



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



2004

Second Quarterly Report

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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\$25,437,000 and HK\$37,430,000, respectively for the three months and six months ended 30th September 2004.
- Loss attributable to shareholders was approximately HK\$2,806,000 and HK\$9,989,000, respectively, for the three months and six months ended 30th September 2004 versus a loss of HK\$10,371,000 and HK\$19,375,000 for the corresponding periods of last year.
- As at 30th September 2004, the Group had approximately HK\$6,757,000 or HK\$0.02 per share of cash on hand and at bank.

The Board of Directors (the "Board") of T S Telecom Technologies Limited (the "Company") presents the consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th September 2004, and the consolidated balance sheet as at 30th September 2004 of the Group, all of which are unaudited and in condensed format, along with selected explanatory notes and the comparative unaudited figures for the corresponding period in 2003 as follows:

Condensed Consolidated Profit and Loss Account

	Note	(Unaudited) Three months ended 30th September		(Unaudited) Six months ended 30th September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	25,437	12,858	37,430	17,345
Cost of sales		(18,721)	(10,043)	(26,570)	(13,068)
Gross profit		6,716	2,815	10,860	4,277
Other revenues	2	162	80	297	197
Selling and distribution costs		(131)	(87)	(416)	(455)
Administrative expenses		(9,189)	(12,581)	(20,276)	(22,604)
Other operating expenses	3	–	(281)	(174)	(281)
Operating loss	4	(2,442)	(10,054)	(9,709)	(18,866)
Finance costs	5	(63)	(319)	(138)	(632)
Share of profits/(losses) of associated companies		(29)	46	70	176
Loss before taxation		(2,534)	(10,327)	(9,777)	(19,322)
Taxation charge	6	(6)	–	(77)	(53)
Loss after taxation		(2,540)	(10,327)	(9,854)	(19,375)
Minority interests		(266)	(44)	(135)	–
Loss for the period and attributable to shareholders		<u>(2,806)</u>	<u>(10,371)</u>	<u>(9,989)</u>	<u>(19,375)</u>
Loss per share					
– Basic	7	<u>(1.0) cents</u>	<u>(3.7) cents</u>	<u>(3.5) cents</u>	<u>(6.9) cents</u>

Condensed Consolidated Balance Sheet

		(Unaudited) 30th September 2004 HK\$'000	(Audited) 31st March 2004 HK\$'000
	<i>Note</i>		
Non current assets			
Fixed assets	9	14,532	15,590
Interests in associated companies		13,740	13,717
		<u>28,272</u>	<u>29,307</u>
Current assets			
Inventories		12,769	14,982
Trade receivables	10	49,238	41,193
Other receivables, prepayments and deposits		4,641	4,320
Pledged bank deposits		–	1,971
Bank balances and cash	11	6,757	12,579
		<u>73,405</u>	<u>75,045</u>
Current liabilities			
Trade payables	12	4,899	6,387
Trade payables due to an associated company		9,814	9,814
Other payables and accrued expenses		32,267	17,949
Current portion of obligations under finance leases		–	44
Short-term bank loan, secured		–	5,607
		<u>46,980</u>	<u>39,801</u>
Net current assets		<u>26,425</u>	<u>35,244</u>
Total assets less current liabilities		<u>54,697</u>	<u>64,551</u>
Financed by:			
Share capital	13	28,220	28,220
Reserves		26,285	36,274
Shareholders' funds		54,505	64,494
Minority interests		192	57
		<u>54,697</u>	<u>64,551</u>

Condensed Consolidated Cash Flow Statement

	(Unaudited)	
	Six months ended	
	30th September	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Net cash outflow from operating activities	(1,553)	(18,867)
Investing activities		
Purchase of fixed assets	(589)	(171)
Net cash outflow before financing activities	(2,142)	(19,038)
Financing activities		
New bank loan	–	2,469
Capital element of finance lease payments	(44)	(251)
Repayment of bank loan	(5,607)	–
Net changes in bank deposits pledged	1,971	–
Net cash (outflow)/inflow from financing activities	(3,680)	2,218
Decrease in cash and cash equivalents	(5,822)	(16,820)
Cash and cash equivalents at 1st April	12,579	30,407
Cash and cash equivalents at 30th September	6,757	13,587
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	6,757	13,587

Condensed Consolidated Statement of Changes in Equity

	(Unaudited)				Total HK\$'000
	Share premium HK\$'000	Statutory reserves HK\$'000 (Note 14)	PRC Merger difference HK\$'000 (Note 14)	Retained earnings/ (Accumulated losses) HK\$'000	
At 1st April 2003	96,616	7,112	(250)	(28,315)	75,163
Loss for six months period	-	-	-	(19,375)	(19,375)
At 30th September 2003	<u>96,616</u>	<u>7,112</u>	<u>(250)</u>	<u>(47,690)</u>	<u>55,788</u>
At 1st April 2004	96,616	7,472	(250)	(67,564)	36,274
Loss for six months period	-	-	-	(9,989)	(9,989)
At 30th September 2004	<u>96,616</u>	<u>7,472</u>	<u>(250)</u>	<u>(77,553)</u>	<u>26,285</u>

Notes to the condensed interim accounts

(1) Basis of preparation

These unaudited condensed consolidated accounts are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These accounts should be read in conjunction with the annual financial accounts for the year ended 31st March 2004 ("2004 Annual Financial Accounts").

