



TS Telecom Technologies Limited
大誠電訊科技有限公司 | Stock Code: 8003



Third Quarterly Report 2007

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of T S Telecom Technologies Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to T S Telecom Technologies Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: – (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover was approximately HK\$4,054,000 and HK\$12,306,000, respectively for the three months and nine months ended 31 December 2007.
- Loss attributable to equity holders of the company was approximately HK\$1,712,000 and HK\$6,209,000, respectively, for the three months and nine months ended 31 December 2007 versus a loss of HK\$3,563,000 and HK\$10,631,000 for the corresponding periods of last year.
- As at 31 December 2007, the Group had approximately HK\$1,843,000 (2006: HK\$6,923,000) or HK\$0.005 (2006: HK\$0.02) per share of cash on hand and at bank.

RESULTS

The Board of Directors (the "Board") of T S Telecom Technologies Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2007, together with the comparative unaudited figures for the corresponding period in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) Three months ended 31 December		(Unaudited) Nine months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	4,054	12,326	12,306	20,120
Cost of sales		(3,603)	(5,101)	(8,758)	(10,838)
Gross profit		451	7,225	3,548	9,282
Other revenue	2	502	236	608	1,502
Other income	2	-	(43)	9,217	3,628
Selling and distribution costs		(427)	(200)	(960)	(450)
Administrative and other operating expenses	3	(2,423)	(10,890)	(18,581)	(24,618)
Operating loss		(1,897)	(3,672)	(6,168)	(10,656)
Finance costs		(1)	(76)	(367)	(340)
Share of profits less losses of associates		261	196	458	368
Loss before tax		(1,637)	(3,552)	(6,077)	(10,628)
Income tax charge	4	(75)	(11)	(132)	(3)
Loss for the period		(1,712)	(3,563)	(6,209)	(10,631)
Attributable to:					
Equity holders of the Company		(1,712)	(3,563)	(6,209)	(10,631)
Minority interests		-	-	-	-
Loss per share					
- Basic	5	(0.5) cents	(1.1) cents	(1.8) cents	(3.3) cents
- Diluted		N/A	N/A	N/A	N/A

NOTES:

(1) **Basis of preparation**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2007. The accounts are unaudited but have been reviewed by the Company's audit committee.

(2) **Turnover, revenue and segment information**

The Group is principally engaged in the assembly, distribution and integration of telecommunications products. Revenues recognized during the three and nine months periods ended 31 December 2007 are as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover:				
Sales of goods, net of discounts and value-added tax	4,054	12,326	12,306	20,120
Other revenue:				
Interest income	1	236	14	245
Dividend income	-	-	-	1,257
Other service income	501	-	594	-
	502	236	608	1,502
Other income:				
Reversal of overprovision for engineering services fee	-	277	-	1,547
Reversal of provision for doubtful debts	-	(549)	-	-
Reversal of provision for outstation expenses	-	53	-	53
Gain on disposal of property, plant and equipment and leasehold interests in land	-	176	-	2,028
Gain on disposal of subsidiaries	-	-	9,217	-
	-	(43)	9,217	3,628
Total revenue	4,556	12,519	22,131	25,250

(3) **Administrative and other operating expenses**

These expenses are stated after charging the following:

	Three months ended 31 December		Nine months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Provision for impairment loss of trade and other receivables	-	1,177	1,018	1,177
Provision for impairment loss of inventories	-	2,113	1,815	2,113
Impairment loss of trade and other receivables	-	1,485	-	1,485

(4) **Income tax charge**

The amount of taxation charged to the consolidated income statement represents:

	Three months ended 31 December		Nine months ended 31 December	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax	-	11	-	11
Overseas tax	75	-	132	(8)
	75	11	132	3

- (i) No provision for Hong Kong profits tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profits arising in Hong Kong for the period ended 31 December 2007 (Nine months ended 31 December 2006: nil).
- (ii) Overseas tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

(5) **Loss per share**

The calculation of the Group's basic loss per share for the three months and nine months ended 31 December 2007 are based on the Group's net loss of approximately HK\$1,712,000 and net loss of approximately HK\$6,209,000 respectively (for the three months and nine months ended 31 December 2006: approximately HK\$3,563,000 and HK\$10,631,000) and the number of 338,596,000 ordinary shares in issue during the period (2006: 338,596,000 ordinary shares).

