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This report, for which the directors (the "Directors") of Angels Technology Company Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



ANGELS

ANGELS TECHNOLOGY COMPANY LIMITED

英君技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8112)

**HALF YEARLY REPORT
FOR THE SIX MONTHS ENDED 30 June 2006**

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.

HIGHLIGHTS FOR THE HALF YEARLY PERIOD

- Turnover of the Group for the six months ended 30 June 2006 was approximately HK\$1,769,000, representing a decrease of approximately 65% over the corresponding period in 2005.
- The Group recorded a net loss of approximately HK\$3,065,000 for the six months ended 30 June 2006.
- The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2006.

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2006, together with the unaudited comparative figures for the corresponding periods in 2005 are as follows:

Condensed Consolidated Income Statement – unaudited

	Notes	Six months ended 30 June		Three months ended 30 June	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	1,769	5,118	1,312	713
Cost of services		(1,239)	(3,938)	(894)	(778)
Gross profit/(Loss)		530	1,180	418	(65)
Other revenue		47	357	(155)	356
Distribution costs		(551)	(1,631)	(274)	(792)
Administration expenses excluding depreciation		(2,754)	(2,710)	(1,202)	(1,361)
Depreciation of fixed assets		(76)	(102)	(21)	(4)
Operating loss		(2,804)	(2,906)	(1,234)	(1,866)
Finance cost		(261)	(90)	(134)	(48)
Share of loss of an associated company		-	(502)	201	(389)
Loss before taxation		(3,065)	(3,498)	(1,167)	(2,303)
Taxation	3	-	-	-	-
Loss attributable to shareholders		<u>(3,065)</u>	<u>(3,498)</u>	<u>(1,167)</u>	<u>(2,303)</u>
Loss per share – basic	5	<u>(1.30 cents)</u>	<u>(1.71 cents)</u>	<u>(0.44 cents)</u>	<u>(1.12 cents)</u>

Condensed Consolidated Balance Sheet

	<i>Notes</i>	As at 30 June 2006 HK\$'000 (Unaudited)	As at 31 December 2005 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	6	390	466
Interests in associates	7	–	–
Available-for-sale financial assets		<u>829</u>	<u>829</u>
		<u>1,219</u>	<u>1,295</u>
Current assets			
Amounts due from customers for contract works	8	1,773	36
Trade receivables	9	1,783	4,181
Deposits, prepayments and other receivables		1,687	1,196
Cash and bank balances		<u>13,871</u>	<u>1,413</u>
		<u>19,114</u>	<u>6,826</u>
Total assets		<u><u>20,333</u></u>	<u><u>8,121</u></u>
EQUITY			
Capital and reserve			
Share Capital	11	29,376	20,400
Other reserves		41,155	35,385
Accumulated losses		<u>(66,287)</u>	<u>(63,222)</u>
Total equity		<u>4,244</u>	<u>(7,437)</u>
Current liabilities			
Amounts due to customers for contract works	8	–	–
Trade payables	10	3,864	4,825
Accrued charges and other payables		6,470	5,478
Provision for warranty		1,255	1,255
Unsecured Loan		4,500	–
Convertible note		–	4,000
		<u>16,089</u>	<u>15,558</u>
Total liabilities		<u>16,089</u>	<u>15,558</u>
Total equity and liabilities		<u><u>20,333</u></u>	<u><u>8,121</u></u>
Net current (liabilities)/assets		<u><u>3,025</u></u>	<u><u>(8,732)</u></u>
Total assets less current liabilities		<u><u>4,244</u></u>	<u><u>(7,437)</u></u>

Condensed Consolidated Cash Flow Statement – unaudited

	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(3,812)	(2,032)
Net cash inflow/(outflow) from investing activities	<u>18</u>	<u>(56)</u>
Net cash outflow before financing activities	(3,794)	(2,088)
Net cash outflow from financing activities	<u>16,252</u>	<u>(90)</u>
Increase/(Decrease) in cash and cash equivalents	12,458	(2,178)
Cash and cash equivalents at 1 January, 2006	<u>1,413</u>	<u>4,365</u>
Cash and cash equivalents at 30 June 2006	<u><u>13,871</u></u>	<u><u>2,187</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>13,871</u></u>	<u><u>2,187</u></u>

