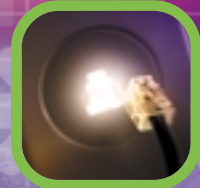




大誠電訊科技有限公司
T S Telecom Technologies Limited



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

HIGHLIGHTS

- Turnover was approximately HK\$37,281,000 for the six months ended 30th September 2001.
- Net loss attributable to shareholders was approximately HK\$17,315,000 for the six months ended 30th September 2001 versus a net profit of HK\$7,138,000 for the corresponding period of last year.
- As at 30th September 2001 and 9th November 2001, the Group had approximately HK\$68,621,000 and HK\$75,268,000 or \$0.24 and \$0.27 per share of cash on hand, respectively.

RESULTS

The Board of Directors (the "Board") of T S Telecom Technologies Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th September 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

	Notes	Three months ended		Six months ended	
		30th September	30th September	30th September	30th September
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Power monitoring equipment		2,804	23,035	23,809	25,053
Cable monitoring equipment		466	5,854	3,236	7,112
Network access equipment		—	569	2,168	3,135
Gas turbine generators		4,793	—	4,793	—
Other equipment		600	1,494	3,275	2,679
Total turnover		8,663	30,952	37,281	37,979
Cost of sales		(7,490)	(8,501)	(15,793)	(11,896)
Gross profit		1,173	22,451	21,488	26,083
Other revenues		644	1,309	1,583	3,105
Selling and distribution costs		(4,479)	(579)	(8,551)	(1,796)
Administrative expenses		(13,968)	(10,338)	(26,841)	(20,467)
Others operating expenses	2	(5,983)	—	(5,983)	—
Operating (loss) / profit		(22,613)	12,843	(18,304)	6,925
Finance costs		(192)	(11)	(253)	(18)
Share of profits less losses of associated companies		247	564	375	299
(Loss) / profit before taxation		(22,558)	13,396	(18,182)	7,206
Taxation credit / (charge)	3	472	(75)	(17)	(150)
(Loss) / profit after taxation		(22,086)	13,321	(18,199)	7,056
Minority interests		689	54	884	82
(Loss) / profit for the period and attributable to shareholders		(21,397)	13,375	(17,315)	7,138
(Loss) / earnings per share					
— Basic	4	(7.6) cents	4.9 cents	(6.1) cents	2.7 cents

Notes:

1. Basis of preparation

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

2. Other operating expenses

The balance represents payments for compensation for loss of office of certain management staff during the period as part of the Group's corporate re-engineering process.

3. Taxation

	Three months ended 30th September		Six months ended 30th September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
Hong Kong profits tax	—	—	—	—
Over provisions in PRC income tax	472	—	—	—
	472	—	—	—
Associated companies				
PRC income tax	—	(75)	(17)	(150)
	472	(75)	(17)	(150)

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

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

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

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

4. (Loss) / earnings per share

The calculation of the Group's basic loss per share for the three months and six months ended 30th September 2001 is based on the Group's net loss of approximately HK\$21,397,000 and HK\$17,315,000 (the Group's net profit for the three months and six months ended 30th September 2000: approximately HK\$13,375,000 and HK\$7,138,000) and the number of approximately 282,196,000 ordinary shares (three months and six months ended 30th September 2000: weighted average number of approximately 271,736,000 ordinary shares and 267,868,000 ordinary shares) in issue during the period.

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

INTERIM DIVIDEND

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

BUSINESS REVIEW AND PROSPECTS

Financial Performance

For the three months and six months ended 30th September 2001, turnover of the Group amounted to approximately HK\$8,663,000 and HK\$37,281,000 respectively, as compared to approximately HK\$30,952,000 and HK\$37,979,000 for the corresponding periods last year. Turnover for the six month period slightly declined as certain contracts under negotiation were delayed to the coming quarters.

The Group posted a net loss of approximately HK\$21,397,000 and HK\$17,315,000 for the three months and six months under review, as compared to the net profit of approximately HK\$13,375,000 and HK\$7,138,000 for the period of the previous year. The decrease in net results is due to the increase in promotion expenses incurred for marketing our gas turbine generator product line and payments for compensation for loss of office of certain management staff during the course of the Group's corporate re-engineering process.

As at 30th September 2001 and 9th November 2001, the Group had approximately HK\$68,621,000 and HK\$75,268,000 or \$0.24 and \$0.27 per share of cash on hand, respectively.

Prospect

The Market Place

The Group continued to implement aggressive marketing strategies to promote our products. Our second quarter results were below our expectation. But we believed our investments in customer relationship and product enhancement would allow us to turnaround and prosper in the coming quarters.

New Products

Fibersmart

The Group was conducting technical conferences with a telephone bureau of a major city in China. We targeted to commence a soft launch of Fibersmart upon completion of this conferences in our forth quarters.

Gas Turbine Generator

The production of our first mobile gas turbine generator was completed in September. This mobile unit was dispatched to Shanghai Telephone Office to be used as emergency backup power for the communication systems of the Asia Pacific Economic Cooperation Conference ("APEC") held in Shanghai.

