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This report, for which the directors (the "Directors") of DeTeam 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.

DeTeam Company Limited **弘海有限公司***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8112)

THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

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 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.

* *For identification only*

HIGHLIGHTS

- Turnover of the Group for the nine months ended 30 September 2006 was approximately HK\$14,409,000 representing an increase of approximately 142% as compared with the corresponding period in 2005.
- The Group recorded a net profit of approximately HK\$3,019,000 for the nine months ended 30 September 2006.
- The Directors do not recommend payment of any dividend for the nine months ended 30 September 2006.

RESULTS

The board of Directors (the "Board") hereby to announce the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2006, together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

Condensed Consolidated Income Statement – unaudited

| | Notes | Nine months ended 30 September | | Three months ended 30 September | |
|---|-------|-----------------------------------|------------------|------------------------------------|------------------|
| | | 2006 HK\$'000 | 2005 HK\$'000 | 2006 HK\$'000 | 2005 HK\$'000 |
| Turnover | 2 | 14,409 | 5,954 | 12,640 | 836 |
| Cost of sales | | (10,476) | (5,206) | (9,237) | (1,268) |
| Gross profit/(Loss) | | 3,933 | 748 | 3,403 | (432) |
| Other revenue | | 494 | 464 | 447 | 107 |
| Discount on acquisition of subsidiaries | | 4,324 | – | 4,324 | – |
| Distribution costs | | (864) | (2,348) | (313) | (717) |
| Administrative expenses excluded depreciation and amortization | | (4,050) | (3,854) | (1,296) | (1,144) |
| Depreciation of fixed assets | | (412) | (154) | (336) | (52) |
| Operating Profit/(Loss) | | 3,425 | (5,144) | 6,229 | (2,238) |
| Finance Costs | | (406) | (118) | (145) | (28) |
| Share of losses of an associated company | | – | (609) | – | (107) |
| Profit/(Loss) before Taxation | | 3,019 | (5,871) | 6,084 | (2,373) |
| Taxation | 3 | – | – | – | – |
| Profit/(Loss) after taxation and attributable to shareholders | | 3,019 | (5,871) | 6,084 | (2,373) |
| Profit/(Loss) per share – basic | 5 | 1.19cents | (2.88cents) | 2.07cents | (1.17cents) |

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's turnover represents sales of plastic woven bags, paper bags and paper tubes in the People's Republic of China (the "PRC"). The turnover also represents net amount received and receivable from the sales of goods and the income received from provision of transportation technology solutions in PRC. It represents total value of services rendered to customers from long-term systems integration contracts net of value-added tax and sales tax. An analysis of the Group's turnover is as follow:-

| | Nine months ended 30 September | | Three months ended 30 September | |
|--|-----------------------------------|--------------|------------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| Note | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Production and sale of plastic woven bags | 12,072 | – | 12,072 | – |
| Provision of transportation technology solutions | 2,337 | 5,954 | 568 | 836 |
| | <u>14,409</u> | <u>5,954</u> | <u>12,640</u> | <u>836</u> |

No geographical segment information is presented as substantially all the Group's turnover and contribution to operating results were derived from the PRC and substantially all customers and assets are located 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 nine months ended 30 September 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 nine months ended 30 September 2006.

The subsidiary, Changchun Yicheng Packaging Company Limited ("Changchun Yicheng"), 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. Pursuant to a notice issued by State Taxation Bureau of Changchun, a tax holiday is granted to Changchun Yicheng. Changchun Yicheng is entitled to full exemption from PRC income tax from the years 2006 to 2007 followed by a 50% reduction in the income tax rate (i.e. 16.5%) for the years from 2008 to 2010.

- iii. 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 any dividend for the nine months ended 30 September 2006 (2005: Nil).

5. Profit/(Loss) per share

Profit per share for the nine months and three months ended 30 September 2006 are calculated based on the Group's Profit attributable to the shareholders of HK\$3,019,000 and HK\$6,084,000 respectively (Loss attributable to the shareholders of 2005: HK\$5,871,000 and HK\$2,373,000 respectively) and on the weighted average number of 254,574,066 and 293,760,000 shares in issue during the periods (2005: 204,000,000 shares).

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

6. 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 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 | - | - | - | (20) | - | (20) |
| Profit for the period | - | - | - | - | 3,019 | 3,019 |
| At 30 September 2006 | <u>29,376</u> | <u>42,791</u> | <u>(1,628)</u> | <u>(17)</u> | <u>(60,203)</u> | <u>10,319</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 2005 | 20,400 | 37,010 | (1,628) | (144) | (54,274) | 1,364 |
| Loss for the period | - | - | - | - | (5,871) | (5,871) |
| At 30 September 2005 | <u>20,400</u> | <u>37,010</u> | <u>(1,628)</u> | <u>(144)</u> | <u>(60,145)</u> | <u>(4,507)</u> |

7. Segment Information

An analysis of the Group's income and results for the nine months ended 30 September 2006 and 2005 are as follows:

Business segments

The Group is primarily engaged in the production and sales of plastic woven bags and in the provision of transportation technology solution.

