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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 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 2004**

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in securities traded on GEM.

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 reports 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 2004 was approximately HK\$18,824,000 representing an increase of approximately 1.31 times over the corresponding period in 2003.
- The Group recorded a net profit of approximately HK\$279,000 for the six months ended 30 June 2004.
- The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2004.

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 2004, together with the unaudited comparative figures for the corresponding periods in 2003 are as follows:

Condensed Consolidated Income Statement – unaudited

	Notes	Six months ended 30 June		Three months ended 30 June	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	18,824	8,141	13,185	3,087
Cost of services		(13,648)	(7,416)	(10,475)	(2,712)
Gross profit		5,176	725	2,710	375
Other revenue		9	13	5	13
Distribution costs		(1,015)	(458)	(581)	(139)
Administrative expenses excluding depreciation		(3,084)	(5,013)	(1,490)	(2,744)
Depreciation of fixed assets		(247)	(238)	(145)	(120)
Operating Profit/(loss)		839	(4,971)	499	(2,615)
Share of loss of an associated company		(402)	(793)	(286)	(556)
Profit/(Loss) before Taxation		437	(5,764)	213	(3,171)
Taxation	3	(158)	–	(91)	–
Profit/(Loss) attributable to shareholders		279	(5,764)	122	(3,171)
Profit/(Loss) per share – basic	5	0.14 cents	(3.00 cents)	0.06 cents	(1.65 cents)

Condensed Consolidated Balance Sheet

		As at 30 June 2004	As at 31 December 2003
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Fixed assets	6	700	911
Investment in an associated company	7	4,016	4,346
Long-term investments		805	805
Bank Deposit		–	732
Deposit for software development		1,234	1,234
Current assets			
Amounts due from customers for contract works	8	2,744	443
Trade receivables	9	4,090	4,343
Deposits, prepayments and other receivables		2,727	1,748
Cash and bank balances		1,280	3,547
		<u>10,841</u>	<u>10,081</u>
Current liabilities			
Amounts due to customers for contract works	8	1,284	2,985
Trade payables	10	4,470	3,923
Accrued charges and other payables		4,864	4,183
Warranty provision		925	1,244
		<u>11,543</u>	<u>12,335</u>
Net current liabilities		<u>(702)</u>	<u>(2,254)</u>
Total assets less current liabilities		<u>6,053</u>	<u>5,774</u>
Capital and reserves:			
Share capital	11	20,400	20,400
Reserves		(14,347)	(14,626)
		<u>6,053</u>	<u>5,774</u>

Condensed Consolidated Cash Flow Statement – unaudited

	Six months ended	
	30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(2,231)	(4,429)
Net cash outflow from investing activities	(36)	(137)
	<u> </u>	<u> </u>
Net cash outflow before financing activities	(2,267)	(4,566)
Net cash outflow from financing activities	–	–
	<u> </u>	<u> </u>
Decrease in cash and cash equivalents	(2,267)	(4,566)
Cash and cash equivalents at 1 January 2004	3,547	5,140
	<u> </u>	<u> </u>
Cash and cash equivalents at 30 June 2004	<u>1,280</u>	<u>574</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>1,280</u>	<u>574</u>

Condensed Consolidated statement of changes in equity – unaudited

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

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total equity HK\$'000
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>
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total equity HK\$'000
At 1 January 2003	19,200	35,365	(1,628)	(144)	(39,858)	12,935
Loss for the period	–	–	–	–	(5,764)	(5,764)
At 30 June 2003	<u>19,200</u>	<u>35,365</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(45,622)</u>	<u>7,171</u>

Notes:

1. Basis of preparation

The condensed accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rule.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

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 2004.
- 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 2004.
- iii. There was no material unprovided deferred taxation for the period.

4. Dividend

The Directors do not recommend payment of an interim dividend for the six months ended 30 June, 2004 (2003: Nil).

5. Profit/(Loss) per share

Profit/(loss) per share for the six months and three months ended 30 June 2004 are calculated based on the Group's profit attributable to the shareholders of HK\$279,000 and HK\$122,000 respectively (Loss attributable to the shareholders for the corresponding period in 2003: HK\$5,764,000 and HK\$3,171,000 respectively) and on the weighted average number of 204,000,000 (2003: 192,000,000) 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 2004 (2003: Nil).

6. Fixed assets

	Cost	Accumulated depreciation	Net book value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2004	3,198	(2,287)	911
Additions	36	–	36
Depreciation	–	(247)	(247)
	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2004	<u>3,234</u>	<u>(2,534)</u>	<u>700</u>

7. Interests in an associated company

	30 June 2004 <i>HK\$'000</i>	31 December 2003 <i>HK\$'000</i>
Share of net liabilities	(3,709)	(3,307)
Loan receivable	7,488	7,488
Amount due from an associate company	237	165
	<u>4,016</u>	<u>4,346</u>

8. Long-term systems integration contracts in progress

	30 June 2004 <i>HK\$'000</i>	31 December 2003 <i>HK\$'000</i>
Cost incurred to date plus recognized profits to date	3,390	1,593
Less: progress billings	(1,930)	(4,135)
	<u>1,460</u>	<u>(2,542)</u>
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers for contract works	2,744	443
Amounts due to customers for contract works	(1,284)	(2,985)
	<u>1,460</u>	<u>(2,542)</u>

As at 30 June 2004, 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 2004, the aging analysis of trade receivables were as follows:

