



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



Second Quarterly Report 2007

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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\$4,192,000 and HK\$8,252,000 respectively for the three months and six months ended 30 September 2007.
- Profit attributable to equity holders of the Company for the three months ended 30 September 2007 was approximately HK\$3,416,000, versus a loss of approximately HK\$2,492,000 for the corresponding period of last year.

Loss attributable to equity holders of the Company for the six month ended 30 September 2007 was approximately HK\$4,497,000, versus a loss of approximately HK\$7,068,000 for the corresponding period of last year.

- As at 30 September 2007, the Group had approximately HK\$941,000 or HK\$0.003 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 30 September 2007, and the consolidated balance sheet as at 30 September 2007 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 periods in 2006 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2007

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	4,192	4,786	8,252	7,794
Cost of sales		(3,212)	(3,596)	(5,155)	(5,737)
Gross profit		980	1,190	3,097	2,057
Other revenue	2	103	5	106	1,266
Other income	2	9,217	2,294	9,217	3,671
Selling and distribution costs		(432)	32	(533)	(250)
Administrative and other operating expenses		(6,334)	(5,957)	(16,158)	(13,709)
Operating profit/(loss)	3	3,534	(2,436)	(4,271)	(6,965)
Finance costs	4	(135)	(138)	(366)	(264)
Share of results of associate		24	90	197	172
Profit/(loss) before income tax		3,423	(2,484)	(4,440)	(7,057)
Income tax charge	5	(7)	(8)	(57)	(11)
Profit/(loss) for the period		3,416	(2,492)	(4,497)	(7,068)
Attributable to:					
Equity holders of the Company		3,416	(2,492)	(4,497)	(7,068)
Minority interests		-	-	-	-
Earnings/(loss) per share, in cents					
- Basic	6	1.0 cents	(0.7) cents	(1.3) cents	(2.1) cents
- Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

The unaudited consolidated balance sheet as at 30 September 2007 together with the audited balance sheet as at 31 March 2007 are as follows:

	Notes	(Unaudited) 30 September 2007 HK\$'000	(Audited) 31 March 2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	111	111
Interests in associate		13,830	13,634
		13,941	13,745
CURRENT ASSETS			
Inventories		1,881	725
Trade and other receivables	9	4,632	980
Amount due from related company		–	216
Cash and bank deposits		941	643
		7,454	2,564
Assets classified as held for sale	10	–	17,906
		7,454	20,470
LESS: CURRENT LIABILITIES			
Bank and other loans		–	(1,000)
Trade and other payables	11	(9,998)	(4,667)
Amount due to directors		(4,026)	(2,389)
Amount due to related company		(1,691)	–
		(15,715)	(8,056)
Liabilities associated with assets classified as held for sale	10	–	(15,982)
		(15,715)	(24,038)
NET CURRENT LIABILITIES		(8,261)	(3,568)
NET ASSETS		5,680	10,177
CAPITAL AND RESERVES			
Share capital	12	33,860	33,860
Reserves		(28,180)	(23,683)
TOTAL EQUITY		5,680	10,177

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(7,721)	(7,164)
Net cash inflow from investing activities	7,247	4,858
Net cash inflow/(outflow) from financing activities	(1,175)	517
Decrease in cash and cash equivalents	(1,649)	(1,789)
Cash and cash equivalents at 1 April	2,590	3,420
Cash and cash equivalents at 30 September	941	1,631
Analysis of balances of cash and cash equivalents:		
Cash and bank deposits	941	1,631