Comparison of the Business Objectives set out in the Prospectus with Actual Business Progress

Business Objectives as stated in the Prospectus dated 23rd November 1999	Actual Business Progress
<p>Increase market share of existing products by setting up additional sales offices, recruiting more sales personnel and forming strategic alliance with local manufacturers</p>	<p>A new sales office in Wuhan was established in March, 2000.</p> <p>An Indonesian sales representative was appointed to coordinate our marketing activities in Indonesia.</p> <p>Strategic plans are being developed to establish additional offices in the PRC and Southeast Asia.</p> <p>A new office in New Zealand was being established.</p> <p>A strategic alliance with a NASDAQ listed company was formed to distribute microturbine in China.</p>
<p>Vertical Integration for Core Business Lines</p>	<p>Our factory in Shenzhen is engaged in assembling all of our CDU and power monitoring systems.</p> <p>The formation of a 75% equity interest joint venture, Beijing Kong Da Net Telecommunication Equipment Ltd., commenced business operations in January, 2001.</p> <p>Our joint venture factory in Harbin has commenced the assembling of gas turbine generator sets since July, 2000.</p> <p>The Group has acquired a real estate in Shenzhen for the purpose of expanding our capacity to assemble power monitoring systems and it is now under the renovation and expect to operate next quarter.</p>

Comparison of the Business Objectives set out in the Prospectus with Actual Business Progress

Business Objectives as stated in the Prospectus dated 23rd November 1999	Actual Business Progress
<p>New Product Development</p>	<p>Broadband network access equipment – The Group continued to work actively to develop product strategies and standards for the broadband applications and expected to complete by March, 2002.</p> <p>Powercom BSMS – It was successfully launched at the end of June, 2000.</p> <p>Fibersmart – The trail testing continues to progress within its highly ambitious framework of development.</p> <p>GasTurbine Generators – The Stationary GasTurbine Generator was launched in June, 2000. Our first mobile gas turbine generator was deployed in September, 2001 as emergency backup power for communication systems for Asia Pacific Economic Cooperation Conference (“APEC”) held in Shanghai.</p>
<p>Formation of Joint Ventures</p>	<p>Beijing Kong Da Net Telecommunication Equipment Ltd. – The formation of this 75% equity interest joint venture was completed in December, 1999.</p> <p>D & T Engineering Co., Ltd. Harbin – The new joint venture factory in Harbin has commenced the assembling of gas turbine generator sets since July, 2000.</p> <p>Beijing Telecom Science-Soft Information Systems Inc. - The Group, through its 51.25% owned subsidiary formed a joint venture in December, 2000 to develop of large scale telecom software platforms and applications for telephone operators in China. Nonetheless, the Group had decided to discontinue this joint venture in late September due to irreconcilable difference with the joint venture partner. The joint venture is currently under dissolution proceedings.</p>

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30th September 2001, the interests of the directors, chief executives and their associates in the shares and options of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock Exchange were as follows:

Directors	Personal interest	Family interest	Corporate interest	Other interest	Total no. of shares	Approximate
						percentage holding of shares
Mr. Lau See Hoi (<i>Note 1</i>)	—	—	168,960,000	—	168,960,000	59.87
Mr. Wong Weng (<i>Note 2</i>)	—	—	—	168,960,000	168,960,000	59.87
Mr. Hung, Randy King Kuen	360,000	—	—	—	360,000	0.13

Notes:

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

Save as disclosed above, none of the directors, chief executives and their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 30th September 2001 maintained under Section 29 of the SDI Ordinance or which are required, pursuant to rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and GEM of the Stock Exchange.

The Company has a share option scheme (the "Scheme") under which the directors may take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. The maximum number of shares which can be granted under the Scheme may not exceed 10% of the issued share capital of the Company at the time of granting of the option. No option had been granted under the Scheme during the periods under review or outstanding as at 30th September 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Sections 16(1) of the Securities (Disclosure of Interests) Ordinance shows that as at 30th September 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital.

Name of shareholder	Number of shares
T S Telecom Ltd.	168,960,000

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

The interests of the Company's sponsor, Dao Heng Securities Limited ("Dao Heng Securities"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) in the share capital of the Company as at 30th September 2001 and 9th November 2001 are summarized below:

	As at 30th September 2001	As at 9th November 2001
Dao Heng Securities' employees (excluding directors)	—	—
Dao Heng Securities' directors	—	—
Dao Heng Securities	1,000,000	1,000,000
Dao Heng Securities' associates	—	—
Total	<u>1,000,000</u>	<u>1,000,000</u>

Pursuant to the agreement dated 1st December 1999 entered into between the Company and Dao Heng Securities, Dao Heng Securities has received and will receive a fee for acting as the Company's retained sponsor for the period from 2nd December 1999 to 31st March 2002.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

By Order of the Board
T S Telecom Technologies Limited
Lau See Hoi
Chairman

Hong Kong, 12th November 2001