from the date of the offer with payment of consideration of HK$10.00 by the grantee. Each option gives the holder the right to subscribe for one share at the relevant exercise price.

Share options may be exercised during the ten-year period commencing on the date on which the options is granted, and shall expire at the end of the ten-year period or 2nd August 2012, whichever is earlier. The share options granted are not recognised in the accounts until they are exercised.

As at 31st March 2003, no option had been granted under the Share Option Scheme.

(ii) *The ultimate holding company*

On 17th January 2003, the old share option plan which was approved on 26th September 1997 was terminated and a new share option plan ("Share Option Plan") was approved at an extraordinary general meeting of the ultimate holding company as an incentive to the directors, officers, managements, consultants and employees of the ultimate holding company and its subsidiaries to take up options to subscribe for shares in the ultimate holding company at a price to be determined by the board of directors of the ultimate holding company. The minimum exercise price of the Share Option Plan cannot be lower than 25% of the last daily closing price of the shares of the ultimate holding company on the TSX Venture Exchange and subject to a minimum of CAD0.1.

The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any options remain outstanding) under the Share Option Plan of the ultimate holding company, may not exceed 4,398,000 common shares (20% of the issued share capital, as at the date of approval of the Share Option Plan) of the ultimate holding company from time to time. If any option granted hereunder may expire or terminate for any reason in accordance with the term of the Share Option Plan without being exercised, the un-purchased shares subject thereto may again be available for the purpose of the Share Option Plan.

Share options may be exercised during the ten-year period commencing on the date on which the option is granted, and shall expire at the end of the ten-year period. The share options granted are not recognised in the accounts until they are exercised.

No option had been granted or exercised during the year. As at 31st March 2003, there were no outstanding options under the Share Option Plan.

DIRECTORS

The directors during the year were:

Executive directors
Mr. Lau See Hoi
Mr. Wong Weng
Mr. Hung, Randy King Kuen
Mr. Wong Kai Tat

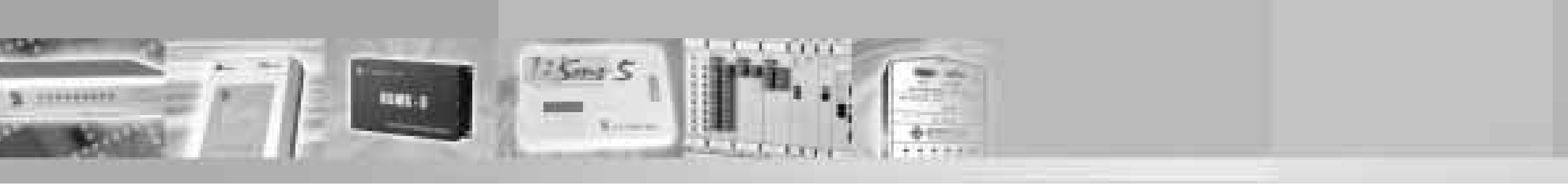
Independent non-executive directors
Mr. Sze, Tsai Ping Michael
Mr. Tan, Ye Kai Byron

In accordance with Article 117 of the Company's Articles of Association, Mr. Sze, Tsai Ping Michael retires by rotation and, being eligible, offers himself for re-election.

Each of the independent non-executive directors of the Company has a term of one year but will retire by rotation and will be eligible for re-appointment in accordance with the Article of Association of the Company as mentioned above.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 11 and 12.



Report of the Directors

DIRECTORS' SERVICE CONTRACTS

During the year, the current executive directors, except one, have renewed their respective service agreements with the Company under which they are to act as executive directors for a term of two years and eleven months commencing from 1st December 2002 and shall continue thereafter until terminated by either party giving to the other not less than six calendar months' notice in writing. Apart from extending the service terms, no other material amendments have been made in comparing with the previous agreements of which their initial service term was three years commencing from 1st December 1999. The remaining executive director not covered above has entered into a service agreement with the Company under which he is to act as an executive director for an initial term of one year commencing from 24th July 2000 and shall continue thereafter until terminated by either party giving to the other not less than three calendar months' notice in writing. All executive directors are also entitled to a discretionary bonus calculated as a percentage of the audited consolidated profit of the Group attributable to shareholders of the Company. The percentage shall be determined by the board of directors but in any case the aggregate amount payable for each financial year to all the executive directors of the Company shall not exceed 10% of such profit.

Save as disclosed above, Mr. Sze, Tsai Ping Michael who is proposed for re-election at the forthcoming annual general meeting does not have a service contract with the Company which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

T S (Holdings) Company Limited ("T S Holdings"), a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, entered into an operating lease with a third party in respect of an office premises which is shared by the Group and T S Holdings. Half of the rental expense of the premises is borne and paid by the Group through T S Holdings. In November, 2002, T S International entered into a licence agreement, which will expire on 31st March 2005, with T S Holdings under which the Group is granted a right to use the above office premises at a monthly licence fee of approximately HK$121,000. For the year ended 31st March 2003, licence fee of HK$1.4 million was paid to T S Holdings.

In addition, for the year ended 31st March 2003, administrative service fees totalling HK$960,000 were paid to T S Holdings.

T S International entered into an agreement on 27th November 2002 for a term of three years with T S Telecom Ltd. ("T S Telecom"), the ultimate holding company, under which the latter will provide research and development services to the Group at a monthly charge which is calculated on the basis of the costs to be incurred by T S Telecom for and in connection with the provision of such services, provided that the annual service fees payable shall in total not exceed HK$4.0 million. For the year ended 31st March 2003, research and development service fees amounting to HK$3.0 million were paid to T S Telecom.