Condensed Consolidated statement of changes in equity – unaudited

Movements in the share capital and reserves of the Group were as follows:

	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated loss	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January, 2006	20,400	37,010	(1,628)	3	(63,222)	(7,437)
Issue of shares from placing	8,976	6,022	–	–	–	14,998
Issuing expenses	–	(241)	–	–	–	(241)
Exchange Difference	–	–	–	(11)	–	(11)
Loss for the period	–	–	–	–	(3,065)	(3,065)
At 30 June 2006	<u><u>29,376</u></u>	<u><u>42,791</u></u>	<u><u>(1,628)</u></u>	<u><u>(8)</u></u>	<u><u>(66,287)</u></u>	<u><u>4,244</u></u>
	Share capital	Share premium	Capital reserve	Exchange reserve	Accumulated loss	Total equity
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January, 2005	20,400	37,010	(1,628)	(144)	(54,274)	1,364
Loss for the period	–	–	–	–	(3,498)	(3,498)
At 30 June 2005	<u><u>20,400</u></u>	<u><u>37,010</u></u>	<u><u>(1,628)</u></u>	<u><u>(144)</u></u>	<u><u>(57,772)</u></u>	<u><u>(2,134)</u></u>

Notes:

1. Basis of preparation

The accompanying unaudited consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS'). The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2005.

The consolidated results are unaudited but have been reviewed by the Company's audit committee in accordance with rule 5.30 of the Gem Listing rule.

2. Turnover

The Group is principally engaged in the provision of transportation technology solutions in the People's Republic of China (the "PRC"). Turnover represents the total value of services rendered to customers from long-term system integration contracts net of value-added tax and sales tax.

No segment information is presented as substantially all the Group's turnover and contribution to operating results are derived from the provision of transportation technology solution carried out in the PRC.

3. Taxation

- i. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the three months ended 30 June 2006.
- ii. The subsidiaries, Beijing Angels Communications Technology Co., Ltd ("Beijing Angels") and Angels ITS (Guangzhou) Co., Ltd. ("Guangzhou Angels"), operating in the PRC, are subject to an income tax rate of 33% on their taxable profits in accordance with the income tax law in the PRC. Beijing Angels was approved as a "Newly-established Advanced and New Technology Enterprise" and is therefore entitled to a reduced tax rate of 15%. Pursuant to a notice issued by State Taxation Bureau of Beijing Haidian District on 14 November 2000, a tax holiday is granted to Beijing Angels. Beijing Angels is entitled to full exemption from PRC income tax from the years 2000 to 2002 followed by a 50% reduction in the income tax rate (i.e. 7.5%) for the years from 2003 to 2005. Guangzhou Angels has no estimated assessable profits for the six months ended 30 June 2006.
- iii. As at 31 December, 2005, the Group has unused tax losses of approximately HK\$8,585,000 (2004 HK\$4,767,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. The unrecognized tax losses of HK\$4,905,000 and HK\$3,680,000 will expire on 31 December, 2007 and 31 December 2010 respectively.

4. Dividend

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

5. Loss per share

Loss per share for the six months and three months ended 30 June 2006 are calculated based on the Group's loss attributable to the shareholders of HK\$3,065,000 and HK\$1,167,000 respectively (Loss attributable to the shareholders for the corresponding period in 2005: HK\$3,498,000 and HK\$2,303,000 respectively) and on the weighted average number of 236,008,840 and 263,630,769 ordinary shares respectively (2005: 204,000,000) ordinary shares in issue during the period.

Diluted profit/(loss) per share was not presented because there were no potential dilutive ordinary shares in existence during the six months ended 30 June 2006 (2005: Nil).

