



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



2nd Quarterly Report

2005

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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.

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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\$4,116,000 and HK\$7,933,000, respectively for the three months and six months ended 30th September 2005.
- Loss attributable to equity holders of the company was approximately HK\$3,610,000 and HK\$7,904,000, respectively, for the three months and six months ended 30th September 2005 versus a loss of HK\$2,806,000 and HK\$9,989,000 for the corresponding periods of last year.
- As at 30th September 2005, the Group had approximately HK\$6,525,000 or 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") presents the consolidated income statement, 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 2005, and the consolidated balance sheet as at 30th September 2005 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 2004 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30th September 2005

	Note	Unaudited Three months ended 30th September		Unaudited Six months ended 30th September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	4,116	25,437	7,933	37,430
Cost of sales		(2,068)	(18,721)	(4,335)	(26,570)
Gross profit		2,048	6,716	3,598	10,860
Other revenue	2	8	162	17	297
Other income	2	1,255	—	1,494	—
Selling and distribution costs		(170)	(131)	(205)	(416)
Administrative expenses		(6,934)	(9,189)	(13,080)	(20,276)
Other operating expenses	3	—	—	—	(174)
Operating loss	4	(3,793)	(2,442)	(8,176)	(9,709)
Finance costs	5	(9)	(63)	(22)	(138)
Share of profits less losses of associates		288	(29)	398	70
Loss before taxation		(3,514)	(2,534)	(7,800)	(9,777)
Taxation charge	6	(96)	(6)	(104)	(77)
Loss for the period		(3,610)	(2,540)	(7,904)	(9,854)
Attributable to:					
Equity holders of the company		(3,610)	(2,806)	(7,904)	(9,989)
Minority interests		—	266	—	135
Loss per share					
— Basic	7	(1.3) cents	(1.0) cents	(2.8) cents	(3.5) cents
— Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 30th September 2005, together with the audited balance sheet as at 31st March 2005 are as follows:

	Note	(Unaudited) 30th September 2005 HK\$'000	(Audited) 31st March 2005 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	9	12,687	13,366
Interests in associates		13,641	13,305
		26,328	26,671
CURRENT ASSETS			
Inventories		4,817	4,228
Trade receivables	10	16,941	21,850
Other receivables, prepayments and deposits		2,239	1,944
Bank balances and cash		6,525	8,757
		30,522	36,779
LESS: CURRENT LIABILITIES			
Trade payables	11	4,166	5,332
Trade payables due to an associate		9,814	9,814
Other payables and accrued expenses		17,863	17,967
Provision for taxation		65	65
Amounts due to directors		93	589
Amount due to a related company		255	222
Short-term borrowings		729	692
Bank borrowing — due within one year		1,000	—
		33,985	34,681
NET CURRENT (LIABILITIES)/ASSETS		(3,463)	2,098
TOTAL ASSETS LESS CURRENT LIABILITIES		22,865	28,769
CAPITAL AND RESERVES			
Share capital	12	28,220	28,220
Reserves		(7,355)	549
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		20,865	28,769
MINORITY INTERESTS		—	—
TOTAL EQUITY		20,865	28,769
NON-CURRENT LIABILITY			
Bank borrowing — due after one year		2,000	—
		22,865	28,769

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited) Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000
Net cash outflow from operating activities	(5,125)	(1,553)
Investing activities		
Purchase of fixed assets	(202)	(589)
Interest received	58	—
Net cash outflow before financing activities	(5,269)	(2,142)
Financing activities		
New short-term borrowings raised	467	—
Repayment of short-term borrowings	(430)	—
New bank borrowing raised	3,000	—
Capital element of finance lease payments	—	(44)
Repayment of bank loan	—	(5,607)
Net changes in bank deposits pledged	—	1,971
Net cash inflow/(outflow) from financing activities	3,037	(3,680)
Decrease in cash and cash equivalents	(2,232)	(5,822)
Cash and cash equivalents at 1st April	8,757	12,579
Cash and cash equivalents at 30th September	6,525	6,757
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	6,525	6,757

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Share premium <i>HK\$'000</i>	PRC statutory reserves <i>HK\$'000</i> <i>(Note 13)</i>	Merger difference <i>HK\$'000</i> <i>(Note 13)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>
At 1st April 2005	96,616	7,658	(250)	(103,475)	549
Loss for six months period	—	—	—	(7,904)	(7,904)
At 30th September 2005	<u>96,616</u>	<u>7,658</u>	<u>(250)</u>	<u>(111,379)</u>	<u>(7,355)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(1) Basis of preparation

These unaudited condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure provision of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The adoption of these new HKFRSs has no material impact on the Group's results of operations and financial position.