Save as disclosed above, no other contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

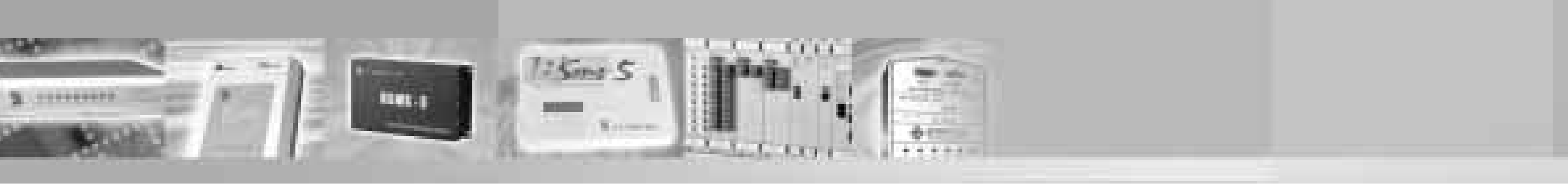
CONNECTED TRANSACTIONS

Details of transactions regarded as connected transactions and required to be disclosed as defined under the GEM Listing Rules, are as follows:

(i) T S International Company Limited ("T S International") has renewed an agreement dated 27th November 2002 entered with T S Telecom Ltd. ("T S Telecom"), T S Telecom will continue to provide research and development services to T S International for the period between 27th November 2002 and 31st March 2005. The terms and conditions of the agreement are the same in all material aspects with the previous research and development services agreement dated 15th November 1999 entered into between T S Telecom and T S International, except for the scope of the research and development services provided thereunder by T S Telecom to T S International shall expand from the Group's fiber optic products for monitoring purposes (formerly known as Fibersmart) to cover its related equipment as well. The annual research and development fees payable by T S Telecom to T S International under the agreement shall not exceed HK$4.0 million. For the year ended 31st March 2003, research and development service fees amounting to approximately HK$3.0 million were paid to T S Telecom.

(ii) The renewed license agreement dated 27th November 2002 entered into between T S (Holdings) Company Limited ("T S Holdings"), a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, and T S International, the latter will continue to be licensed to use 50% of the premises at Suite 4002-4, Gloucester Tower, The Landmark, 11 Pedder Street, Central, Hong Kong at a monthly licence fee of approximately HK$121,000, subject to a rent-free period of 15 days between 1st December 2002 and 15th December 2002, for the period between 16th December 2002 and 31st March 2005. The terms and conditions of the existing Licence Agreement are the same in all material respects with the previous licence agreement dated 19th November 1999 entered into between T S Holdings and T S International, except for the downward adjustment in the monthly licence fee payable by T S International to T S Holdings from approximately HK$127,000 to HK$121,000 due to the decrease in the aggregate monthly rental and management fee payable by T S Holdings to the independent third party from approximately HK$254,000 to HK$242,000. The license fee is calculated based on 50% of the total of monthly rental and related estate management fee payable to the independent third party.

The independent non-executive directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) either on normal commercial terms and (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



Report of the Directors

DIRECTORS' INTERESTS IN EQUITY SECURITIES

Despite the coming into effect of the Securities and Futures Ordinance on 1st April 2003, the new disclosure requirements under the GEM Listing Rules will not be applied to disclosures for the period ending before 1st April 2003.

At 31st March 2003, the interests of the directors, chief executives in the shares and options of the Company and its associated corporations (within the meaning of the Repealed Securities (Disclosure of Interests) Ordinance ("Repealed SDI Ordinance")), as recorded in the register maintained by the Company under Section 29 of the Repealed SDI Ordinance or as notified to the Company were as follows:

	Number of ordinary shares of HK$0.1 each					**Approximate percentage holding of shares**
	Personal interests	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**%**
Name of director						
Mr. Lau See Hoi *(note (i))*	–	–	168,960,000	–	168,960,000	59.87
Mr. Wong Weng *(note (ii))*	–	–	–	168,960,000	168,960,000	59.87
Mr. Hung, Randy King Kuen	360,000	–	–	–	360,000	0.13

Notes:

(i) These shares are held by T S Telecom, the ultimate holding company of the Company, in which Mr. Lau See Hoi holds 7,239,250 shares (representing approximately 32.92% of the issued share capital of T S Telecom).

(ii) These shares are held by T S Telecom in which Mr. Wong Weng holds 2,885,500 shares (representing approximately 13.12% of the issued share capital of T S Telecom).

Save as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its associated corporations (within the meaning of the Repealed SDI Ordinance) as recorded in the register as at 31st March 2003 maintained under Section 29 of the Repealed SDI Ordinance.

Saved as disclosed above, at no time during the year was the Company, its subsidiaries or its holding company a party to any arrangement to enable the directors and 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

The register of substantial shareholders maintained under section 16 (1) of the Repealed SDI Ordinance shows that as at 31st March 2003, 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 ordinary 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 that competed with or might compete with the business of the Group.

MANAGEMENT CONTRACTS

There exists agreements for the provision of administrative services under which T S Holdings provides management services to certain companies in the Group at a total monthly fee of HK$80,000 for the period from 1st April 1998 to 14th November 2004. Mr. Lau See Hoi has a beneficial interest in T S Holdings.

MAJOR CUSTOMERS AND SUPPLIERS

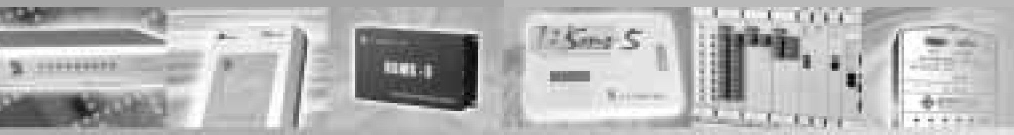
The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

Sales	
– the largest customer	17%
– five largest customers combined	49%
Purchases	
– the largest supplier	9%
– five largest suppliers combined	33%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.