6. Fixed assets

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
As at 1 January, 2006	3,121	(2,655)	466
Depreciation	<u>–</u>	<u>(76)</u>	<u>(76)</u>
As at 30 June 2006	<u>3,121</u>	<u>(2,731)</u>	<u>390</u>

7. Interests in an associated company

	30 June 2006 <i>HK\$'000</i>	31 December 2005 <i>HK\$'000</i>
Share of net liabilities	(4,701)	(4,701)
Goodwill on acquisition of an associated company	532	532
Loan receivable	7,488	7,488
Amount due from an associate company	<u>–</u>	<u>–</u>
	3,319	3,319
Less: Impairment losses	<u>(3,319)</u>	<u>(3,319)</u>
	<u>–</u>	<u>–</u>

8. Long-term systems integration contracts in progress

	30 June 2006 <i>HK\$'000</i>	31 December 2005 <i>HK\$'000</i>
Cost incurred to date plus recognized profits to date	1,773	209
Less: progress billings	<u>–</u>	<u>(173)</u>
	1,773	36
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers for contract works	1,773	36
Amounts due to customers for contract works	<u>–</u>	<u>–</u>
	<u>1,773</u>	<u>36</u>

As at 30 June 2006, no retention monies held by customers for contract works were included in amounts due from customers for contract works.

9. Trade receivables

As at 30 June 2006, the aging analysis of trade receivables were as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Current to 90 days	72	2,132
91 to 180 days	23	–
181 to 270 days	1,699	–
271 to 360 days	–	1,413
Over 360 days	<u>2,289</u>	<u>2,936</u>
	4,083	6,481
Less: provision on doubtful debts	<u>(2,300)</u>	<u>(2,300)</u>
	<u>1,783</u>	<u>4,181</u>

The credit term granted to customers vary and are generally determined on the basis of negotiations between the individual customers and the Group. Customers are generally required to pay at various intervals over the life of the projects.

10. Trade payables

As at 30 June 2006, the aging analysis of trade payables were as follows:

	30 June 2006 HK\$'000	31 December 2005 HK\$'000
Current to 90 days	198	3,391
91 to 180 days	6	–
181 to 270 days	2,923	–
271 to 360 days	–	22
Over 360 days	<u>737</u>	<u>1,412</u>
	3,864	4,825
	<u>3,864</u>	<u>4,825</u>

11. Share capital

	Authorised	
	Ordinary shares of HK\$ 0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
As at 31 December 2005 and 30 June 2006	<u>1,200,000,000</u>	<u>120,000</u>
	Issued and fully paid	
	Ordinary shares of HK\$ 0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2006	204,000,000	20,400
Issue of Shares from placing on March	40,800,000	4,080
Issue of Shares from placing on June	<u>48,960,000</u>	<u>4,896</u>
As at 30 June 2006	<u>293,760,000</u>	<u>29,376</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is devoted to the solution of mechanical and electrical transportation projects in the PRC, the whole solution of Expressway networks toll collection system and system integration and R&D of new product in IT Industry.

Financial review and Business Review

The Group recorded a turnover of approximately HK\$1,769,000 for the six months ended 30 June 2006, representing a decrease of approximately 65% over the corresponding period in 2005. A net loss of approximately HK\$3,065,000 was recorded for the six months ended 30 June 2006 compared with a net loss of approximately HK\$3,498,000 of the corresponding period in 2005. Turnover for the six months ended 30 June 2006 was mainly contributed by the Yunnan Toll Collection Software Project.

For each of the six months period ended 30 June 2006 and 30 June 2005, the gross profit margin derived from the long-term systems integration contracts in progress were approximately 30% and 23% respectively. The increase was due to the successful cost controlling measures of our Group. Due to increasing number of companies participating in mechanical and electrical transportation projects in the PRC in 2006 and the keen competition within the industry, the Group need to find new business opportunities in order to maximise the shareholder's return..

In January 2006, the Group entered into a loan agreement which provide for an unsecured loan of HK\$4,500,000 at an interest rate of 12% per annum. The Group used the loan to repay 4% HK\$4,000,000 convertible note issued by the company in favour of VC Finance Limited.

In order to strengthen the cash flow of the Company, the Group has successfully placed 40,800,000 Placing Shares in March, 2006. Those shares represented approximately 20% of the issued share capital of the company and approximately 16.7% of the enlarged issued share capital of the company at the time of the placing. The net proceeds of the placing would be used by the Group for general working capital purpose.

In April 2006, the Group entered into the an Acquisition Agreement with the Vendors pursuant to which, among other things, the Group conditionally agreed to purchase from the Vendors the Sale Interest representing 100% of the equity interest in Changchun Yicheng for an aggregate cash consideration of HK\$10.0 million.