These financial statements should be read in conjunction with the Group's 2005 annual report for the year ended 31st March 2005.

(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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover:				
Sales of goods, net of discounts and value-added tax	4,116	25,437	7,933	37,430
Other revenue:				
Interest income	8	25	17	40
Others	—	137	—	257
	<u>8</u>	<u>162</u>	<u>17</u>	<u>297</u>
Other income:				
Reversal of provision for slow moving inventories	—	—	9	—
Reversal of impairment loss of fixed assets	336	—	336	—
Reversal of overprovision for engineering services fee	316	—	316	—
Reversal of provision for doubtful debts	233	—	457	—
Reversal of provision for other receivables	360	—	362	—
Exchange gain	10	—	14	—
	<u>1,255</u>	<u>—</u>	<u>1,494</u>	<u>—</u>
Total revenues	<u>5,379</u>	<u>25,599</u>	<u>9,444</u>	<u>37,727</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.

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

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

For the six months ended 30th September 2005

	Telecommunications products Six months ended 30th September 2005 HK\$'000	Gas turbine generators Six months ended 30th September 2005 HK\$'000	Unallocated Six months ended 30th September 2005 HK\$'000	Group Six months ended 30th September 2005 HK\$'000
Turnover	<u>7,175</u>	<u>280</u>	<u>478</u>	<u>7,933</u>
Segment results	<u>(8,155)</u>	<u>73</u>	<u>(107)</u>	<u>(8,189)</u>
Interest income			17	17
Unallocated corporate expenses			(4)	(4)
Operating loss				(8,176)
Finance costs				(22)
Share of profits less losses of associates	398	—		<u>398</u>
Loss before taxation				(7,800)
Taxation charge				<u>(104)</u>
Loss after taxation				(7,904)
Minority interests				<u>—</u>
Loss attributable to equity holders of the company				<u>(7,904)</u>

For the six months ended 30th September 2004

	Telecommunications products Six months ended 30th September 2004 HK\$'000	Gas turbine generators Six months ended 30th September 2004 HK\$'000	Unallocated Six months ended 30th September 2004 HK\$'000	Group Six months ended 30th September 2004 HK\$'000
Turnover	<u>36,468</u>	<u>962</u>	<u>—</u>	<u>37,430</u>
Segment results	<u>(1,197)</u>	<u>163</u>	<u>—</u>	<u>(1,034)</u>
Interest income			40	40
Unallocated corporate expenses			(8,715)	(8,715)
Operating loss				(9,709)
Finance costs				(138)
Share of profits less losses of associates	173	(103)		<u>70</u>
Loss before taxation				(9,777)
Taxation charge				<u>(77)</u>
Loss after taxation				(9,854)
Minority interests				<u>(135)</u>
Loss attributable to equity holders of the company				<u>(9,989)</u>

(3) **Other operating expenses**

	Three months ended 30th September		Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Loss on disposal of fixed assets	—	—	—	174
	—	—	—	174

(4) **Operating loss**

Operating loss is stated after charging the following:

	Three months ended 30th September		Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Staff costs (including directors' remuneration)	3,205	4,646	6,503	8,203
Research and development costs	87	280	129	803
Operating leases in respect of land and buildings	451	979	777	1,964
Depreciation: Owned fixed assets	391	523	881	1,473

(5) **Finance costs**

	Three months ended 30th September		Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Interest on short-term bank loan and overdrafts	—	63	—	138
Interest on short-term borrowings	9	—	22	—
	9	63	22	138

(6) **Taxation charge**

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

	Three months ended 30th September		Six months ended 30th September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Overseas taxation	96	1	41	30
Share of taxation attributable to an associate	—	5	63	47
	96	6	104	77

(6) Taxation charge *(Continued)*

- (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 2004: nil).
- (ii) Overseas taxation represents the tax on a subsidiary (Six months ended 30th September 2004: representative offices/ associates) of the Group in the People's Republic of China (the "PRC") provided at the relevant tax rates applicable to them with reference to its net profit (Six months ended 30th September 2004: total expenditure).