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>	Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2006	96,616	7,808	(250)	715	(117,874)	(12,985)
Share premium resulted from the issuance of new shares over par value and loss for the period	<u>282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,068)</u>	<u>(6,786)</u>
At 30 September 2006	<u>96,898</u>	<u>7,808</u>	<u>(250)</u>	<u>715</u>	<u>(124,942)</u>	<u>(19,771)</u>
At 1 April 2007	96,898	8,004	(250)	1,170	(129,505)	(23,683)
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,497)</u>	<u>(4,497)</u>
At 30 September 2007	<u>96,898</u>	<u>8,004</u>	<u>(250)</u>	<u>1,170</u>	<u>(134,002)</u>	<u>(28,180)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(1) Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRSs"), which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable disclosure provisions 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. Revenue recognized during the three and six months ended 30 September 2007 and 2006 is analysed as follows:

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover:				
Sales of goods, net of discounts and value-added tax	4,192	4,786	8,252	7,794
Other revenue:				
Interest income	11	5	14	9
Dividend income	-	-	-	1,257
Other service income	92	-	92	-
	103	5	106	1,266
Other income:				
Reversal of overprovision for engineering services fee	-	(108)	-	1,269
Gain on disposal of property, plant and equipment and leasehold interests in land	-	1,852	-	1,852
Gain on disposal of subsidiaries	9,217	-	9,217	-
Reversal of provision for doubtful debts	-	550	-	550
	9,217	2,294	9,217	3,671
Total revenue	13,512	7,085	17,575	12,731

Business segments

The Group is organized into one business segment, i.e. telecommunications products, during the three months and six months ended 30 September 2007. There was no sales of gas turbine generators and biotechnology products for the three months and six months ended 30 September 2007.

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

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

For the six months ended 30 September 2007

	Telecom- munications products 2007 HK\$'000	Gas turbine generators 2007 HK\$'000	Biotechnology products 2007 HK\$'000	Others 2007 HK\$'000	Group 2007 HK\$'000
Turnover	8,252	-	-	-	8,252
Segment results	(8,360)	-	-	-	(8,360)
Interest income					14
Unallocated corporate income					9,217
Unallocated corporate expenses					(5,142)
Operating loss					(4,271)
Finance costs					(366)
Share of results of associate	197				197
Loss before income tax					(4,440)
Income tax charge					(57)
Loss for the period					(4,497)
Attributable to:					
Equity holders of the Company					(4,497)
Minority interests					-
					(4,497)

For the six months ended 30 September 2006

	Telecom- munications products 2006 HK\$'000	Gas turbine generators 2006 HK\$'000	Biotechnology products 2006 HK\$'000	Others 2006 HK\$'000	Group 2006 HK\$'000
Turnover	7,551	-	-	243	7,794
Segment results	(4,925)	(40)	(1,967)	159	(6,773)
Interest income					9
Unallocated corporate expenses					(201)
Operating loss					(6,965)
Finance costs					(264)
Share of results of associate	172				172
Loss before income tax					(7,057)
Income tax charge					(11)
Loss for the period					(7,068)
Attributable to:					
Equity holders of the Company					(7,068)
Minority interests					-
					(7,068)

(3) **Operating profit/(loss)**

Operating profit/(loss) is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Staff costs (including directors' remuneration)	1,987	2,965	3,550	6,114
Research and development costs	–	192	–	349
Operating lease charges in respect of land and buildings	210	337	420	675
Depreciation and amortisation	18	(52)	37	755

(4) **Finance costs**

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest on secured bank loans wholly repayable within five years	–	78	–	204
Interest on other short-term borrowings	135	60	366	60
	135	138	366	264

(5) **Income tax charge**

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

	Three months ended 30 September		Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong profits tax	–	–	–	–
Overseas tax	7	8	57	11
	7	8	57	11

(i) No Hong Kong profits tax has been provided in the financial statements as the companies operating in Hong Kong did not have any assessable profits arising in Hong Kong for the three months and six months ended 30 September 2007 (three months and six months ended 30 September 2006: nil).

(ii) Overseas tax has been calculated on the estimated assessable profits for the periods at the rates of taxation prevailing in the countries in which the Group operates.