Changchun Yicheng is a limited liability company incorporated in the PRC. The principal business of the Changchun Yicheng is the production and sale of plastic woven bags, paper bags, paper tubes and bearings. Changchun Yicheng was established in 1999 and commenced full scale production in 2002. The operations of Changchun Yicheng is situated at San Jian Village, Hexin Xiang, Luyuan District, Changchun, Jilin Province, the PRC. Since its establishment in 1999, Changchun Yicheng has become one of the largest plastic woven bags manufacturer in Jilin Province, the PRC.

Changchun Yicheng manufactures over 50 varieties of plastic woven bags catering to its customers, which comprise mainly manufacturers of corn modified products, animal feed products and amino acid products. It has over 200 machineries for plastic spinning, plastic spinning, plastic cover making, knitting and bags closing. Changchun Yicheng owns a parcel of land in the Jilin Province, the PRC having a site area of approximately 17,461 square metres on which its factories and operations are situated.

The Board decided to invest in Changchun Yicheng in order to improve the financial performance and position of the Group and to maximize the returns to the Group and Shareholders as a whole. Customers of Changchun Yicheng are in relatively high growth and yield industries in the PRC, and this will enhance the growth prospects of the Group.

In May 2006, the Group entered into the Placing Agreement with the Placee. Pursuant to the Placing Agreement, the Group has conditionally agreed to issue 48,960,000 Placing Shares to the Placee at a price of HK\$0.223 per share. The Placing Shares represent approximately 20% of the Company's existing issued share capital of 244,800,000 Shares and approximately 16.67% of its issued share capital of 293,760,000 Shares as enlarged by the Placing. The net proceed of placing will be used for acquiring Changchun Yicheng.

The Group will continue to be involved in expressway mechanical and electrical engineering projects as well as other information technology related projects. Through the Acquisition, the Directors believe that Changchun Yicheng will provide solid business growth, and contribute positive cash flow and profits, to the Group as a whole.

Liquidity and Financial Resources

The Group did not have any charges on its assets during the period under review. The current ratio of the Group was 1.19 as at 30 June 2006 as compared to 0.44 as at 31 December 2005. The gearing ratio, being the ratio of long-term debt by total asset. The Group's gearing ratio was nil as at 30 June 2006 and 31 December 2005.

The Group's sales and purchase are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. Since the exchange rate fluctuation between Hong Kong dollars and Renminbi has not been material, foreign exchange risk is very low and no hedging has been undertaken.

As at 30 June 2006, the Group had contracted no capital commitments and the Group did not have any material contingent liability as at 30 June 2006.

Employees

The Group employed 22 full time employees out of which 20 members of staff are employed in the PRC as at 30 June 2006. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programs and housing allowances. Staff cost, including director's remuneration, was approximately HK\$976,000 for the six months ended 30 June 2006 (2005: HK\$1,292,000).

Capital Structure and Material acquisition

In March 2006, the Group has successfully placed 40,800,000 new shares, those shares represented 20% of the issue share capital of the Company and approximately 16.7% of the enlarged issue share capital of the Company at the time of the placing. The net proceeds were retained by the Group for general working capital purpose.

In June 2006, the Group has successfully placed 48,960,000 new shares, those shares represented 20% of the issue share capital of the Company and approximately 16.7% of the enlarged issue share capital of the Company at the time of the placing. The net proceeds were retained by the Group for acquisition of Changchun Yicheng.

During the six months ended 30 June 2006, the Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

The Group has no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2006.

Prospects

The Group's strategy still focus on mechanical and electrical transportation projects. While sustaining the leading position in the mechanical and electrical transportation engineering on single expressway, the Group will strive to find business opportunities on provincial expressway network projects. The Group aim at enlarging its market share, increasing its turnover and profits by looking for new business opportunities.

In order to improve the financial performance and position of the Group and to maximize the returns to the Group and the Shareholders as a whole, the Board considers it necessary and appropriate, in addition to optimizing its operation in the existing business, to diversify its existing business into the business of Changchun Yicheng which caters mainly to customers in the agricultural and biochemical industries, both industries of relatively high growth and yield.

