

**TS TELECOM TECHNOLOGIES LTD :  
ONE OF THE BETTER G.E.M. CANDIDATES**

One would hope that, after TS Telecom Technologies Ltd is enrolled in the ranks of The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd, its Chairman would stop his obvious habit of using the Company as a private, little piggy bank.

Because that is one of the many interesting aspects of this new candidate to The GEM.

The Prospectus of TS Telecom Technologies indicates, at Page 103, that Mr Lau See Hoi, through Atlantic Concord Incorporated, had borrowed about \$HK4.50 million from the Company, and that this amount of money had been repaid on August 31, 1999.

The date, August 31, 1999, coincides with the date that the Company declared and paid a \$HK17-million dividend.

Mr Lau See Hoi, of course, got the lion's share of this \$HK17-million dividend, and this, probably, allowed him to settle his debt to the Company.

Mr Lau See Hoi, aged 50 years, is the Founder and Chairman of TS Telecom Technologies as well as being a Member of the Standing Committee of Chinese People's Political Congress Committee, Yantai, Shandong, the People's Republic of China (PRC).

It would appear, according to Page 98 of the Prospectus, that Chairman Lau See Hoi is raking in between \$HK2.50 million and \$HK3 million per year so that, with an income of at least \$HK208,000 a month, there is little reason for him to borrow money from the company over which he has managerial control.

In private companies, for directors to lend and to borrow money from the companies that they control, is quite common and is, also, quite legal, but when one is in charge of publicly listed entities, it is generally considered bad form to start to make use of the public company as a private, little piggy bank.

In fact, such practices sometimes lead to issues, relating to fraud on minorities.

TS Telecom Technologies is trying to raise a total of \$HK118.80 million, gross, through the Placing of 63.36 million shares and the Offer of another tranche of 15.84 million shares.

The 10-cent shares are being offered at a Premium of \$HK1.40 each over the Par Value.

The Company describes itself as being engaged in *'the distribution and, as an value-added service, the integration of power monitoring and cable monitoring systems and network access equipment to the telecommunications service providers in the PRC and Hong Kong. The Group is also engaged in the assembling of power monitoring equipment and cable pressurizing equipment in the PRC ...'* (TARGET has reproduced this paragraph from Page One of the Prospectus without changes to the text)

This Company was established in 1991 and, since then, it appears to have done very nicely.

The following is extracted from the Prospectus, at Page 33:

	(Year Ended March 31)		
	1998	1999	Five Months to August 31, 1999

	<i>(All Figures Are Denominated In \$HK'000)</i>		
Total Turnover	141,631	107,620	39,709
Cost of Sales	(85,653)	(58,467)	(13,376)
Gross Profit	55,978	49,153	26,333
Administrative Expenses	(34,831)	(29,676)	(10,222)
Profit from Operations	12,198	10,324	13,044
Share of Profit of an Associated Company	5,174	2,677	493
Profit Before Tax	17,332	12,984	13,535
Net Profit	15,096	11,115	13,036

It is clear from the above TARGET table that the Company is experiencing a Net Profit Margin for the Current Financial Year, at least for the first 5 months of the Year, of about 33 percent.

Which is unreal, one may be tempted to exclaim.

Nearly all of the Company's business is transacted in the PRC so, perhaps, high Profit Margins are more easily obtained in that country?

The Turnover, by geographical areas, shows that, in the 1998 Year, 94.90 percent of the Total Turnover was attributable to sales to the PRC.

This percentage dropped to 93.40 percent in the following Year, and rose to 97.80 percent during the first 5 months of the Current Year.

The Turnover, which is not be attributable to the PRC, ... [CLICK TO ORDER FULL ARTICLE](#)