(6) **Earnings/(loss) per share**

The calculation of the Group's basic earnings/(loss) per share for the three months and six months ended 30 September 2007 are based on the Group's net profit of approximately HK\$3,416,000 and net loss of approximately HK\$4,497,000 respectively (three months and six months ended 30 September 2006: net loss of approximately HK\$2,492,000 and HK\$7,068,000) and the number of 338,596,000 ordinary shares in issue during the period (2006: 338,596,000 ordinary shares).

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

(7) **Interim dividend**

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (six months ended 30 September 2006: nil).

(8) **Property, plant and equipment**

	<i>HK\$'000</i>
Cost:	
At 1 April 2007	533
Additions	<u>37</u>
At 30 September 2007	<u>570</u>
Accumulated depreciation:	
At 1 April 2007	422
Charge for the period	<u>37</u>
At 30 September 2007	<u>459</u>
Net book value:	
At 30 September 2007	<u>111</u>
At 31 March 2007	<u>111</u>

(9) **Trade and other 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.

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
An aged analysis of trade receivables is as follows:		
Within 6 months	4,044	254
6 months–1 year	–	–
1–2 years	–	–
Over 2 years	<u>–</u>	<u>–</u>
Total trade receivables	4,044	254
Less: Provision for impairment loss on doubtful trade receivables	(101)	–
Total trade receivables, net of provision	3,943	254
Other receivables, prepayments and deposits	689	726
Total trade and other receivables, net of provision	<u>4,632</u>	<u>980</u>

(10) Assets classified as held for sale and associated liabilities

The Company entered into an agreement on 22 January 2007 with Mr. LAU See Hoi ("Mr. LAU"), who was the chairman and chief executive officer of the Company, under which the Company had conditionally agreed to sell and Mr. LAU had conditionally agreed to purchase the Company's interests in the entire issued share capital of and the advances to a group of companies (the "Disposal Group"), after completion of a corporate restructuring, at a total consideration of HK\$3 million (the "Transaction"). The Transaction was approved by the independent shareholders of the Company at an extraordinary general meeting held on 5 March 2007 and was completed in August 2007. The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 March 2007 are as follows:

	31 March 2007 <i>HK\$'000</i>
Property, plant and equipment	5,295
Prepaid lease payments	2,281
Investment in subsidiaries	4,148
Trade and other receivables	4,188
Cash and bank deposits	1,994
Assets classified as held for sale	17,906
Bank overdraft	(47)
Bank and other loans	(5,287)
Trade and other payables	(9,982)
Amount due to directors	(533)
Amount due to related company	(122)
Income tax payable	(11)
Liabilities associated with assets classified as held for sale	(15,982)
Net assets of the Disposal Group classified as held for sale	1,924

(11) Trade payables

	30 September 2007 <i>HK\$'000</i>	31 March 2007 <i>HK\$'000</i>
An aged analysis of trade payables is as follows:		
Within 30 days	238	221
31-60 days	1,515	28
61-90 days	208	-
91-180 days	120	18
Over 180 days	-	104
Total trade payables	2,081	371
Other payables and accrued charges	7,917	4,296
Total trade and other payables	9,998	4,667

(12) Share capital

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Authorised: 800,000,000 ordinary shares of HK\$0.1 each	80,000	80,000
Issued and fully paid: 338,596,000 ordinary shares of HK\$0.1 each	33,860	33,860

(13) Reserves

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 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.

(14) Related party transactions

	Notes	Three months ended 30 September		Six months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Licence fees paid to T. S. (Holdings) Company Limited	(a)	210	210	420	420
Service fees charged by T S Telecom Ltd.	(b)	-	418	14	1,396

(a) On 12 July 2005 the Company entered into a licence agreement between T. S. (Holdings) Company Limited ("T. S. Holdings"), a related company in which a director, Mr. LAU See Hoi (resigned on 2 October 2007), of the Company has a beneficial interest, and the Company. Under the licence agreement, the Company is 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 1 June 2005 to 29 February 2008.