Report of the Directors

AUDIT COMMITTEE

Pursuant to Rules 5.23 and 5.24 of the GEM Listing Rules, 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 four times during the year to review the operating results of the Company, provide advice and recommendations to the Board.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Lau See Hoi
Chairman

Hong Kong, 20th June 2003

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF
T S TELECOM TECHNOLOGIES LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 28 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

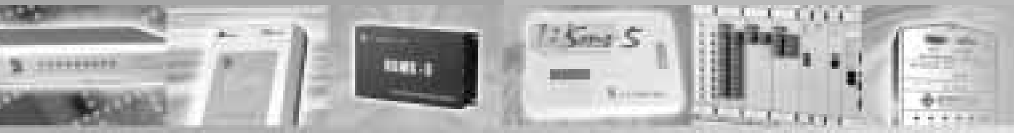
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th June 2003



Consolidated Profit and Loss Account

For the year ended 31st March 2003

	Note	2003 HK$'000	2002 HK$'000
Turnover	2	**72,807**	62,153
Cost of sales		**(45,987)**	(40,039)
Gross profit		**26,820**	22,114
Other revenues	2	**998**	2,231
Selling and distribution costs		**(4,407)**	(7,148)
Administrative expenses		**(54,690)**	(54,616)
Other operating expenses		**(9,527)**	(18,902)
Operating loss	3	**(40,806)**	(56,321)
Finance costs	4	**(879)**	(670)
Share of profits less losses of associated companies		**884**	357
Loss before taxation		**(40,801)**	(56,634)
Taxation charge	5	**(370)**	(258)
Loss after taxation		**(41,171)**	(56,892)
Minority interests		**432**	(50)
Loss attributable to shareholders	6 and 21	**(40,739)**	(56,942)
Basic loss per share	7	**HK(14.44 cents)**	HK(20.18 cents)

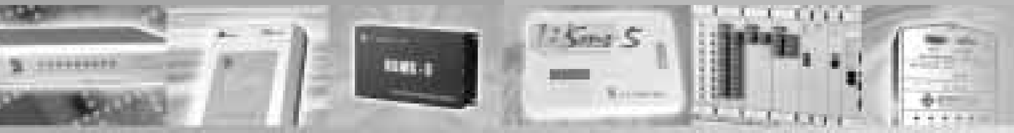
Consolidated Balance Sheet

As at 31st March 2003

	Note	2003 HK$'000	2002 HK$'000
Fixed assets	11	**30,758**	34,150
Interests in associated companies	13	**13,670**	12,957
Investment securities	14	**–**	578
Current assets			
Inventories	15	**15,978**	17,361
Trade receivables	16	**60,182**	45,134
Other receivables, prepayments and deposits		**5,772**	8,177
Pledged bank deposits	26	**12,000**	14,363
Bank balances and cash	17	**30,407**	52,574
		124,339	137,609
Current liabilities			
Trade payables	18	**14,896**	4,169
Trade payables due to an associated company	19	**9,814**	12,614
Other payables and accrued expenses		**19,410**	9,674
Current portion of obligations under finance leases	22	**510**	577
Taxation payable		**–**	267
Short-term bank loan, secured	26	**20,191**	11,215
		64,821	38,516
Net current assets		**59,518**	99,093
Total assets less current liabilities		**103,946**	146,778
Financed by:			
Share capital	20	**28,220**	28,220
Reserves	21	**75,163**	112,003
Shareholders' funds		**103,383**	140,223
Minority interests		**519**	5,926
Long-term portion of obligations under finance leases	22	**44**	629
		103,946	146,778

Lau See Hoi
Director

Hung, Randy King Kuen
Director



Balance Sheet

As at 31st March 2003

	Note	2003 *HK$'000*	2002 *HK$'000*
Investments in subsidiaries	12	**177,421**	157,493
Current assets			
Other receivables		**18**	27
Due from subsidiaries	19	**–**	112
Bank balances and cash		**2,194**	24,219
		2,212	24,358
Current liabilities			
Other payables		**38**	35
Due to subsidiaries	19	**7,057**	8,080
		7,095	8,115
Net current (liabilities)/assets		**(4,883)**	16,243
Total assets less current liabilities		**172,538**	173,736
Financed by:			
Share capital	20	**28,220**	28,220
Reserves	21	**144,318**	145,516
		172,538	173,736

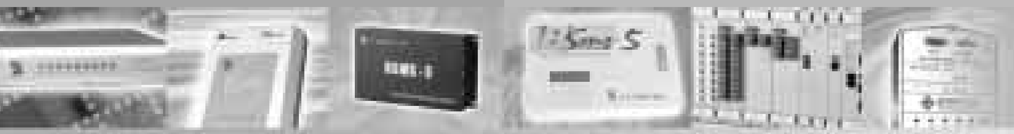
Lau See Hoi
Director

Hung, Randy King Kuen
Director

Consolidated Statement of Changes in Equity

For the year ended 31st March 2003

	Note	2003 HK$'000	2002 HK$'000
Total equity as at 1st April		**140,223**	195,343
Impairment loss on investments in securities	*21*	**–**	1,822
Reversal of goodwill previously charged to reserves, upon the changes in interests in a subsidiary	*21*	**3,899**	–
Net gains not recognised in the profit and loss account		**144,122**	197,165
Loss for the year	*21*	**(40,739)**	(56,942)
Total equity as at 31st March		**103,383**	140,223



Consolidated Cash Flow Statement

For the year ended 31st March 2003

	Note	2003 HK$'000	2002 HK$'000
Net cash outflow from operating activities	24(a)	**(27,775)**	(24,161)
Interest expenses		**(784)**	(566)
Interest element of finance lease rental payments		**(95)**	(104)
Hong Kong profits tax (paid)/refunded		**(267)**	86
Overseas taxation paid		**(198)**	(159)
Net cash outflow from operating activities		**(29,119)**	(24,904)
Investing activities			
Purchase of fixed assets		**(4,446)**	(19,393)
Sale of investment securities		**228**	–
Interest received		**483**	2,085
Net cash outflow from investing activities		**(3,735)**	(17,308)
Net cash outflow before financing		**(32,854)**	(42,212)
Financing	24(b)		
Net increase in short-term bank loan		**8,976**	9,346
Capital element of finance lease payments		**(652)**	(509)
Net changes in bank deposits pledged		**2,363**	(9,777)
Net cash inflow/(outflow) from financing		**10,687**	(940)
Decrease in cash and cash equivalents		**(22,167)**	(43,152)
Cash and cash equivalents at 1st April		**52,574**	95,726
Cash and cash equivalents at 31st March		**30,407**	52,574
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		**30,407**	52,574

