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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 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.



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 2005**

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 2005 was approximately HK\$5,118,000, representing an decrease 73% over the corresponding period in 2004.
- The Group recorded a net loss of approximately HK\$3,498,000 for the six months ended 30 June 2005.
- The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2005.

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 2005, together with the unaudited comparative figures for the corresponding periods in 2004 are as follows:

Condensed Consolidated Income Statement – unaudited

	Notes	Six months ended 30 June		Three months ended 30 June	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	5,118	18,824	713	13,185
Cost of services		(3,938)	(13,648)	(778)	(10,475)
Gross profit		1,180	5,176	(65)	2,710
Other revenue		357	9	356	5
Distribution costs		(1,631)	(1,015)	(792)	(581)
Administrative expenses excluding depreciation		(2,710)	(3,084)	(1,361)	(1,490)
Depreciation of fixed assets		(102)	(247)	(4)	(145)
Operating Profit/(loss)		(2,906)	839	(1,866)	499
Finance cost		(90)	–	(48)	–
Share of loss of an associated company		(502)	(402)	(389)	(286)
Profit/(Loss) before Taxation		(3,498)	437	(2,303)	213
Taxation	3	–	(158)	–	(91)
Profit/(Loss) attributable to shareholders		(3,498)	279	(2,303)	122
Profit/(Loss) per share – basic	5	(1.71 cents)	0.14 cents	(1.12 cents)	0.06 cents

Condensed Consolidated Balance Sheet

		As at 30 June 2005 HK\$'000 (Unaudited)	As at 31 December 2004 HK\$'000 (Audited)
Fixed assets	6	683	728
Investment in an associated company	7	2,736	2,756
Long-term investments		805	805
		<u>4,224</u>	<u>4,289</u>
Current assets			
Amounts due from customers for contract works	8	1,466	1,901
Trade receivables	9	4,440	5,211
Deposits, prepayments and other receivables		1,285	1,812
Pledged bank deposit		732	732
Cash and bank balances		2,187	4,365
		<u>10,110</u>	<u>14,021</u>
Current liabilities			
Amounts due to customers for contract works	8	51	75
Trade payables	10	5,437	6,749
Convertible Note		4,000	–
Accrued charges and other payables		3,862	2,882
Warranty provision		1,118	1,240
		<u>14,468</u>	<u>10,946</u>
Net current asset/(liabilities)		<u>(4,358)</u>	<u>3,075</u>
Total assets less current liabilities		<u>(134)</u>	<u>7,364</u>
Non-current liabilities			
Convertible note		–	4,000
Other Payable		2,000	2,000
		<u>2,000</u>	<u>6,000</u>
Net (liabilities)/assets		<u>(2,134)</u>	<u>1,364</u>
Capital and reserves:			
Share capital	11	20,400	20,400
Reserves		(22,534)	(19,036)
		<u>(2,134)</u>	<u>1,364</u>

Condensed Consolidated Cash Flow Statement – unaudited

	Six months ended	
	30 June	
	2005	2004
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(2,032)	(2,231)
Net cash outflow from investing activities	(56)	(36)
Net cash outflow before financing activities	(2,088)	(2,267)
Net cash outflow from financing activities	(90)	–
Decrease in cash and cash equivalents	(2,178)	(2,267)
Cash and cash equivalents at 1 January 2005	4,365	3,547
Cash and cash equivalents at 30 June 2005	<u>2,187</u>	<u>1,280</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>2,187</u>	<u>1,280</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 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>20,400</u>	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(57,772)</u>	<u>(2,134)</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 2004	20,400	37,010	(1,628)	(144)	(49,864)	5,774
Profit for the period	–	–	–	–	279	279
At 30 June 2004	<u>20,400</u>	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(49,585)</u>	<u>6,053</u>

Notes:

1. Basis of preparation

The condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

In 2004, the HKICPA issued a number of new and revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS") which are effective for Accounting periods beginning on or after 1 January 2005. The adoption of these HKFRS has no material impact on the Group result of operation and financial position.

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 total value of services rendered to customers from long-term systems 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 were derived from the provision of transportation technology solutions 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 six months ended 30 June 2005.
- 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. Both Beijing Angels and Guangzhou Angels were approved as a "Newly-established Advanced and New Technology Enterprise" and are 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 2005.
- iii. At at 31 December 2004, the Group has unused tax losses of approximately HK\$4,767,000 (2003 HK\$6,282,000) 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 will expire on 31 December 2007.