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2004 except that the Group has adopted SSAP 12 "Income Taxes" (revised) issued by the Hong Kong Institute of Certified Public Accountants which is effective for accounting periods commencing on or after 1st January 2003. The effect of the adoption of this new policy is as follows:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) has no significant effect on the Group's results and financial positions for the current or prior accounting periods.

(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 recognized during the three and six months periods are as follows:

	Three months ended 30th September		Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover				
Sales of goods, net of discounts and value-added tax	25,437	12,858	37,430	17,345
Other revenues				
Interest income	25	73	40	168
Others	137	7	257	29
	<u>162</u>	<u>80</u>	<u>297</u>	<u>197</u>
Total revenues	<u>25,599</u>	<u>12,938</u>	<u>37,727</u>	<u>17,542</u>

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.

An analysis of the Group's revenues and results for the period by business segment is as follows:

	Telecommunications products Six months ended 30th September		Gas turbine generators Six months ended 30th September		Group Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	<u>36,468</u>	<u>17,345</u>	<u>962</u>	<u>–</u>	<u>37,430</u>	<u>17,345</u>
Segment results	<u>(1,197)</u>	<u>(6,728)</u>	<u>163</u>	<u>(2,467)</u>	<u>(1,034)</u>	<u>(9,195)</u>
Interest income					40	168
Unallocated corporate expenses					(8,715)	(9,839)
Operating loss					(9,709)	(18,866)
Finance costs					(138)	(632)
Share of profits less losses of associated companies	173	255	(103)	(79)	70	176
Loss before taxation					(9,777)	(19,322)
Taxation charge					(77)	(53)
Loss after taxation					(9,854)	(19,375)
Minority interests					(135)	–
Loss attributable to shareholders					<u>(9,989)</u>	<u>(19,375)</u>

(3) Other operating expenses

	Three months ended 30th September		Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Provision for doubtful debts	–	281	–	281
Loss on disposal of fixed assets	–	–	174	–
	<u>–</u>	<u>281</u>	<u>174</u>	<u>281</u>

(4) Operating loss

Operating loss is stated after charging the following:

	Three months ended 30th September		Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Staff costs (including directors' remuneration)	4,646	4,294	8,203	9,029
Research and development costs	280	1,347	803	2,270
Operating leases in respect of land and buildings	979	1,143	1,964	2,160
Depreciation:				
Owned fixed assets	523	1,754	1,473	3,515
Leased fixed assets	–	131	–	261
	<u>–</u>	<u>131</u>	<u>–</u>	<u>261</u>

(5) Finance costs

	Three months ended 30th September		Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Interest on short-term bank loan and overdrafts	63	313	138	618
Interest element of finance leases	–	6	–	14
	<u>63</u>	<u>319</u>	<u>138</u>	<u>632</u>

(6) Taxation charge

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

	Three months ended 30th September		Six months ended 30th September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Overseas taxation	1	–	30	–
Share of taxation attributable to an associated company	5	–	47	53
	<u>6</u>	<u>–</u>	<u>77</u>	<u>53</u>

- (i) 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 period (Six months ended 30th September 2003: nil).
- (ii) Overseas taxation represents the tax on the representative offices/associated companies of the Group in the People's Republic of China (the "PRC") provided at the relevant tax rates applicable to them with reference to the total expenditure of these offices.

(7) Loss per share

The calculation of the Group's basic loss per share for the three months and six months ended 30th September 2004 is based on the Group's loss attributable to shareholders of approximately HK\$2,806,000 and HK\$9,989,000 (for the three months and six months ended 30th September 2003: approximately HK\$10,371,000 and HK\$19,375,000) and the number of approximately 282,196,000 ordinary shares in issue during the period.

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

(8) Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30th September 2004 (Six months ended 30th September 2003: nil).

(9) Fixed assets

	<i>HK\$'000</i>
Cost:	
At 1st April 2004	47,527
Additions	589
Disposals	<u>(2,323)</u>
	<u>45,793</u>
Accumulated depreciation:	
At 1st April 2004	31,937
Depreciation	1,473
Disposals	<u>(2,149)</u>
	<u>31,261</u>
Net book value:	
At 30th September 2004	<u><u>14,532</u></u>
At 31st March 2004	<u><u>15,590</u></u>

(10) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

Included in the balance are retention monies totalling approximately HK\$14,320,000 (31st March 2004: HK18,110,000) which are expected to be settled more than twelve months from the balance sheet date.