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, the investment securities are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are applicable to the Group and are effective for accounting periods commencing on or after 1st January 2002:

SSAP1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP15 (revised)	:	Cash flow statements
SSAP33	:	Discontinuing operations
SSAP34 (revised)	:	Employee benefits

The adoption of the above standards has no material impact on the Group's current year results or prior year's accounts other than that certain presentation changes have been made to comply with the disclosure requirements of the above standards.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31st March. Subsidiaries are those entities which are controlled, directly or indirectly, by the Company who has the power to govern the financial and operating policies of those entities so as to obtain benefits from their activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(i) Consolidation (continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill or negative goodwill and exchange differences taken to reserves and which were not previously charged or recognized in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also, if any, goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Group accounting *(continued)*

(iii) Translation of foreign currencies *(continued)*

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves. Upon disposal of a foreign enterprise, the related cumulative exchange difference is included in the profit and loss account as part of the gain or loss on disposal.

In prior years, the profit and loss accounts of foreign enterprises were translated at closing rates. This is a change in accounting policy, however, the translation of the profit and loss accounts of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(c) Fixed assets

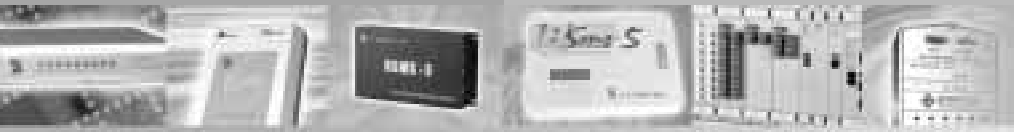
Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land is depreciated over the period of the leases/land use right while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 2.7%
Leasehold improvements	25%
Furniture and equipment	20% – 25%
Motor vehicles	25%

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in buildings, leasehold improvements and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.



1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current or long-term liabilities, as appropriate.

The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(e) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision as set out in 1(a) of SSAP 30 "Business Combinations" and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets".

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(e) Goodwill/negative goodwill *(continued)*

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, prior to 1st January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(f) Investment securities

Investment securities which are held for non-trading purposes are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the investment is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant securities, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(g) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realizable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(j) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) Revenue recognition

(i) Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Retirement benefit costs

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

(m) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Development costs that do not meet the above criteria are expensed as incurred.

(n) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred except those that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset.

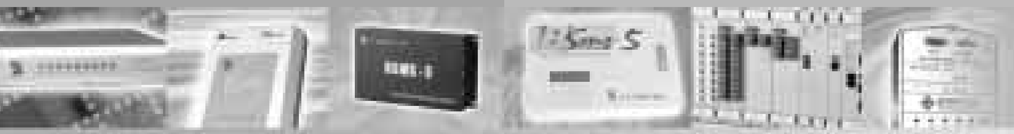
1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, interests in associated companies in the related segments, inventories and receivables, mainly exclude investments in securities and bank balances and cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, turnover is based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.



2 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the assembly, distribution and integration of telecommunications products and gas turbine generators. Revenues recognised during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Turnover		
Sales of goods, net of discounts and value-added tax	**72,807**	62,153
Other revenues		
Interest income	**483**	2,085
Others	**515**	146
	998	2,231
Total revenues	**73,805**	64,384

Primary reporting format – business segments

The Group is organized into two main business segments:

- Telecommunications products
- Gas turbine generators

There are no sales or other transactions between the business segments.

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

Mainland China

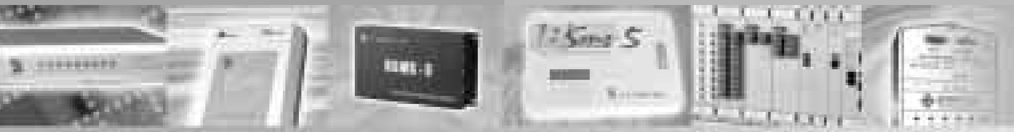
Hong Kong

Other Asia Pacific Region

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format - business segments

	Telecommunications products 2003 *HK$'000*	Gas turbine generators 2003 *HK$'000*	Unallocated 2003 *HK$'000*	Group 2003 *HK$'000*
Turnover	68,387	4,420	–	72,807
Segment results	(7,657)	(5,252)	–	(12,909)
Interest income	–	–	483	483
Unallocated corporate expenses	–	–	(28,380)	(28,380)
Operating loss				(40,806)
Finance costs				(879)
Share of profit less losses of associated companies	1,104	(220)	–	884
Loss before taxation				(40,801)
Taxation charge				(370)
Loss after taxation				(41,171)
Minority interests				432
Loss attributable to shareholders				(40,739)
Segment assets	71,703	21,492	–	93,195
Interests in associated companies	12,889	781	–	13,670
Unallocated assets	–	–	61,902	61,902
Total assets				168,767
Segment liabilities	31,329	11,752	–	43,081
Unallocated liabilities	–	–	21,784	21,784
Total liabilities				64,865
Capital expenditure	1,705	–	2,741	4,446
Depreciation	665	4,500	2,219	7,384



2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Primary reporting format - business segments *(continued)*