| | Production and sales of plastic woven bags | | Provision of transportation technology solution | | Total | |
|---|---|---------------------------------|--|---------------------------------|---------------------------------|---------------------------------|
| | 2006 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) | 2006 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) | 2006 HK\$'000 (Unaudited) | 2005 HK\$'000 (Unaudited) |
| REVENUE | | | | | | |
| External revenue | 12,071 | – | 2,338 | 5,954 | 14,409 | 5,954 |
| RESULTS | | | | | | |
| Segment results | 3,164 | – | (1,854) | (3,876) | 1,310 | (3,876) |
| Unallocated corporate revenue | | | | | – | 462 |
| Unallocated corporate expenses | | | | | (2,339) | (2,339) |
| Acquisition of subsidiary | | | | | 4,324 | – |
| Operating loss excluding interest income/expenses | | | | | 3,295 | (5,753) |
| Interest Income | | | | | 131 | 2 |
| Interest expenses | | | | | (407) | (120) |
| Profit/(Loss) before taxation | | | | | 3,019 | (5,871) |
| Taxation | | | | | – | – |
| Net Profit/(loss) for the period | | | | | <u>3,019</u> | <u>(5,871)</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

On 25 August 2006, the name of the Company was changed from “Angels Technology Company Limited” to “DeTeam Company Limited” to better represent the Group’s new business strategy and “弘海有限公司” for the purpose of identification only, was adopted as the Chinese name of the Company.

The Group is engaged in production and sale of plastic woven bags, paper bags and paper tubes in the PRC and is engaged in the provision of transportation technology solution in the PRC.

Financial and business review

The Group recorded a turnover of approximately HK\$14,409,000 for the nine months ended 30 September 2006, representing an increase of approximately 142% as compared with the corresponding period in 2005. A net profit of approximately HK\$3,019,000 was recorded for the nine months ended 30 September 2006 as compared with a net loss of approximately HK\$5,874,000 for the nine months ended 30 September 2005. The increase was mainly due to the addition of sales of bags business starting from 1 September 2006 and turnover for the nine month ended 30 September, 2006 was mainly contributed by sales of plastic woven bags business and the toll collection system in Yunnan province.

In order to improve the financial performance and position of the Group and to maximize the returns to the Group and Shareholder as a whole, the Group completed the acquisition of 100% of the equity interests in Changchun Yicheng Packaging Company Limited. The Group consolidated the results of Changchun Yicheng for the period starting from the month of September, 2006. For the positive effect of the acquisition, DeTeam Company Limited recorded a total asset of approximately HK\$58,737,000 representing an increase of approximately HK\$38,404,000 as compared with the period ended 30 June, 2006 and a total liabilities of approximately HK\$48,418,000, representing an increase of approximately HK\$32,329,000 as compared with the period ended 30 June 2006.

This year, the number of companies participating in mechanical and electrical transportation projects and transportation technology solutions is increasing. As a result, the bid price for the projects became comparatively low recently, and the business benefit of the enterprises has gone down accordingly. Consequently, the profit of the Group has been affected.

The Group expects that Changchun Yicheng will add a substantial revenue stream to the Group and enhance the Group’s profitability and on the other hand the Group will continue to be vigilant in controlling operating costs and maintaining operational efficiency in the transportation technology solution business.

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

On 1 September 2006, the Group completed the acquisition of Changchun Yicheng. Save as the acquisition, there is no other significant investment and material acquisition/disposal made during the report period.

Prospects

The Group note that the substantial growth in revenue of Changchun Yicheng for the period ended 30 September, 2006 as compared with the corresponding period in 2005 has demonstrated its high growth potential and believe such growth potential is sustainable in the future in light of continuing economic growth of the PRC. In anticipation of higher growth of Changchun Yicheng, the Board believes that Changchun Yicheng will contribute positive cash flow and profits to the Group as a whole.

The Group will continue to be engaged in the provision of transportation technology solution in the PRC.

With the successful acquisition of Changchun Yicheng, the board will continue to seek out investment opportunities with the aim to bring satisfactory reward to the shareholders.

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 September 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.

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 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 September 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 September 2006 | Consideration | | |
|-----------------|---------------|--|---|---------------------------|---------------------------------|-------------------------|
| | | | | Price for grant (for all) | Exercise price per share (HK\$) | Exercise period |
| 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 September 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:

As at the extraordinary general meeting held on 26 August 2006, the resolution is passed to grant options to subscribe for up to 29,376,000 shares, which representing 10% of the existing issued share capital of the Company.

| 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 Jan 2006 to 30 September 2006 | Outstanding at 30 September 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 September 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 September 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 September 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.. During the years in 2004 and 2005, the management of the Group performed an assessment on the recoverability of investment in CTIS VSAT Network Limited. The assessment was based on the value in use of the asset using the present value of estimated future cash flow. As a result of this assessment, the Group has made a full provision on this investment

AUDIT COMMITTEE

The Company established an audit committee on 16 August 2001 comprising the independent non-executive Directors, Mr. Yang Xiaoping, 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 September 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 September 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 September, 2006.

CORPORATE GOVERNANCE

During the nine months ended 30 September 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 nine months ended 30 September 2006. Neither the Company nor any of its subsidiaries has purchased, sold any of the Company's shares.

By order of the Board

Daniel X.D. Yan

Chairman

Hong Kong, 13 November 2006

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

Executive Directors

Mr. Yan, Daniel X.D.

Mr. Mak Shiu Chung, Godfrey

Mr. Zhang Chao Liang

Independent Non-Executive Directors

Mr. Yang Xiaoping

Mr. Kwok Chi Shing

Mr. Tsang Wai Sum