(7) Loss per share

The calculation of the Group's basic loss per share for the three months and six months ended 30th September 2005 are based on the Group's net loss of approximately HK\$3,610,000 and HK\$7,904,000 (for the three months and six months ended 30th September 2004: approximately HK\$2,806,000 and HK\$9,989,000) 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 2005 (Six months ended 30th September 2004: nil).

(9) Fixed assets

	<i>HK\$'000</i>
Cost:	
At 1st April 2005	43,114
Additions	202
Disposals	<u>(664)</u>
	42,652
Accumulated depreciation:	
At 1st April 2005	29,748
Charge for the period	881
Written back on disposal	(328)
Reversal of an impairment charge	<u>(336)</u>
	29,965
Net book value:	
At 30th September 2005	<u>12,687</u>
At 31st March 2005	<u>13,366</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 arising from sales of goods totalling approximately HK\$9,850,000 (31st March 2005: HK15,980,000).

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.

(10) **Trade receivables** (Continued)

The ageing analysis of the trade receivables was as follows:

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
Within 6 months	2,481	619
6 months — 1 year	744	6,198
1 — 2 years	9,131	5,152
Over 2 years	10,799	16,551
Total trade receivables	23,155	28,520
Less: Provision for doubtful receivables	(6,214)	(6,670)
Total trade receivables, net of provision	16,941	21,850

(11) **Trade payables**

The ageing analysis of the trade payables was as follows:

	30th September 2005 HK\$'000	31st March 2005 HK\$'000
Within 30 days	239	216
31-60 days	970	31
61-90 days	242	133
91-180 days	53	2,792
Over 180 days	2,662	2,160
	4,166	5,332

(12) **Share capital**

	Company	
	30th September 2005 HK\$'000	31st March 2005 HK\$'000
<i>Authorised:</i>		
800,000,000 ordinary shares of HK\$0.1 each	80,000	80,000
<i>Issued and fully paid:</i>		
As at 30th September 2005 and 31st March 2005		
282,196,000 ordinary shares of HK\$0.1 each	28,220	28,220

(13) **Reserves**

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

(14) Related party transactions

	Notes	Three months ended 30th September		Six months ended 30th September	
		2005	2004	2005	2004
		HKS'000	HKS'000	HKS'000	HKS'000
Research and development expenses charged by the ultimate holding company	(a)	—	264	—	761
Administrative service fees paid to T S Holdings	(b)	—	—	—	240
Licence fees paid to T S Holdings	(c)	70	363	210	725

- (a) T. S. International Company Limited entered into an agreement on 27th November 2002 for a term of three years with T S Telecom Ltd. ("TST"), 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 TST 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. The agreement expired on 31st March 2005.
- (b) T. S. International Company Limited also entered into an administrative service agreement with 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, to pay an administrative service fee of HK\$80,000 per month. The agreement was terminated effective 1st July 2004.
- (c) A new licence agreement dated 12th July 2005 was entered into between T S Holdings, a related company in which a director, Mr. Lau See Hoi, of the Company has a beneficial interest, and the Company. Under the licence agreement, the Company will be licensed to use the premises at Suite 2802, Two Exchange Square, 8 Connaught Place, Central, Hong Kong at a monthly licence fee of approximately HK\$70,000 for the term of two years and nine months from 1st June 2005 to 29th February 2008.

(15) Commitments**(a) Commitments under operating leases**

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

	30th September 2005 HKS'000	31st March 2005 HKS'000
Not later than one year	1,533	911
Later than one year and not later than five years	2,378	699
	3,911	1,610

MANAGEMENT DISCUSSION AND ANALYSIS

Result of operations

For the six months ended 30th September 2005, the Group recorded a total turnover of approximately HK\$7,933,000 and loss attributable to equity holders of the company of approximately HK\$7,904,000 as compared to a turnover of approximately HK\$37,430,000 and a loss of approximately HK\$9,989,000 for the same period of last year.

Our gross margin was 45% for the six months period as compared to a gross profit margin of 29% for the corresponding period in 2004.

The Group posted a net loss of approximately HK\$7,904,000 for the six months period ended 30th September 2005, which was 21% 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 gross margin and other income, together with the reduction of selling and distribution costs and administrative expenses.