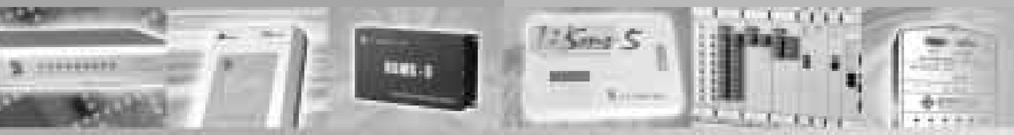
	Telecommunications products 2002 *HK$'000*	Gas turbine generators 2002 *HK$'000*	Unallocated 2002 *HK$'000*	Group 2002 *HK$'000*
Turnover	57,360	4,793	–	62,153
Segment results	(25,082)	(3,394)	–	(28,476)
Interest income	–	–	2,085	2,085
Unallocated corporate expenses	–	–	(29,930)	(29,930)
Operating loss				(56,321)
Finance costs				(670)
Share of profits less losses of associated companies	568	(211)	–	357
Loss before taxation				(56,634)
Taxation charge				(258)
Loss after taxation				(56,892)
Minority interests				(50)
Loss attributable to shareholders				(56,942)
Segment assets	60,021	30,213	–	90,234
Interests in associated companies	11,956	1,001	–	12,957
Unallocated assets	–	–	82,103	82,103
Total assets				185,294
Segment liabilities	11,468	12,622	–	24,090
Unallocated liabilities	–	–	15,055	15,055
Total liabilities				39,145
Capital expenditure	464	7,027	13,342	20,833
Depreciation	756	–	1,546	2,302
Impairment charge on investment securities	–	–	4,712	4,712

2 TURNOVER, REVENUE AND SEGMENT INFORMATION *(continued)*

Secondary reporting format – geographical segments

	Turnover		Segment Profit/(loss)	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**67,824**	58,564	**(8,065)**	(10,097)
Hong Kong	**765**	936	**(1,272)**	(1,457)
Other Asia Pacific Region	**4,218**	2,653	**1,563**	(4,596)
	72,807	62,153	**(7,774)**	(16,150)
Unallocated costs	**–**	–	**(33,032)**	(40,171)
Total	**72,807**	62,153	**(40,806)**	(56,321)

	Total assets		Capital expenditure	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Mainland China	**128,366**	123,433	**3,766**	18,841
Hong Kong	**24,545**	47,986	**643**	1,965
Other Asia Pacific Region	**2,186**	918	**37**	27
	155,097	172,337	**4,446**	20,833
Interests in associated companies	**13,670**	12,957	**–**	–
Total	**168,767**	185,294	**4,446**	20,833



3 OPERATING LOSS

Operating loss is stated after charging the following:

	2003	2002
	HK$'000	*HK$'000*
Staff costs (including directors' remuneration) *(Note 9)*		
Included in selling and distribution costs	**2,822**	6,668
Included in administrative expenses	**21,076**	22,216
Research and development costs	**7,505**	7,208
Depreciation:		
Owned fixed assets	**6,811**	1,814
Leased fixed assets	**573**	488
Operating leases in respect of land and buildings	**4,571**	4,063
Auditors' remuneration	**658**	722
Loss on disposal of fixed assets	**454**	343
Included in other operating expenses:		
Provision for doubtful debts	**5,964**	8,860
Provision for inventories	**3,213**	1,500
Loss on disposal of investment securities	**350**	–
Impairment loss on investment securities	**–**	4,712

4 FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on short-term bank loans and overdrafts	**784**	566
Interest element of finance leases	**95**	104
	879	670

5 TAXATION CHARGE

The amount of taxation charged to the consolidated profit and loss account represents:

	2003	2002
	HK$'000	*HK$'000*
Overseas taxation		
– Current year	**–**	(159)
– Under provision in prior years	**(198)**	–
Deferred taxation	**–**	56
	(198)	(103)
Share of taxation attributable to an associated company	**(172)**	(155)
	(370)	(258)

No provision for deferred taxation liabilities/(assets) for the year has been made in respect of the following:

	2003	2002
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**(746)**	21
Tax losses	**(1,332)**	(4,102)
	(2,078)	(4,081)

No provision for Hong Kong profits tax has been made in the accounts as the group companies operating in Hong Kong have no assessable profit for the year (2002: Nil).

Overseas taxation has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries which the Group operates.

5 TAXATION CHARGE *(continued)*

The Group's subsidiaries in the People's Republic of China ("PRC"), 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 Telecommunications 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 the year ended 31st December 2000 and a 50% reduction of income tax rate 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.

6 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK$1,198,000 (2002: HK$339,000).

7 LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss attributable to shareholders of HK$40,739,000 (2002: HK$56,942,000) and 282,196,000 (2002: 282,196,000) ordinary shares in issue during the year.

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

8 RETIREMENT BENEFIT COSTS

The Group has participated in the mandatory provident fund scheme (the "MPF fund") for its employees in Hong Kong. Contributions to the MPF fund by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit costs charged to profit and loss account represents contribution paid and payable by the Group to the MPF fund. The assets of the MPF fund are held separately from those of the Group in an independently administered fund.

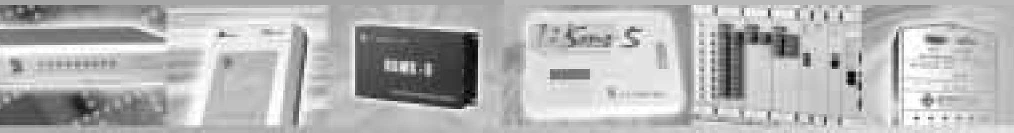
The subsidiaries in the PRC have participated in certain employees' retirement schemes implemented by the relevant local municipal governments. Contributions are made by the relevant subsidiaries to these schemes based on certain percentages of the applicable payroll costs.

The Group has no other obligations other than the above-mentioned contributions.

Total contributions made by the Group during the year ended 31st March 2003 amounted to HK$641,000 (2002: HK$484,000).

9 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2003	2002
	HK$'000	*HK$'000*
Wages and salaries	**21,111**	23,466
Termination benefits	**169**	3,811
Pension costs – defined contribution plans including the MPF fund	**641**	484
Provision for long service payment	**375**	–
Other staff welfare	**1,602**	1,123
	23,898	28,884



10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees	**449**	458
Other emoluments:		
Basic salaries, housing allowances and other allowances	**5,200**	7,058
Contributions to pension schemes	**54**	54
Compensation for loss of office as director, paid by the Company	**–**	3,561
	5,703	11,131

The two independent non-executive directors received director's fees for the year ended 31st March 2003 of approximately HK$260,000 (2002: HK$260,000) and HK$189,000 (2002: HK$198,000). They did not receive any other emoluments.