4. Dividend

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

5. Profit/(Loss) per share

Profit/(loss) per share for the six months and three months ended 30 June 2005 are calculated based on the Group's loss attributable to the shareholders of HK\$3,498,000 and HK\$2,303,000 respectively (Profit attributable to the shareholders for the corresponding period in 2004: HK\$279,000 and HK\$122,000 respectively) and on the weighted average number of 204,000,000 (2004: 204,000,000) ordinary shares respectively 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 2005 (2004: 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 2005	2,997	(2,269)	728
Additions	56	–	56
Written off	(21)	22	1
Depreciation	–	(102)	(102)
	<u>3,032</u>	<u>(2,349)</u>	<u>683</u>
As at 30 June 2005	<u><u>3,032</u></u>	<u><u>(2,349)</u></u>	<u><u>683</u></u>

7. Interests in an associated company

	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Share of net liabilities	(5,073)	(4,572)
Goodwill on acquisition of an associated company	2,532	2,532
Loan receivable	7,488	7,488
Amount due from an associate company	181	56
	<u>5,128</u>	<u>5,504</u>
Less: Impairment losses	<u>(2,392)</u>	<u>(2,748)</u>
	<u><u>2,736</u></u>	<u><u>2,756</u></u>

8. Long-term systems integration contracts in progress

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Cost incurred to date plus recognized profits to date	8,623	13,236
Less: progress billings	(7,208)	(11,410)
	1,415	1,826
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers for contract works	1,466	1,901
Amounts due to customers for contract works	(51)	(75)
	1,415	1,826

As at 30 June 2005, 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 2005, the aging analysis of trade receivables were as follows:–

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Current to 90 days	619	5,123
91 to 180 days	829	70
181 to 270 days	3,068	1,408
271 to 360 days	–	–
Over 360 days	2,224	910
	6,740	7,511
Less: provision on doubtful debts	(2,300)	(2,300)
	4,440	5,211

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 2005, the aging analysis of trade payables were as follows:–

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Current to 90 days	788	5,154
91 to 180 days	155	44
181 to 270 days	3,050	–
271 to 360 days	–	–
Over 360 days	1,444	1,551
	<u>5,437</u>	<u>6,749</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 2004 and 30 June 2005	<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>
As at 31 December 2004 and 30 June 2005	<u>204,000,000</u>	<u>20,400</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

The Group recorded a turnover of approximately HK\$5,118,000 for the six months ended 30 June 2005, representing a decrease of approximately 73% over the corresponding period in 2004. A net loss of approximately HK\$3,498,000 was recorded for the six months ended 30 June 2005 compared with a net profit of approximately HK\$279,000 of the corresponding period in 2004. Turnover for the six month ended 30 June 2005 were mainly contributed by the Yanshan-Pingyuanjie Expressway toll collection system in Yunnan province, the Yuanjiang-Mohei Expressway network toll collection systems.

For each of the six months period ended 30 June 2005 and 30 June 2004, the gross profit margin derived from the long-term systems integration contracts in progress were approximately 23% and 27.5% respectively. The drop was due to the number of companies participating in mechanical and electrical transportation projects increasing in the PRC in 2005 and the keen competition to the industry. The Group has reduced the profit margin to maintain its competitive advantage.

The Group adopts an aggressive business development strategy with the objective of playing an important role in the transportation technology solution industry in PRC. The Group has been implementing cost reduction measures to reduce operational costs. The Directors will continue to be vigilant in controlling operational costs and maintaining operational efficiency with a view of maximizing the profitability of the Group.

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 0.70 as at 30 June 2005 as compared to 1.28 as at 31 December 2004. The gearing ratio, being the ratio of long-term debt by total asset. The Group's gearing ratio was 14% and 32% as at 30 June 2005 and 31 December 2004.

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 2005, the Group had contracted capital commitments amounting to not more than 0.75 million in respect of software development costs fee for certain projects. The Group did not have any material contingent liability as at 30 June 2005.

During the period under review, there were no changes in the Company's authorized and issued and fully paid share capital.