	30 June	31 December
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Current to 90 days	1,437	2,915
91 to 180 days	211	591
181 to 270 days	2,959	–
271 to 360 days	1,193	1,908
Over 360 days	260	899
	<u>6,060</u>	<u>6,313</u>
Less: provision on doubtful debts	<u>(1,970)</u>	<u>(1,970)</u>
	<u>4,090</u>	<u>4,343</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 2004, the aging analysis of trade payables were as follows:

	30 June	31 December
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Current to 90 days	1,588	1,806
91 to 180 days	132	379
181 to 270 days	862	–
271 to 360 days	206	–
Over 360 days	1,682	1,738
	<u>4,470</u>	<u>3,923</u>
	<u>4,470</u>	<u>3,923</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 2003 and 30 June 2004	<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 2003 and 30 June 2004	<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\$18,824,000 for the six months ended 30 June 2004, representing an increase of approximately 1.31 times over the corresponding period in 2003. A net profit of approximately HK\$279,000 was recorded for the six months ended 30 June 2004 compared with a net loss of approximately HK\$5,764,000 of the corresponding period in 2003. Turnover for the six month ended 30 June 2004 were mainly derived from Guangdong province Fanyu Bridge network toll collection system, Guangdong province Huanan Expressway network toll collection system, Guangdong Expressway (East, south and west section network toll collection systems and Yanshan-Pingyuanjie Expressway toll collection system in Yunnan province, currently the Group is undertaking a numerous project on hand and it is expected that those project will be completed and come into service in late 2004.

For each of the six months period ended 30 June 2004 and 30 June 2003, the gross margin derived from the long-term systems integration contracts in progress were approximately 27.5% and 8.9% respectively. The increase was due to increase the profit margin in the network toll collection system projects and successfully reduce the cost measures of our Group.

The Group has successfully subscribe and complete HK\$4,000,000 convertible note on July 2004 The Note instrument representing 4% redeemable convertible note and the term of Note is 1.5 year. The net amount is around HK\$3,850,000. The net proceed were retained by the Group for general working capital purpose.

The Group adopts an aggressive business development strategy with the objective of playing an important role in the transportation technology solution industry in the PRC. The Group has been implementing cost reduction measures to reduce operational costs. The Directors will continue to be vigilant in controlling operating costs and maintaining operational efficiency with a view to 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 0.94 as at 30 June 2004 as compared to 0.82 as at 31 December 2003. The gearing ratio, being the ratio of long-term debt to assets was zero as at 30 June 2004 and 31 December 2003.

In order to increase the financial position of the Group, the Group has successfully completed the subscription HK\$4,000,000 convertible note. The net amount HK\$3,850,000 were retained by the Group for general working capital purpose.

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 2004, the Group had contracted capital commitments amounting to not more than 4.28 million in respect of purchase of materials and sub-contracting fee for certain projects. The Group did not have any material contingent liability as at 30 June 2004.

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 42 full time employees out of which 39 members of staff are employed in the PRC as at 30 June 2004. 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\$1,644,000 for the six months ended 30 June 2004. (2003: HK\$1,925,000)

Material acquisition

The Group has no material acquisition or disposal of subsidiaries and affiliate companies during the six months ended 30 June, 2004. 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 networks. In connection with the expressway network toll collection system, the Group has substantially completed the project of Guangzhou Expressway (East, south and west section) network toll collection systems and the Guangdong Province Fanyu Bridge network toll collection system.

In connection with transportation technology solutions, the Group has substantially worked on the the project of Yanshan-Pingyuanjie Expressway toll collection system in Yunnan province and Yuanjiang – Mohei Expressway toll collection system and several projects on different province.

“The DY2000-Vehicle License Identification System” was widely adopted in China. This product has been upgraded many times after continuing practice in order to fit for all kinds of special demand in different fields. After improvement, the adaptability of this product in environment of low light degree and high speed is much better than before before, The product will have wide practical value in not only expressway toll collection system area, but also in other areas such as city communication management and customs inspection. Therefore it can bring more benefit for out Group.

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. The implementation of expressway network toll collection systems projects in each province and several expressway is the future target of our Group. The Group will continue to focus on this area and successfully implement expressway network toll collection systems projects on Guangdong Province. This excellent implementation will add as an asset for our Group to promote the expressway network toll collection systems in China.

In addition, the Group is dedicated to the research and development of the traffic surveillance system. The Intelligent traffic management system will lower down the traffic congestion in Beijing and enhance the ride of passengers. The Group will try to seek potential company as the Group's target for acquisition to increase the Group's profitability and hope that it will bring better return to shareholders in future.

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 2004, 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)	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.

3. The letter "L" denotes a long position in the shares.
4. 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.
5. 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 2004, 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 2004	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
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 2004, 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 2003	Granted/ exercised/ lapsed/ cancelled during the period between 1 Jan 2004 to 30 June 2004	Outstanding at 30 June 2004
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 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" above, as at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations 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) <i>(Note 1)</i>	37.70%
Mitac	Beneficial Owner	35,100,000 (L) <i>(Note 2)</i>	17.20%
Lam Leung Hung	Beneficial Owner	12,000,000 (L) <i>(Note 3)</i>	5.89%
Lau Ying Ying, Angela	Interest of Spouse	78,400,000 (L) <i>(Note 4)</i>	38.43%

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 Executive, substantial shareholders or management shareholders of the Company or an 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 of the Company.

Save as disclosed above, as at 30 June 2004, the Directors are not aware of any other persons who has interests in the shares or debentures of, or short positions in the shares of, the Company 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 2004, 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 June 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 and Mr. Zhao Ming. 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 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2004. 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, 13 August 2004

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

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