(b) T S Bio-Technology Limited, a wholly-owned subsidiary which was disposed of by the Group in August 2007, entered into an agreement on 29 November 2005 for a term of three years commencing from 1 December 2005 with T S Telecom Ltd., a substantial shareholder of the Company, under which the latter will provide management, marketing and research services to the Group at an annual service fee of not exceeding HK\$1,600,000 and can be revised by the parties from time to time by mutual agreement as circumstances warranted, provided that the annual service fee shall in total not exceed HK\$2,500,000.

(15) Commitments

(a) Operating lease commitments

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases is analysed as follows:

	30 September 2007 HK\$'000	31 March 2007 HK\$'000
Properties		
- Not later than one year	350	771
- Later than one year but not later than five years	-	-
	350	771

(b) Capital commitments

The Group did not have any material capital commitments as at 30 September 2007 (2006: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Result of operations

For the six months ended 30 September 2007 (the "interim period"), the Group recorded a total turnover of approximately HK\$8,252,000 and loss attributable to equity holders of the Company of approximately HK\$4,497,000 as compared to a turnover of approximately HK\$7,794,000 and a loss of approximately HK\$7,068,000 for the same period of last year.

Our gross margin was approximately 38% for the interim period as compared to a gross profit margin of approximately 26% for the corresponding period in 2006.

Other revenue consisted of bank interest income and other service income for the interim period.

Other income consisted of gain on disposal of subsidiaries of approximately HK\$9,217,000 for the interim period.

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

Administrative and other operating expenses increased by approximately 18% for the interim period, comparing with the corresponding period of last year.

The increase in finance costs for the interim period was attributable to interests charged on an instalment bank loan, a short-term loan and a short-term bank loan.

The Group posted a net loss of approximately HK\$4,497,000 for the interim period, which was approximately 36% lower than the net loss incurred for the same period of last year. The reduction of the net loss was mainly attributable to the gain on disposal of certain subsidiaries which had been operating at losses.

Segment information

Sales from telecommunications products accounted for 100% of the turnover of the Group for the interim period. There was no sales of gas turbine generators and biotechnology products 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. In August 2007, the Company disposed of certain subsidiaries engaging in the assembly, distribution and integration of telecommunications products which had been operating at losses for the past few years and were not expected to generate any profit in the near future, to Mr. LAU See Hoi. To avoid duplication and accumulated of marketing costs by using multiple sales vehicle and further depletion of the Group's resources in telecom manufacturing, the Directors (including the independent non-executive directors) of the Company consider it would be beneficial to the Group by disposing of those loss-making subsidiaries and concentrating the effort on telecom trading businesses.

Gas turbine generators

During the interim period, there was no sales of gas turbine generators, even though the Group continued to implement aggressive marketing strategies to promote the sales of gas turbine generators in the telecom, petroleum and other industries. The subsidiaries engaging in this business were disposed of in August 2007 to Mr. LAU See Hoi.

Biotechnology products

During the interim period, there was no sales of biotechnology products, even though the Group had made the great effort to promote the products in the PRC and North American markets. The subsidiaries engaging in this business were disposed of in August 2007 to Mr. LAU See Hoi.

Liquidity, financial resources and capital structure

As at 30 September 2007, the Group's balance of cash and bank deposits was approximately HK\$941,000 which has decreased by 64% when comparing with the balance of cash and bank deposits of approximately HK\$2,590,000 as of 31 March 2007.