Majority of the Group's turnover is on open account terms and in accordance with terms specified in the sales contracts governing the relevant transactions.

The ageing analysis of the trade receivables is as follows:

	30th September	31st March
	2004	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than six months	18,437	16,684
Between six months and one year	14,388	4,310
Between one year and two years	15,103	17,001
More than two years	<u>1,310</u>	<u>3,198</u>
	<u><u>49,238</u></u>	<u><u>41,193</u></u>

(11) Bank balances and cash

Included in the balance is an amount of HK\$2,978,000 (31st March 2004: HK\$4,398,000) which is denominated in Renminbi. Renminbi is not a freely convertible currency.

(12) Trade payables

The ageing analysis of the trade payables is as follows:

	30th September	31st March
	2004	2004
	HK\$'000	HK\$'000
Within 30 days	954	2,417
31-60 days	1,014	436
61-90 days	817	552
91-180 days	341	1,353
Over 180 days	1,773	1,629
	<u>4,899</u>	<u>6,387</u>

(13) Share capital

	30th September	31st March
	2004	2004
	HK\$'000	HK\$'000
<i>Authorised:</i>		
800,000,000 ordinary shares of HK\$0.1 each	<u>80,000</u>	<u>80,000</u>
<i>Issued and fully paid:</i>		
As at 30th September 2004 and 31st March 2004		
282,196,000 ordinary shares of HK\$0.1 each	<u>28,220</u>	<u>28,220</u>

(14) Reserves

The PRC statutory reserves represents 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.

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.

(15) Related party transactions

		Three months ended		Six months ended	
		30th September		30th September	
	<i>Notes</i>	2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Research and development expenses charged by the ultimate holding company	(a)	264	1,057	761	1,740
Administrative service fees paid to T S Holdings	(b)	-	240	240	480
Licence fees paid to T S Holdings	(b)	363	363	725	725

(15) Related party transactions (Continued)

- (a) 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.
- (b) 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. T S International also entered into an administrative service agreement with T S Holdings to pay an administrative service fee of HK\$80,000 per month. The administrative service agreement was terminated effective 1 July 2004.

(16) Commitments

(a) Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30th September	31st March
	2004	2004
	HK\$'000	HK\$'000
Not later than one year	1,579	3,403
Later than one year and not later than five years	316	2,223
	1,895	5,626

MANAGEMENT DISCUSSION AND ANALYSIS

Result of operations

For the six months ended 30th September 2004, the Group recorded a total turnover of HK\$37,430,000 and loss attributable to shareholders of HK\$9,989,000 as compared to a turnover of HK\$17,345,000 and a loss of \$19,375,000 for the same period of last year. The increase in turnover was mainly due to one major contract of Fibersmart products worth approximately HK\$17,383,000 (equivalent to approximately RMB18,600,000), 100% of which were delivered to customers.

Our gross margin was 29% for the six months period as compared to a gross profit margin of 24% for the corresponding period in 2003. The increase in gross margin was because the majority of turnover recorded in the interim period is related to the sales of Fibersmart products.

The Group posted a net loss of approximately HK\$9,989,000 for the six months period ended 30th September 2004, which was 48% lower from the net loss incurred for the same period of last year. The reduction of the net loss was mainly attributable to the increase in turnover and gross margin, together with the reduction of selling and distribution costs and administrative expenses.

Other revenue mainly consisted of the income from maintenance for the products, the warranty period of which has expired.

During the interim period, the Group continued to control selling and distribution costs and administrative expenses tightly. Selling and distribution costs declined by 9% and administrative expenses declined by 10%, as compared with the corresponding period of last year.

Other operating expenses for the six months period ended consisted of loss of disposal of fixed assets of HK\$174,000 that was not incurred in the six months period of last year.

Segment information

Sales from telecommunications products accounts for 97% of the turnover of the Group for the six months period ended 30th September 2004. There were three sales contracts of gas turbine generators completed, all of which were shipped to our customers during the six months period.

Telecommunications products

During this interim period, 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 Group has been addressing this challenge by broadening our product base and exploring opportunities in the international market.

Gas turbine generators

The Group hopes sales of gas turbine generators will increase in the coming months despite minimal revenue growth in the current interim period. The Group continues to implement aggressive marketing strategies to promote gas turbine generators in the telecom, petroleum and other industries.

Liquidity, financial resources and capital structure

As at 30th September 2004, our cash balance of approximately HK\$6,757,000 primarily has declined when comparing with the cash balance of approximately HK\$14,550,000 as of 31st March 2004 due to operating loss incurred during the six months interim period.