The executive directors received individual emoluments, excluding pensions and compensation for loss of office as director, for the year ended 31st March 2003 of approximately HK$1,560,000 (2002: HK$1,560,000), HK$1,560,000 (2002: HK$1,560,000), HK$1,430,000 (2002: HK$1,430,000) and HK$650,000 (2002: HK$650,000), respectively. The two directors who left the Group last year received emoluments of HK$1,606,000 and HK$252,000 respectively.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2002: five) directors and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2002: Nil) individual during the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other allowances	**590**	608
Contributions to pension scheme	**12**	12
	602	620

Note: The individual was not one of the five highest paid individuals for the year ended 31st March 2002. The comparatives shown are for the purpose of comparison.

11 FIXED ASSETS

Group	**Buildings**	**Leasehold improvements**	**Furniture and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1st April 2002	8,942	3,347	26,931	3,150	42,370
Additions	1,249	479	2,206	512	4,446
Disposals	–	(227)	(431)	–	(658)
Reclassification	889	(889)	–	–	–
At 31st March 2003	11,080	2,710	28,706	3,662	46,158
Accumulated depreciation:					
At 1st April 2002	82	1,319	5,841	978	8,220
Charge for the year	153	460	5,965	806	7,384
Disposals	–	(70)	(134)	–	(204)
At 31st March 2003	235	1,709	11,672	1,784	15,400
Net book value:					
At 31st March 2003	10,845	1,001	17,034	1,878	30,758
At 31st March 2002	8,860	2,028	21,090	2,172	34,150

11 FIXED ASSETS *(continued)*

The Group's interests in buildings at their net book values are analysed as follows:

	2003	2002
	HK$'000	HK$'000
In the PRC, held on:		
Leases of over 50 years	**1,810**	1,018
Leases of between 10 to 50 years	**9,035**	7,842
	10,845	8,860

At 31st March 2003, the net book value of fixed assets held by the Group under finance leases amounted to approximately HK$869,000 (2002: HK$1,442,000).

12 INVESTMENTS IN SUBSIDIARIES – COMPANY

	2003	2002
	HK$'000	HK$'000
Investments at cost:		
Unlisted shares/investments	**48,921**	48,921
Amounts due from subsidiaries	**128,500**	108,572
	177,421	157,493

The amounts due from subsidiaries are unsecured, interest-free and will not be demanded for repayment within the next twelve months.

12 INVESTMENTS IN SUBSIDIARIES – COMPANY *(continued)*

The following is a list of the subsidiaries at 31st March 2003:

Name	Country/ place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
Directly held by the Company				
T S Telecom (B.V.I) Limited	British Virgin Islands	Investment holding in Hong Kong	2 ordinary shares of US$1 each	100%
Infoland Technology Limited	British Virgin Islands	Investment holding in Hong Kong	320 ordinary shares of US$1 each	100%
Indirectly held by the Company				
T S International Company Limited ("T S International")	Hong Kong	Investment holding in Hong Kong	100,000 ordinary shares of HK$1 each	100%
T S International Limited*	New Zealand	Trading of power monitoring equipment in Asia Pacific region	100 ordinary shares of NZ$1 each	100%
Ying Zhi Xun Telecom Equipment (Shenzhen) Co. Ltd. ("Ying Zhi Xun")*	PRC	Assembling of cable pressurization equipment and power monitoring equipment in the PRC	Registered capital US$500,000	100%
T S Telecom (Shenzhen) Company Limited ("T S Shenzhen")*	PRC	Assembling and distribution of cable pressurization equipment and power monitoring equipment in the PRC	Registered capital US$1,250,000	100%
TSTT (Canada) Ltd*	Canada	Investment holding in Canada	100 common shares of CAD 1 each	100%

12 INVESTMENTS IN SUBSIDIARIES – COMPANY *(continued)*

Name	Country/ place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Effective interest held
Indirectly held by the Company *(continued)*				
T S Electric and Power Co., Ltd.	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Beijing Kong Da Net Telecommunications Equipment Ltd. ("KD Net")*	PRC	Manufacturing of telecommunications equipment and software in the PRC	Registered capital RMB4,000,000	75%
Cyber First Technology Limited	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%

* *statutory accounts not audited by PricewaterhouseCoopers*

Ying Zhi Xun, T S Shenzhen and KD Net have adopted 31st December as their financial year end date for local statutory reporting purposes. For the preparation of the consolidated accounts, management accounts of these subsidiaries for each of the 12 months ended 31st March 2002 and 2003 have been used after making adjustments as appropriate for compliance with accounting principles generally accepted in Hong Kong.

13 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Share of net assets	**13,670**	12,957
Unlisted investments, at cost	**4,755**	4,755

13 INTERESTS IN ASSOCIATED COMPANIES *(continued)*

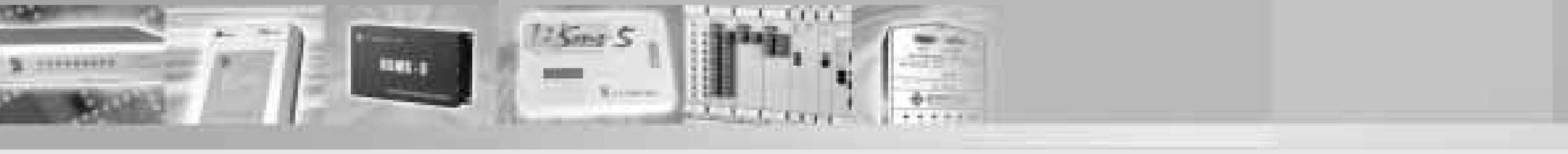
The following is a list of associated companies at 31st March 2003:

Name	Place of establishment and business	Principal activities	Particulars of registered capital	Interest held indirectly
D&T Engineering Co. Ltd., Harbin ("D&T Engineering")	PRC	Manufacture of gas turbine machines in the PRC	Registered capital RMB3,000,000	45%
Shanghai Hua Cheng Telecommunications Equipment Co., Ltd ("Shanghai Hua Cheng")	PRC	Manufacture of telecommunications equipment and accessories in the PRC	Registered capital USD1,500,000	30%

Shanghai Hua Cheng and D&T Engineering have adopted 31st December as their financial year end date for local statutory reporting purposes. For the preparation of the consolidated accounts, management accounts of these associated companies for each of the 12 months ended 31st March 2002 and 2003 have been used after making adjustments as appropriate for compliance with accounting principles generally accepted in Hong Kong.