Other revenue solely consisted of the bank interest income for the six months ended 30th September 2005.

Other income mainly consisted of reversal of impairment loss of fixed assets of approximately HK\$336,000, reversal of overprovision for engineering services fee of approximately HK\$316,000, reversal of provision for doubtful debts of approximately HK\$457,000 and reversal of provision for other receivable of approximately HK\$362,000 for the six months ended 30th September 2005.

During the interim period, the Group continued to control selling and distribution costs and administrative expenses tightly. Selling and distribution costs declined by 51% and administrative expenses declined by 35%, as compared with the corresponding period of last year.

The decrease in finance costs is because of the repayment of the short-term bank loan of approximately HK\$5.6 million denominated in Renminbi on 13th August 2004.

Segment information

Sales from telecommunications products accounted for 90% and business from gas turbine generators accounted for 4% of the turnover of the Group for the six months period ended 30th September 2005. There was one sale of gas turbine generator during the interim period.

Telecommunications products

During the 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 would continue to implement aggressive marketing strategies to promote the sale of gas turbine generators in the telecom, petroleum and other industries.

Liquidity, financial resources and capital structure

As at 30th September 2005, our cash balance of approximately HK\$6,525,000 has declined by 25% when comparing with the cash balance of approximately HK\$8,757,000 as of 31st March 2005.

As at 30th September 2005, the Group had net current liabilities of approximately HK\$3,463,000. The Group has applied for a bank loan of HK\$4,700,000 denominated in Renminbi and this banking finance 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 2005, 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 2005, there was no change in the capital structure and issued capital of the Group.

Future plans for material investments

As at 30th September 2005, the Group had not authorized or contracted for any capital expenditure commitments and no future plans for material investments or capital assets.

Material acquisitions and disposals

During the six months period ended 30th September 2005, the Group did not have any material acquisitions and disposals of major subsidiaries and affiliated companies.

Gearing ratio

The Group's gearing ratio as at 30th September 2005, which was derived from the total borrowings to shareholder's funds, increased to 17.8% from 2.4% as at 31st March 2005.

Contingent liabilities

As at 30th September 2005, the Group did not have any material contingent liabilities.

Subsequent events

No subsequent events had occurred after 30th September 2005, 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 were denominated in Renminbi or Hong Kong dollars, the Group did not experience 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 2005, the Group employed 161 staff in the PRC and Hong Kong, representing a decrease of 14 staff from 31st March 2005 and a decrease of 33 staff from 30th September 2004. The decrease in staff was mainly from the PRC operations. Remuneration of employees, including directors' emoluments was approximately HK\$3,205,000 and HK\$6,503,000 respectively for the three and six months periods under review as compared to approximately HK\$4,646,000 and HK\$8,203,000 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 reviewed employee's remuneration from time to time and salary adjustment was normally made on an annual basis. Special adjustment based on length of service and good performance could be made at any time when warranted. In addition to salaries, the Group provided employee's benefit such as 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 2005.

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 six months ended 30th September 2005, except for the following deviations:

- (i) There is no division of roles of chairman and chief executive officer that both offices are held by Mr. Lau See Hoi;
- (ii) The Company does not have a remuneration committee; and
- (iii) The Company has not disclosed the terms of reference of the audit committee.

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.

Code Provision B.1.1

A remuneration committee was established on 11th November 2005 with written terms of reference. The remuneration committee comprises 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).

Code B.1.4 and C.3.4

Appropriate actions are being taken to update the website for the Company, whereat the written terms of reference of the audit committee and remuneration committee will be disclosed. These terms of reference are also available from the company secretary of the Company on request.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Mr. Sze Tsai Ping, Michael, Ms. Hui Sin Man, Alice, and Mr. Kwan Kai Cheong. On 11th 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.

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 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 30th September 2005, 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				Total no. of shares	Approximate
	Personal interest	Family interest	Corporate interest	Other interest		percentage holding of shares
Mr. Lau See Hoi (Note 1)	—	—	168,960,000	—	168,960,000	59.87%

Notes:

1. These shares are held by T S Telecom Ltd., ("TST"), 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 TST).

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

As at 30th September 2005 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.

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 2005, 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 2005, 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.

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 30th September 2005.

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

Hong Kong, 11th November 2005