Employees

The Group employed 33 full time employees out of which 30 members of staff are employed in the PRC as at 30 June 2005. 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\$1,292,000 for the six months ended 30 June 2005. (2004: HK\$1,644,000).

Material acquisition

The Group has no material acquisition or disposal of subsidiaries and affiliate companies during the six months ended 30 June 2005. It has no plans for material investment on capital assets.

Business Review

The group strive to develop and implement expressway network toll collection system projects in province and several expressway network. Although the state council of the PRC announce the future development outlook of expressway, to expand existing expressway total from 34,000 km to about 85,000 km, expecting investment up to RMB2,000 billion, The majority of bids was further delay due to the state council of the PRC need more time to plan this long term strategy meanwhile it attract many companies to join this field. The result is that the company need reduce the profit margin to get the contracts and the business benefit of the enterprises has gone down accordingly. The Group has been implementing cost reduction measures to reduce operational cost and seek other business opportunity to maximize the group's profit in future.

The Group has substantially completed the project of the Yuanjiang-Mohei Expressway network toll collection systems Guangdong Fanyu Ling Gang Bridge and Chu Tai toll collection system.

The Group still focused on developing the expressway monitoring software system. This product may be widely used in mechanical and electrical expressway projects as well as expressway toll software systems. At the same time, the Group also cooperated with various companies to develop PDA hand-held tolling equipment which is mainly used in the expressway emergency toll collection business, an which is expected to have bright future prospect.

In addition "The DY2000-Vehicle Licence IdentificationSystem" was widely adopted from Year 2003. This product has been upgraded many times after continuing practice in order to fit all kinds of special demand in different fields.

Prospects

The Group will still focus on mechanical and electrical transportation projects as well as the sale of products and the relevant project of IT industry. While sustaining the leading position in the mechanical and electrical transportation engineering of a single expressway. The Group will strive to develop and implement expressway network toll collection system projects in each province and several expressway networks. The Group has already join the bid for the following projects These projects are " Guangdong-Guangshu" toll collection system and Yunnan Sichau expressway networks toll collection system.

According to the analysis of the practical experience in mechanical and electrical transportation projects. The Directors believe that the rapid development of this field is inevitable and anticipate a favourable result can achieved in the future while the long term growth prospect of the Group remains strong.

In addition, the indirectly owned associated company of the Group-smart mover ITS Technology Co. Limited has launched the mobile phone based comprehensive traffic Information Service system on 1 March 2005 in Beijing City. It will contain more contents, and will provide road users for traffic information. The implementation of the system in all provinces is the future target of the Group and the development of this business will provide strong support for sustaining the healthy development of the Group.

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 2005, 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 to 5.67 of the GEM Listing Rules, were required 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)	76,900,000 (L) (Note 4)	-	-	38.43%
Lau, Andrew Kim	1,000,000 (L)	35,100,000 (L) (Note 5)	-	-	17.70%
Zhu Quan	1,000,000 (L)	-	-	-	0.49%
Shek Ying, Christine	400,000 (L)	-	-	-	0.20%

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 76,900,000 shares owned by Sebastian.
- These shares are beneficially owned by Mitac International Holdings Limited ("Mitac"), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Mitac, Mr. Lau, Andrew Kim is deemed or taken to be interested in the 35,100,000 shares owned by Mitac.

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

As at 30 June 2005, 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 2003	Number of underlying shares in respect of outstanding options as at 30 June 2005	Consideration		Exercise period
				Price for grant (for all)	Exercise price per share	
				(HK\$)	(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
Zhu Quan	28.3.2002	1,000,000	1,000,000 (L)	10.00	1.28	10.08.2002 – 09.08.2011
Shek Ying, Christine	28.3.2002	400,000	400,000 (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 2005, 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 of the GEM Listing Rules, 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 2004	Granted/ exercised / lapsed / cancelled during the period between 1 Jan 2005 to 30 June 2005	Outstanding at 30 June 2005
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
Zhu Quan *	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,000,000	–	1,000,000
Shek Ying Christine *	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	400,000	–	400,000
Employees	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	3,388,000	–	3,388,000

* executive directors of the Company

No Options granted to Directors and the employees had been exercised, cancelled or lapsed.

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 2005, 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 5% or more of the issued share capital of the Company.