To reflect the above new business strategy, the Board proposes, upon approval by the Shareholders at the Extraordinary General Meeting, and subject to and conditional upon the approval by the Registrar of Companies in the Cayman Islands, to change the name of the Company to "DeTeam Company Limited". The Company will also, upon the said change of name become effective, adopt "弘海有限公司", for the purpose of identification only, as the new chinese name of the Company.

After the Acquisition, the Group will continue to be involved in expressway mechanical and electrical engineering projects as well as other information technology related projects. Through the Acquisition, the Directors believe that Changchun Yicheng will provide solid business growth, and contribute positive cash flow and profits, to the Group as a whole.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2006, the interests and short positions of each Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the laws of Hong Kong) (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 any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) Interests in shares of the Company (Note 1)

Name	Number of ordinary shares				Percentage of issued share capital
	Personal interests (Note 2)	Corporate Interests	Family interests	Other interests	
Yan, Daniel X.D.	1,500,000 (L)	20,000,000 (L) (Note 4)	-	-	7.32%
Mak Shiu Chung, Godfrey	-	56,900,000(L) (Note 5)	-	-	19.37%
Lau, Andrew Kim	1,000,000 (L)	-	-	-	0.34%

Notes:

- As defined in section 311 of the SFO, a reference to interests in shares comprised in the relevant share capital of a listed corporation includes a reference to interests in shares so comprised, which are the underlying shares of equity derivatives.
- These interests are the same interests as those described in Section (II) below.
- The letter "L" denotes a long position in the shares.
- These Shares are beneficially owned by Sebastian International Holdings Limited ("Sebastian"), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Sebastian, Mr. Yan, Daniel X.D. is deemed or taken to be interested in the 20,000,000 shares owned by Sebastian.

5. These shares are beneficially owned by Lucky Team International Limited ("Lucky Team"), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Lucky Team, Mr. Mak Shiu Chung, Godfrey is deemed or taken to be interested in the 56,900,000 shares owned by Lucky Team.

(II) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares

As at 30 June 2006, the executive Directors have outstanding share options granted pursuant to the Company's share option scheme, details of which were set out below and in the section headed "Share Option Scheme".

Name	Date of Grant	Number of underlying shares in respect of outstanding options as at 31 December 2005	Number of underlying shares in respect of outstanding options as at 30 June 2006	Consideration		Exercise period
				Price for grant (for all)	Exercise price per share (HK\$)	
Yan Daniel X.D.	28.3.2002	1,500,000	1,500,000 (L)	10.00	1.28	10.08.2002 – 09.08.2011
Lau Andrew Kim	28.3.2002	1,000,000	1,000,000 (L)	10.00	1.28	10.08.2002 – 09.08.2011

Note: the letter "L" denotes a long position in the underlying shares.

Save as disclosed above, as at 30 June 2006, none of the Directors, Chief Executives of the Company or their associates had any interests in the shares or debentures of, or short positions in the shares of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Old Scheme”) on 16 August 2001 which was terminated pursuant to a resolution passed at the annual general meeting held on 25 April 2003, and the summary of the principal terms of the Old Scheme is set out in Appendix IV of prospectus of the Company dated 22 August 2001 under the section headed “Share Option Scheme”.

Before 25 April 2003, options comprising a total of 8,288,000 underlying shares were granted under the Old Scheme to employees (including executive directors) of the Group at an exercise price of HK\$1.28 per share with the exercise period from 10 August 2002 to 9 August 2011 (both dates inclusive) (first tranche of 50% exercisable from 10 August 2002 and the remaining tranche of 50% from 10 August 2003).

Details of share option movements during the period under review the Old Scheme are as follows:

Name	Date of Grant	Exercise Price (HK\$)	Exercise Period	Closing price before date of grant (HK\$)	Number of Share Options		
					Outstanding at 31 December 2005	Granted/ exercised/ lapsed/ cancelled during the period between 1 January 2006 to 30 June 2006	Outstanding at 30 June 2006
Yan Daniel X.D.*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,500,000	–	1,500,000
Lau Andrew Kim*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,000,000	–	1,000,000
Employees	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	4,388,000	–	4,388,000

* executive directors of the Company

No Options granted to Directors and the employees under the old scheme had been exercised, cancelled or lapsed during the period.