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

(6) Reserves

	Share premium <i>HKS'000</i>	PRC statutory reserves <i>HKS'000</i>	Merger difference <i>HKS'000</i>	Translation reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total <i>HKS'000</i>
At 1 April 2006	96,616	7,808	(250)	715	(117,874)	(12,985)
Share premium resulted from the issuance of new share over par value and	282	-	-	-	-	282
Loss for the period	-	-	-	-	(10,631)	(10,631)
At 31 December 2006	<u>96,898</u>	<u>7,808</u>	<u>(250)</u>	<u>715</u>	<u>(128,505)</u>	<u>(23,334)</u>
At 1 April 2007	96,898	8,004	(250)	1,170	(129,505)	(23,683)
Loss for the period	-	-	-	-	(6,209)	(6,209)
At 31 December 2007	<u>96,898</u>	<u>8,004</u>	<u>(250)</u>	<u>1,170</u>	<u>(135,714)</u>	<u>(29,892)</u>

The People's Republic of China (the "PRC") statutory reserves represent transfers made to the general reserve fund and the enterprise development fund set up by certain subsidiaries and associates 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.

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 31 March 2000 over the nominal value of the share capital of the Company issued in exchange thereof.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2007 (nine months ended 31 December 2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Result of operations

For the nine months ended 31 December 2007, the Group recorded a total turnover of approximately HK\$12,306,000 and loss attributable to equity holders of the company of approximately HK\$6,209,000 as compared to a turnover of approximately HK\$20,120,000 and a loss of approximately HK\$10,631,000 for the same period of last year.

Our gross margin was 29% for the nine months ended 31 December 2007 as compared to a gross profit margin of 46% for the corresponding period in 2006.

The Group posted a loss of approximately HK\$6,209,000 for the nine months ended 31 December 2007 which was 42% lower from the loss incurred for the same period of last year. The reduction of the loss was mainly attributable to the increase in other income and decrease in administrative and other operating expenses.

Other revenue solely consisted of the bank interest income and other service income for the nine months ended 31 December 2007.

Other income consisted of gain on disposal of subsidiaries for the nine months ended 31 December 2007.

Selling and distribution costs increased by 113% due to increase in customer training expenses, sample and replacement costs and promotion expenses as compared with the same period of last year.

The administrative and other operating expenses decreased by 25%, compared with the corresponding period of last year, primarily due to the reduction of occupancy, travel and entertainment expenses and decrease in provision for impairment loss of inventories and trade and other receivables.

The increase in finance costs was because of the interest charges on an instalment bank loan, a short-term loan from a finance company and a short-term bank loan.

Segment information

Sales from the telecommunications products, accounted for 100% of the turnover of the Group for the nine months ended 31 December 2007.

Telecommunications products

During the nine months ended 31 December 2007, the Group continued to encounter pressure from customers demanding for concession of contract terms including lower pricing and longer payment period, causing the Group to take a longer time required to close and sign contracts. It is quite clear that the business environment of the telecom monitoring equipment industry of China has become more unfavorable and competitive. The Company has disposed most of its loss-making subsidiaries engaging in this business to Mr. Lau See Hoi in August 2007.

Gas turbine generators

During the nine months ended 31 December 2007, there is no sale of gas turbine generator. The Company has disposed the subsidiaries engaging in this business to Mr. Lau See Hoi in August 2007.

Biotechnology products

During the nine months ended 31 December 2007, there is no sale of biotechnology products. The Company has disposed the subsidiaries engaging in this business to Mr. Lau See Hoi in August 2007.

Liquidity, financial resources and capital structure

As at 31 December 2007, our cash balance was approximately HK\$1,843,000 which has decreased by 29% when comparing with the cash balance of approximately HK\$2,590,000 as of 31 March 2007.