Name	Capacity/ Nature of interest	Number of Shares	Percentage of issued share capital
Sebastian	Beneficial Owner	76,900,000 (L) (Note 1)	37.70%
Mitac	Beneficial Owner	35,100,000 (L) (Note 2)	17.20%
Lam Leung Hung	Beneficial Owner	12,000,000 (L) (Note 3)	5.89%
Lau Ying Ying, Angela	Interest of Spouse	78,400,000 (L) (Note 4)	38.43%
Atlantis Investment Management Ltd A/C GAM Trading No. 24	Investment Manager	11,000,000(L) (Note 3)	5.39%

Notes:

1. 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.
2. Mitac is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Lau Andrew Kim, an executive director of the Company.
3. 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.
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.
6. As far as the Directors are aware, the long position of Atlantis Investment Management Ltd A/C GAM Trading No. 24 in the shares of the Company has been reduced to below 5% as at 30 June 2005.

As at 30 June 2005, the following persons (other than the directors or chief executives of the Company) had interests in the underlying shares of equity derivatives (being a convertible note) issued by the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number of Underlying Shares	Percentage of issued share capital
Mr. Ho Yau Lung Lawrence	Interest of a controlled corporation	10,810,810 (L)	5.30%
Ms. Lo Sau Yan Sharen	Family Interest	10,810,810 (L)	5.30%
VC Finance Limited	Beneficial Owner	10,810,810 (L)	5.30%
VC Finance Group Limited	Interest of a controlled corporation	10,810,810 (L)	5.30%
Value Convergence Holdings Limited	Interest of a controlled corporation	10,810,810 (L)	5.30%
Melco Financial Group Limited	Interest of a controlled corporation	10,810,810 (L)	5.30%
Melco International Development Limited	Interest of a controlled corporation	10,810,810 (L)	5.30%
Better Joy Overseas Ltd	Interest of a controlled corporation	10,810,810 (L)	5.30%

Notes:

- The Company has issued a convertible note for a principal amount of HK\$4 million ("Note") to VC Finance Limited in 7 July 2004. The note holder shall have the right to convert its Note into Shares at any time during the period commencing from 7 July 2004 and ending upon on a date falling 18 months there from. The beneficial owner of VC Finance Limited is Value Convergence Holdings Limited, the shares of which are listed on the GEM board of the Stock Exchange. Melco Financial Group Limited holds 67.57% of Value Convergence Holding Ltd, Melco International Development Limited holds 100% of Melco Financial Group Limited. Better Joy Overseas Ltd holds 36.35% of Melco International Development Limited and Mr. Ho Yau Lung Lawrence holds 77% of Better Joy Overseas Ltd. Ms. Lo Sau Yan Sharen is deemed to be interested in these shares by virtue of the fact that she is the spouse of Mr. Ho Yau Lung Lawrence.
- The letter "L" denotes a long position in the underlying shares

Save as disclosed above, as at 30 June 2005, 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 2005, 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.

As disclosed in the announcement of the Company dated 25 July 2003, Excellent Idea Group Limited and its ultimate owner (together the "Indemnifiers") have undertaken jointly and severally to warrant the Company 40% of the diminution in the audited net asset value of the CTIA Group as at 31 December 2002 compared with that as at 31 December 2001. The indemnity amounted to HK\$3,908,819. The Company has served a demand on the Indemnifiers and is currently negotiating with the Indemnifiers on the repayment terms.

AUDIT COMMITTEE

The Company established an audit committee on 16 August 2001 comprising the independent non-executive Directors, Mr. Yang Xiaoping, Mr. Zhao Ming and Ms. Wu Xin. 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 2005.

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 2005, 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 2005.

CORPORATE GOVERNANCE

The Company has been looking for several candidates to be the members of Remuneration Committee and Nomination Committee but now has not been identified yet. The Board estimated it will take a few month to fulfilled the requirement. Save as disclosed above, throughout the period. The Company was in compliance with the Code on Corporate Governance Practices as set out 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 2005. 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

Beijing, 05 August 2005

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

Executive Directors

Mr. Yan, Daniel X.D.

Mr. Lau, Andrew Kim

Mr. Zhu Quan

Ms. Shek Ying, Christine

Independent Non-Executive Directors

Mr. Yang Xiaoping

Mr. Zhao Ming

Ms. Wu Xin