As at 30 September 2007, the Group had net current liabilities of approximately HK\$8,261,000, the Directors have been taking active measures to improve the liquidity and financial position of the Group. In August 2007, the Group disposed of certain subsidiaries, namely T S Telecom (B.V.I.) Ltd., T S International Company Limited, TSTT (Canada) Ltd., T S International Ltd., T S Electric and Power Co., Ltd., T S Telecom (Shenzhen) Co., Ltd., Ying Zhi Xun Telecom Equipment (Shenzhen) Co., Ltd., T S Bio-Medical (B.V.I.) Ltd., T S Bio-Technology Ltd. and T S Bio-Technology (Wuhan) Co., Ltd. (the "Disposal Group") and the advances to the Disposal Group, to Mr. LAU See Hoi for a total consideration of HK\$3,000,000. Moreover, Gold City Assets Holdings Ltd. ("Gold City") acquired the shares of the Company held by T S Telecom Ltd. on 27 August 2007, pursuant to an Agreement entered into between Gold City and T S Telecom Ltd. on 30 April 2007, at an aggregate consideration of HK\$5,000,000 and Gold City undertook to settle all actual or contingent liabilities of the Company to the extent of HK\$9,000,000 that existed on the date of completion of the Agreement. Both transactions can substantially reduce the Company's liabilities. Therefore, the Directors are of the view that the Group will have sufficient working capital for the foreseeable future.

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 30 September 2007, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

For the interim period, there was no change in the capital structure and issued capital of the Group.

Future plans for material investments

As at 30 September 2007, 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 interim period, the Group did not have any material acquisitions and disposals of major subsidiaries and affiliated companies except for the disposal of certain loss-making subsidiaries to Mr. LAU See Hoi as mentioned above.

Gearing ratio

The Group's gearing ratio, which has been computed on the basis of dividing the total borrowings by shareholder's funds, as at 30 September 2007 is nil (31 March 2007: 9.8 %).

Contingent liabilities

As at 30 September 2007, the Group did not have any material contingent liabilities (31 March 2007: nil).

Subsequent events

No material subsequent events had occurred after 30 September 2007, which may have a significant effect on the assets and liabilities or future operations of the Group.

Foreign exchange exposure

Since most of the transactions 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

During the interim period, the Group has initiated staff reduction program in order to cut cost. The decrease in staff was mainly from the PRC operations. Remuneration of employees, including directors' emoluments was approximately HK\$1,987,000 and HK\$3,550,000 respectively for the three and six months ended 30 September 2007 as compared with approximately HK\$2,965,000 and HK\$6,114,000 for the corresponding periods of last 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 benefits 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 period under review or outstanding as at 30 September 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 interim period, except for the following deviation:

- (i) There is no division of roles of chairman and chief executive officer that both offices are held by Mr. LAU See Hoi.

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 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).

AUDIT COMMITTEE

As at 30 September 2007, the audit committee 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.

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 30 September 2007, 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 9 November 2007, 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 as follows:

Long position in shares of the Company

Directors	Number of ordinary shares of HK\$0.1 each				Total number of shares	Approximate percentage holding of shares %
	Personal interest	Family interest	Corporate interest	Other interest		
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

Note:

1. These shares are held by Gold City Assets Holdings Ltd. which is 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).

Long position in shares of associated corporation

As at 30 September 2007, 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 9 November 2007, 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 as follows:

Directors	Associated corporation	Nature of interests	Total number of shares	Approximate percentage holding of shares %
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 (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 (appointed as an executive director of the Company on 2 October 2007)	Gold City Assets Holdings Ltd.	Personal	13	13
Mr. WU Zhu Ping (appointed as a non-executive director of the Company on 2 October 2007)	Gold City Assets Holdings Ltd.	Personal	12	12

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 30 September 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. <i>(Note 1)</i>	Beneficial owner	168,960,000	49.90
Ms. NG Mui King, Joky <i>(Note 1)</i>	Interest of a controlled corporation	168,960,000	49.90
Mr. XIONG Jian Rui <i>(Note 1)</i>	Interest of a controlled corporation	168,960,000	49.90
Mr. ZHANG Fang Hong <i>(Note 1)</i>	Interest of a controlled corporation	168,960,000	49.90
Mr. WU Zhu Ping <i>(Note 1)</i>	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, as at 30 September 2007, 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 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 six months ended 30 September 2007.

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

Hong Kong, 12 November 2007