As at 31 December 2007, the Group had net current liabilities of approximately HK\$10,290,000. The group has considered raising additional equity capital to finance its future 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 31 December 2007, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme") under which the directors, employees, customers or any individual business or entity providing goods or services may take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The maximum number of shares which can be granted under the Scheme may not exceed 10% of the issued share capital of the Company at the time of granting of the option.

No option had been granted under the Scheme during the periods under review or outstanding as at 31 December 2007.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 December 2007, except for the following deviations:

- (i) There is no division of roles of chairman and chief executive officer that both offices are held by Ms. Ng Mui King, Joky.

Code Provision A.2.1.

The Company considers that the combination of the roles of chairman and chief executive officer can effectively formulate and implement the Company's strategies. The Company considers that under the supervision of its Board and its Independent Non-executive Directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

REMUNERATION COMMITTEE

A remuneration committee was established on 11 November 2005 with written terms of reference in accordance with the code provision B.1.1 of the CG Code. As at 30 September 2007, the remuneration committee originally comprised one executive director, namely Mr. LAU See Hoi (Mr. WONG Kai Tat as his alternate), and the two independent non-executive directors, namely Mr. SZE Tsai Ping, Michael and Mr. KWAN Kai Cheong (chairman of the remuneration committee). On 2 October 2007, Mr. LAU See Hoi resigned as director and member of the remuneration committee. Mr. SZE Tsai Ping, Michael and Mr. KWAN Kai Cheong both resigned as director and member of the remuneration committee on 23 January 2008. The remuneration committee now comprises Ms. NG Mui King, Joky and Ms. HUI Sin Man, Alice.

AUDIT COMMITTEE

The audit committee originally comprised three independent non-executive directors, namely Mr. SZE Tsai Ping, Michael (chairman of the audit committee), Ms. HUI Sin Man, Alice and Mr. KWAN Kai Cheong. On 11 November 2005, the Company adopted new terms of reference for the audit committee to include such duties as are stipulated in code provision C.3.3 of the CG Code. On 23 January 2008, Mr. SZE Tsai Ping, Michael and Mr. KWAN Kai Cheong both resigned as directors and members of the audit committee.

The primary duties of the audit committee are to review and supervise the financial report process and internal control system of the Group and to review the Company's annual reports and financial statements, and interim and quarterly reports and the connected transactions. The audit committee comprising solely Ms. HUI Sin Man, Alice has reviewed the draft of this report and has provided advice and comments thereon.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2007, and save as disclosed in part (A) of the table below, none of the Directors and Chief Executive of the Company has interests and short positions in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

As at 14 February 2008, being the latest practicable date prior to the printing of this report, the interests and short positions of the Directors and Chief Executive of the Company in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were disclosed in part (B) of the table below:

Long position in share of the Company

Directors	Number of ordinary shares of HK\$0.1 each				Total number of shares	Approximate
	Personal interest	Family interest	Corporate interest	Other interest		percentage holding of shares
(A) As at 31 December 2007						%
Ms. NG Mui King, Joky (Note 1)	-	-	168,960,000	-	168,960,000	49.90
Mr. XIONG Jian Rui (Note 1)	-	-	168,960,000	-	168,960,000	49.90
Mr. ZHANG Fang Hong (Note 1)	-	-	168,960,000	-	168,960,000	49.90
Mr. WU Zhu Ping (Note 1)	-	-	168,960,000	-	168,960,000	49.90
(B) As at 14 February 2008						
Ms. NG Mui King, Joky (Note 2)	-	-	168,960,000	-	168,960,000	49.90

Notes:

- These shares were held by Gold City Assets Holdings Ltd. which was owned as to 51% by Ms. NG Mui King, Joky (appointed as the chairman and an executive director of the Company on 2 October 2007), as to 24% by Mr. XIONG Jian Rui (appointed as a non-executive director of the Company on 2 October 2007), as to 13% by Mr. ZHANG Fang Hong (appointed as an executive director of the Company on 2 October 2007) and as to the remaining 12% by Mr. WU Zhu Ping (appointed as a non-executive director of the Company on 2 October 2007). Mr. XIONG Jian Rui, Mr. ZHANG Fang Hong and Mr. WU Zhu Ping were not re-elected as directors of the Company at the annual general meeting held on 28 December 2007.
- These shares are held by Gold City Assets Holdings Ltd ("Gold City") which is owned as to 100% by Mr. NG Mui King, Joky who acquired the remaining 49% of shareholding interest in Gold City from Mr. XIONG Jian Rui, Mr. ZHANG Fang Hong and Mr. WU Zhu Ping on 15 January 2008.