14 INVESTMENT SECURITIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Equity securities, at market value, listed in Hong Kong	–	578



15 INVENTORIES

	Group 2003 HK$'000	Group 2002 HK$'000
Raw materials	**2,135**	2,218
Work in progress	**1,130**	573
Finished goods	**12,713**	14,570
	15,978	17,361

The balances were stated after making a provision for loss of HK$4,713,000 (2002: HK$1,500,000).

16 TRADE RECEIVABLES

Included in the balance are retention monies totalling approximately HK$19,842,000 (2002: HK$24,763,000) which are expected to be settled more than twelve months from the balance sheet date.

Sales proceeds are payable according to the terms of sales contracts. Majority of sales contracts include retention monies.

At 31st March 2003, the ageing analysis of the trade receivables was as follows:

	Group 2003 HK$'000	Group 2002 HK$'000
Within 6 months	**40,886**	11,683
6 months-1 year	**7,757**	10,826
1-2 years	**5,821**	20,322
Overs 2 years	**5,718**	2,303
	60,182	45,134

Note: At 31st March 2003, certain trade receivables of HK$8,976,000 (2002: nil) were pledged to secure a bank loan of HK$8,976,000 (note 26).

17 BANK BALANCES AND CASH

Included in the balance is an amount of HK$18,640,000 (2002: HK$16,867,000) which is denominated in Renminbi. Renminbi is not a freely convertible currency.

18 TRADE PAYABLES

At 31st March 2003, the ageing analysis of the trade payables was as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within 30 days	**2,593**	1,086
31-60 days	**226**	320
61-90 days	**1,802**	291
91-180 days	**7,821**	2,061
Over 180 days	**2,454**	411
	14,896	4,169

19 DUE FROM/DUE TO SUBSIDIARIES/TRADE PAYABLES DUE TO AN ASSOCIATED COMPANY

The balances are unsecured, interest-free and repayable on demand.

At 31st March 2003, the ageing analysis of the trade payables due to an associated company was as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Within 60 days	**7**	–
61-90 days	**–**	12,614
91-180 days	**1,079**	–
Over 180 days	**8,728**	–
	9,814	12,614

20 SHARE CAPITAL

	Company	
	2003	2002
	HK$'000	*HK$'000*
Authorised:		
800,000,000 ordinary shares of HK$0.1 each	**80,000**	80,000
Issued and fully paid:		
282,196,000 ordinary shares of HK$0.1 each	**28,220**	28,220

21 RESERVES

Group	Share premium HK$'000	PRC statutory reserves HK$'000 (Note (a))	Merger difference HK$'000 (Note (b))	Investment revaluation HK$'000	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 1st April 2001	96,616	5,639	(250)	(1,822)	66,940	167,123
Impairment loss on investment securities	–	–	–	1,822	–	1,822
Loss for the year	–	–	–	–	(56,942)	(56,942)
Transfer between reserves	–	460	–	–	(460)	–
At 31st March 2002	96,616	6,099	(250)	–	9,538	112,003
Company and subsidiaries	96,616	2,291	(250)	–	4,034	102,691
Associated companies	–	3,808	–	–	5,504	9,312
At 31st March 2002	96,616	6,099	(250)	–	9,538	112,003
At 1st April 2002	96,616	6,099	(250)	–	9,538	112,003
Reserval of goodwill previously charged to reserves, upon the changes in interests in a subsidiary	–	–	–	–	3,899	3,899
Loss for the year	–	–	–	–	(40,739)	(40,739)
Transfer between reserves	–	1,013	–	–	(1,013)	–
At 31st March 2003	96,616	7,112	(250)	–	(28,315)	75,163
Company and subsidiaries	96,616	3,304	(250)	–	(34,531)	65,139
Associated companies	–	3,808	–	–	6,216	10,024
At 31st March 2003	96,616	7,112	(250)	–	(28,315)	75,163

21 RESERVES *(continued)*

(a) The PRC statutory reserves represent transfers made to the general reserve fund and the enterprise development fund set up by certain subsidiaries and associated companies in the PRC, pursuant to the relevant regulations. According to the regulations, the general reserve fund may be used for making up losses, if any, and increasing capital while the enterprise development fund may be used for increasing capital.

(b) The merger difference of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired pursuant to the Group's reorganization which took place during the year ended 31st March 2000 over the nominal value of the share capital of the Company issued in exchange thereof.

	Share premium	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Company			
At 1st April 2001	137,187	8,668	145,855
Loss for the year	–	(339)	(339)
At 31st March 2002	137,187	8,329	145,516
At 1st April 2002	137,187	8,329	145,516
Loss for the year	–	(1,198)	(1,198)
At 31st March 2003	137,187	7,131	144,318

Note: Share premium is distributable which is calculated under the Companies Law of the Cayman Islands and the Articles of Association of the Company under certain circumstances.