The Company’s new share option scheme (the “New Scheme”) was adopted at the annual general meeting held on 25 April 2003. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 31 March 2003.

Under the New Scheme, the Directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 31 March 2003) to subscribe for shares in the Company subject to the terms and conditions stipulated therein. No options have yet been granted under the New Scheme.

The options granted are not recognized in the financial statements until they are exercised.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the paragraph headed "Directors' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporations" above, as at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations (other than the directors or chief executives of the Company) as having an interest of 10% or more of the issued share capital of the Company.

Name	Capacity/ Nature of interest	Number of Shares	Percentage of issued share capital
Lucky Team	Beneficial Owner	56,900,000 (L) <i>(Note 1)</i>	19.37%
Xu Bin	Beneficial Owner	48,960,000 (L) <i>(Note 2)</i>	16.67%
Li Gui Yan	Beneficial Owner	35,100,000 (L) <i>(Note 2)</i>	11.95%
Sebastian	Beneficial Owner	20,000,000 (L) <i>(Note 3)</i>	6.81%
Lau Ying Ying, Angela	Interest of Spouse	21,500,000 (L) <i>(Note 4)</i>	7.32%

Notes:

1. Lucky Team is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Mak Shiu Chung, Godfrey, an executive director of the Company.
2. To the best knowledge of the Directors, this party is independent of and not connected with the directors, chief executives, substantial shareholders or management shareholders of the Company or any associate of any of them.
3. Sebastian is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Yan Daniel X.D, the Chairman and an executive director of the Company.
4. Ms. Lau Ying Ying, Angela is deemed to be interested in these shares by virtue of the fact that she is the wife of Mr. Yan Daniel X.D., the Chairman of the Company and an executive Director.
5. The letter "L" denotes a long position in the shares.

Save as disclosed above, as at 30 June 2006, the Directors are not aware of any other persons who has interests and/or short positions in the shares, underlying shares and debentures of, the Company or any associated corporation (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the Section headed "Directors' and Chief Executive's Interests and Short Positions in the shares, Underlying Shares and Debentures of the Company or any Associated Corporations", as at 30 June 2006, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Chief Executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

COMPETING INTEREST

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

ADVANCE TO AN ENTITY

As disclosed in the report made by the Group on 11 April 2002, the Company acquired 40% equity interest in, and the benefit of a shareholder's loan of US\$960,000 (equivalent to approximately HK\$7,488,000) which represented 40% of the shareholder's loan owed by CTIA VSAT Network Limited ("CTIA" together with its subsidiary "CTIA Group") in April 2002. CTIA became an associated company of the Company. The loan is unsecured, interest free and repayment is due on 5 October 2005. As at 30 September 2004, the amount owed by CTIA to the Company was HK\$7,488,000, which exceeded 25% of the unaudited net tangible assets of the Group.

AUDIT COMMITTEE

The Company established an audit committee on 16 August 2001 comprising the independent non-executive Directors, Mr. Yang Xiaoping, Mr. Zhao Ming, Mr. Kwok Chi Shing and Mr. Tsang Wai Sum. The written terms of reference of the audit committee comply with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules for the period ended 30 June 2006.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on term no less exacting than the required standard dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rule throughout the period ended 30 June 2006. Having made specific enquiry of all Directors, the Directors have complied with such coded of conduct and the required standard of dealing throughout the period 30 June 2006.

CORPORATE GOVERNANCE

During the six months ended 30 June 2006, the Company has complied with the requirement of the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2006. Neither the Company nor any of its subsidiaries has purchased, sold any of the Company's shares.

By order of the Board
Yan, Daniel X.D.
Chairman

Hong Kong, 11 August 2006

As at the date of this report, the Board comprise:

Executive Directors

Mr. Yan, Daniel X.D.

Mr. Mak Shiu Chung, Godfrey

Mr. Zhang Chao Liang

Mr. Lau, Andrew Kim

Independent Non-Executive Directors

Mr. Yang Xiaoping

Mr. Zhao Ming

Mr. Kwok Chi Shing

Mr. Tsang Wai Sum