Long position in shares of associated corporation

As at 31 December 2007 and save as disclosed in part (A) of the table below, none of the Directors and the Chief Executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

As at 14 January 2008, being the latest practicable date prior to the printing of this report, the Directors and the Chief Executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were disclosed in part (B) of the table below:

Directors	Associated corporation	Nature of interests	Total number of shares	Approximate percentage holding of shares %
(A) As at 31 December 2007				
Ms. NG Mui King, Joky (appointed as the chairman and an executive director of the Company on 2 October 2007)	Gold City Assets Holdings Ltd.	Personal	51	51
Mr. XIONG Jian Rui (<i>Note 1</i>) (appointed as a non-executive director of the Company on 2 October 2007)	Gold City Assets Holdings Ltd.	Personal	24	24
Mr. ZHANG Fang Hong (<i>Note 1</i>) (appointed as an executive director of the Company on 2 October 2007)	Gold City Assets Holdings Ltd.	Personal	13	13
Mr. WU Zhu Ping (<i>Note 1</i>) (appointed as a non-executive director of the Company on 2 October 2007)	Gold City Assets Holdings Ltd.	Personal	12	12
(B) As at 14 February 2008				
Ms. NG Mui King, Joky (<i>Note 2</i>)	Gold City Assets Holdings Ltd.	Personal	100	100

Note:-

1. Mr. XIONG Jian Rui, Mr. ZHANG Fang Hong and Mr. WU Zhu Ping were not re-elected as director of the Company at its annual general meeting held on 28 December 2007.
2. On 15 January 2008, Ms. Ng Mui King, Joky acquired the remaining 49% shareholding interest in Gold City Assets Holdings Ltd from Mr. Xiong Jian Rui, Mr. Zhang Fang Hong and Mr. Wu Zhu Ping.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

INTEREST DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the interest of the shareholders in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to section 336 of the SFO were as follows:

Long position in shares of the Company

Name of shareholders	Capacity	Total number of shares of HK\$0.1 each	Approximate percentage holding of shares %
Gold City Assets Holdings Ltd. (Note 1)	Beneficial owner	168,960,000	49.90
Ms. NG Mui King, Joky (Note 1)	Interest of a controlled corporation	168,960,000	49.90
Mr. XIONG Jian Rui (Note 1)	Interest of a controlled corporation	168,960,000	49.90
Mr. ZHANG Fang Hong (Note 1)	Interest of a controlled corporation	168,960,000	49.90
Mr. WU Zhu Ping (Note 1)	Interest of a controlled corporation	168,960,000	49.90

Note:

1. These shares are held by Gold City Assets Holdings Ltd. which is owned as to 51 per cent. by Ms. NG Mui King, Joky, as to 24 per cent. by Mr. XIONG Jian Rui, as to 13 per cent. by Mr. ZHANG Fang Hong and as to the remaining 12 per cent. by Mr. WU Zhu Ping.

Save as disclosed above, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as at 31 December 2007 which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or, who was expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has, at any material time, an interest in a business that competed with or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by Directors set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company confirms that, having made specific enquiry to all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the nine months ended 31 December 2007.

By Order of the Board
T S Telecom Technologies Limited
NG Mui King, Joky
Chairman

Hong Kong, 14 February 2008

As at the date of this report, the Board of Directors of the Company comprises Ms. Ng Mui King, Joky and Mr. Wong Kai Tat being the executive Directors and Ms. Hui Sin Man, Alice being the independent non-executive Director.