22 OBLIGATIONS UNDER FINANCE LEASES

	Group 2003 HK$'000	Group 2002 HK$'000
Obligations under finance leases wholly repayable within five years	**554**	1,206
Current portion included in current liabilities	**(510)**	(577)
	44	629

At 31st March 2003, the Group's finance lease liabilities were repayable as follows:

	Group 2003 HK$'000	Group 2002 HK$'000
Within one year	**530**	657
In the second year	**44**	625
In the third to fifth year	**–**	44
	574	1,326
Future finance charges on finance leases	**(20)**	(120)
Present value of finance lease liabilities	**554**	1,206
The present value of finance leases liabilities are as follows:		
Within one year	**510**	577
In the second year	**44**	585
In the third to fifth year	**–**	44
	554	1,206

23 DEFERRED TAXATION

The potential deferred taxation liabilities/(assets) not provided for in the accounts represent:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**493**	1,239
Tax losses	**(7,000)**	(5,668)
	(6,507)	(4,429)

No recognition of the net potential deferred tax assets has been made as the recoverability of the potential deferred tax assets is uncertain.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash outflow from operating activities

	2003	2002
	HK$'000	*HK$'000*
Loss before taxation	**(40,801)**	(56,634)
Share of profits less losses of associated companies	**(884)**	(357)
Depreciation charge	**7,384**	2,302
Loss on disposal of fixed assets	**454**	343
Impairment loss on investment securities	**–**	4,712
Loss on disposal of investment securities	**350**	–
Decrease/(increase) in inventories	**1,383**	(1,845)
(Increase)/decrease in trade receivables, other receivables, prepayments and deposits	**(12,643)**	30,497
Increase/(decrease) in trade payables, other payables and accrued expenses	**19,386**	(7,154)
(Decrease)/increase in trade payables due to an associated company	**(2,800)**	5,390
Interest income	**(483)**	(2,085)
Interest expenses	**879**	670
Net cash outflow from operating activities	**(27,775)**	(24,161)

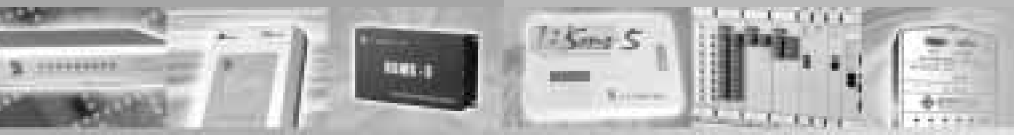
24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Obligations under finance leases		Short-term bank loans	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 1st April	**1,206**	275	**11,215**	1,869
Net changes in bank loans	**–**	–	**8,976**	9,346
Payment of capital element of finance leases	**(652)**	(509)	**–**	–
Inception of a finance lease	**–**	1,440	**–**	–
At 31st March	**554**	1,206	**20,191**	11,215

(c) Major non-cash transaction

Last year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$1,440,000.



25 COMMITMENTS

(a) Capital commitments for fixed assets

	Group	
	2003	2002
	HK$'000	*HK$'000*
Contracted but not provided for	**–**	681

(b) Commitments under operating leases

(i) At 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2003	2002
	HK$'000	*HK$'000*
Not later than one year	**2,223**	3,274
Later than one year and not later than five years	**1,454**	4,034
	3,677	7,308

(ii) In addition, T S (Holdings) Company Limited ("T S Holdings"), a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, entered into an operating lease with a third party in respect of an office premises which is shared by the Group and T S Holdings. Half of the rental expense of the premises is borne and paid by the Group through T S Holdings. In November, 2002, T S International entered into a licence agreement, which will be expired on 31st March 2005, with T S Holdings under which the Group is granted a right to use the above office premises at a monthly licence fee of approximately HK$121,000.

(c) The Company did not have any commitments as at 31st March 2003 (2002: HK$Nil).

26 SHORT-TERM BANK LOANS, SECURED

(a) One of the bank loans is secured by a fixed deposit of the Group amounting to HK$12,000,000 (2002: HK$12,000,000).

(b) One of the bank loans is secured by factoring of certain trade receivables amounting to HK$8,976,000 (2002: HK$nil).

27 RELATED PARTY TRANSACTIONS

Save as disclosed in note 25(b)(ii) and elsewhere in the accounts, the following significant related party transactions have been entered into by Group during the year:

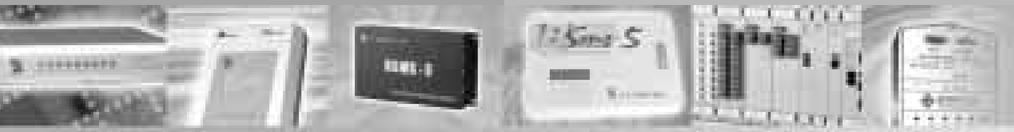
		Group	
	Note	**2003**	2002
		HK$'000	*HK$'000*
Purchases from an associated company, D & T Engineering		**4,206**	4,897
Design fees for gas turbine generators paid to an associated company, D & T Engineering		**–**	3,355
Administrative service fees paid to T S Holdings	*(a)*	**960**	960
Research and development expenses charged by the ultimate holding company	*(b)*	**2,967**	2,929
Consultancy fees paid to a former director	*(c)*	**–**	2,200

(a) Mr. Lau See Hoi, a director of the Company, has a beneficial interest in this company.

(b) T S International entered into an agreement on 27th November, 2002 for a term of three years with T S Telecom Ltd. ("T S Telecom"), the ultimate holding company, under which the latter will provide research and development services to the Group at a monthly charge which is calculated on the basis of the costs to be incurred by T S Telecom for and in connection with the provision of such services, provided that the annual service fees payable shall in total not exceed HK$4,000,000.

(c) A consultancy agreement dated 16th July 2001 was entered into between the Company and a former director, Mr. Chong Tak Wah, for a period of six months with effect from 16th July 2001. Pursuant to the consultancy agreement, Mr. Chong Tak Wah agreed to provide consultancy services to the Company in relation to advising strategies for pending sales contract proposals in Mainland China and consultation upon other matters reasonably requested by the Company relating to its business in Mainland China. A fixed fee of HK$2,200,000 was mutually agreed between the Company and Mr. Chong Tak Wah and which is calculated according to a certain percentage of the worth of the pending sales contracts in Mainland China.

The directors of the Company are of the opinion that the above transactions are based on normal commercial terms in the normal course of the Group's business.



Notes to the Accounts

28 ULTIMATE HOLDING COMPANY

The directors regard T S Telecom Limited, a company incorporated in Canada and listed on the TSX Venture Exchange, as being the ultimate holding company.

29 COMPARATIVE FIGURES

Certain expenditures previously included in administrative expenses have been regrouped to selling and distribution costs to conform with the current year's presentation.

30 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 20th June 2003.