As at 30th September 2004, the Group had net current assets of approximately HK\$26,425,000. The short-term bank loans of HK\$5,600,000 denominated in Renminbi was primarily used to secure a letter of credit facility to purchase inventory and secured by the Group's real estate property in Shenzhen was repaid on 13th August 2004.

After the repayment of the short-term bank loans disclosed above, the Group had no bank financing as at 30th September 2004. The Group financed its operations and investing activities primarily by operating revenue, internal resources, balance of proceeds from our initial public offering and proceeds from a share placement exercised in August, 2000. The net current assets of HK\$26,425,000 along with available unutilized banking facilities 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 30th September 2004, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

For the six months period ended 30th September 2004, there was no change in the capital structure and issued capital of the Group.

Future plans for material investments

As at 30th September 2004, 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 six months period ended 30th September 2004, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Gearing ratio

The Group's gearing ratio as at 30th September 2004, which was derived from the total borrowings to shareholder's funds, decreased to 0% from 8.7% as at 31st March 2004.

Contingent liabilities

As at 30th September 2004, the Group did not have any material contingent liabilities.

Subsequent events

No subsequent events occurred after 30th September 2004, which may have a significant effect, on the assets and liabilities or future operations of the Group.

Foreign exchange exposure

Since most of the transaction 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 period under review.

Employees and remuneration policy

As at 30th September 2004, the Group employed approximately 194 staff in the PRC, Hong Kong, Canada and New Zealand, representing a decrease of 36 staff from 31st March 2004 and a decrease of 63 staff from 30th September 2003. The decrease in staff was mainly from the PRC operations. Remuneration of employees, including directors' emoluments was approximately HK\$3,721,000 and HK\$8,204,000 respectively for the three and six months periods under review as compared to approximately HK\$4,242,000 and HK\$8,884,000 for the corresponding periods of the preceding financial year. The decrease was primarily due to the tight cost control program implemented by the Group.

The Group reviews employee remuneration from time to time and increases are granted normally 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.

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 30th September 2004.

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

As at 30 September 2004, 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 the required standard of dealings by Directors as in Rule 5.46 of the GEM Listing Rules, were as follows:

Long position in shares of the Company

Directors	Number of ordinary shares of HK\$0.1 each					Approximate percentage holding of shares %
	Personal interest	Family interest	Corporate interest	Other interest	Total no. of shares	
Mr. Lau See Hoi (Note 1)	–	–	168,960,000	–	168,960,000	59.87
Mr. Hung, Randy King Kuen (Note 2)	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. To the best knowledge of the Company up to 30th June, 2004, these shares were held by Mr. Hung, Randy King Kuen on 30th June, 2004. Mr. Hung resigned as director of the Company on 2nd July, 2004.

Long position in shares of associated corporation

Directors	Associated corporation	Nature of interest	Total no. of shares	Approximate percentage holding of shares %
Mr. Lau See Hoi	T S Telecom Ltd.	Personal	7,239,250	32.92
Mr. Wong Weng (Note 1)	T S Telecom Ltd.	Personal	2,885,500	13.12

As at 30th September 2004 and save as disclosed above, 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 the required standard of dealings by Directors as in Rule 5.46 of the GEM Listing Rules.

Note 1: To the best knowledge of the Company up to 30th June, 2004, these shares were held by Mr. Wong Weng on 30th June, 2004. Mr. Wong resigned as director of the Company on 3rd April, 2004.

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 30th September 2004, 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 shareholder	Capacity	Total number of shares of HK\$0.1 each	Approximate percentage holding of shares %
T S Telecom Ltd. ("TST") (Note 1)	Beneficial owner	168,960,000	59.87
Lau See Hoi (Note 1)	Interest of a controlled corporation	168,960,000	59.87

Note 1: These shares are held by TST, the ultimate holding company of the Company, in which Mr. Lau See Hoi, a Director of the Company, holds 7,239,250 shares (representing approximately 32.92% of the issued share capital of TST). Ms. Cheung Yun Wah is the spouse of Mr. Lau See Hoi and by virtue of the SFO, Ms. Cheung Yun Wah is deemed to have interest of 168,960,000 shares in the Company.

Save as disclosed above, as at 30th September 2004, 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 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.

BOARD PRACTICES AND PROCEDURES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in (Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited/rules 5.28 to 5.39 of the Listing Rules of the Growth Enterprise Market to the Stock Exchange of Hong Kong) at any time during the six months ended 30th September 2004.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed accounts for the six months ended 30th September 2004 with the directors.

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.

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 from all Directors, the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by Directors for the six months ended 30 September 2004.

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

Hong Kong, 15th November 2004