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This report, for which the directors (the "Directors") of Angels Technology Company Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprises Market (the "GEM") of the Stock Exchange 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)

**Third Quarterly Report
for the nine months ended 30 September 2002**

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 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.

HIGHLIGHTS

- Turnover of the Group for the nine months ended 30 September 2002 was approximately HK\$4,457,000, representing a decrease of approximately 59 per cent. as compared with the corresponding period in 2001.
- The Group recorded a net loss of approximately HK\$12,384,000 for the nine months ended 30 September 2002.
- The Directors do not recommend payment of any dividend for the nine months ended 30 September 2002.

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 30 September 2002, together with the unaudited comparative figures for the corresponding periods in 2001 as follows:

Condensed Consolidated Profit and Loss Account – unaudited

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	4,457	10,821	3,898	4,981
Cost of services		(4,120)	(8,691)	(3,681)	(4,001)
Gross profit		337	2,130	217	980
Other revenue		55	48	4	42
Distribution costs		(2,541)	(1,363)	(505)	(490)
Administrative expenses excluded depreciation and amortization		(9,283)	(7,053)	(3,508)	(2,634)
Depreciation of fixed assets		(375)	(522)	(150)	(134)
Amortization of goodwill		(317)	-	(158)	-
Operating loss		(12,124)	(6,760)	(4,100)	(2,236)
Share of loss of an associated company		(260)	-	(12)	-
Taxation	3	-	-	-	-
Loss after taxation and attributable to shareholders		<u>(12,384)</u>	<u>(6,760)</u>	<u>(4,112)</u>	<u>(2,236)</u>
Loss per share – basic	5	<u>(6.61cents)</u>	<u>(4.98cents)</u>	<u>(2.14cents)</u>	<u>(1.52cents)</u>

No statement of recognized gains and losses is presented as the loss after taxation and attributable to shareholders of HK\$12,384,000 (2001: HK\$6,760,000) as shown above is the only component.

Notes:

1. Group reconstruction and basis of preparation

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liabilities under the Companies Law (revised) of the Cayman Islands.

On 16 August 2001, pursuant to a group reconstruction (the "Reconstruction") to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM, the Company became the ultimate holding company of the Group. Details of the Reconstruction are set out in the Company's prospectus (the "Prospectus") dated 22 August 2001. The Company's shares were listed on GEM of the Stock Exchange on 30 August 2001.

The Reconstruction, which involved companies under common control, has been reflected in the accounts of the Group, which comprised the Company and its subsidiaries as a continuing group. Accordingly, the consolidated results have been prepared on the merger accounting basis as if the Company had been the holding company of the other companies comprising the Group throughout the nine months ended 30 September 2001 rather than from the date on which the Reconstruction was completed.

The condensed accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

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 2001 and interim report for the six months ended 30 June 2002.

2. Turnover

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

During the period, the Group has operated in the PRC in one business segment and provided a single type of service. Accordingly, no further segment analysis is presented.

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 2002.
- ii. The subsidiary, Beijing Angels Communications Technology Co., Ltd ("Beijing Angels") and Angels ITS (Guangzhou) Co., Ltd. ("Guangzhou Angels"), both operating in the PRC, are subject to an income tax rate of 33% on their taxable profits in accordance with the Income Tax Law of the PRC. Pursuant to a renewal notice issued by the Local Taxation Bureau of Beijing Haidian District on 14 November 2000, Beijing Angels is entitled to a full exemption from PRC income tax from 2000 to 2002 and subsequently a reduced income tax rate of 7.5% for three years from 2003 to 2005.
- iii. Guangzhou Angels was approved as a "newly-established advance and new technology enterprise" on 19 September 2000 and is therefore entitled to a reduced tax rate of 15%. Guangzhou Angels has no assessable profits for the nine months ended 30 September 2002.
- iv. There was no material unprovided deferred taxation for the period.

4. Dividend

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2002 (2001: Nil).

5. Loss per share

Basic loss per share for the nine months and three months ended 30 September 2002 was calculated based on the Group's loss attributable to the shareholders of HK\$12,384,000 and HK\$4,112,000 respectively and on the weighted average number of 187,341,000 shares and 192,000,000 shares respectively in issue during the periods.

The comparative loss per share for the nine months and three months ended 30 September 2001 was calculated based on the Group's loss attributable to the shareholders of HK\$6,760,000 and HK\$2,236,000 respectively and on the weighted average number of 135,678,000 shares and 146,848,000 shares respectively in issue during the periods, comprising 1 share issued at HK\$0.10 on 7 April 2000 immediately after the incorporation of the Company together with 9 shares issued at HK\$0.10 each on 7 June 2000 and 129,999,990 shares issued at HK\$0.10 on 16 August 2001 upon completion of Reconstruction, which were deemed to have been issued since 10 January 2000, the date of incorporation of Angels Intelligent Transportation Systems Company Limited and Angels Logistics Systems (Guangzhou) Company Limited.

Diluted loss per share was not presented because there were no potential dilutive ordinary shares in existence during the nine months ended 30 September 2002 (period ended 2001: Nil).

6. Movements in reserves

	Share Premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 31 December 2001	20,810	(1,628)	(144)	325	19,363
Premium arising from new issue as consideration shares	13,200	-	-	-	13,200
Issuing expenses	(205)	-	-	-	(205)
Loss for the period	-	-	-	(12,384)	(12,384)
At 30 September 2002	<u>33,805</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(12,059)</u>	<u>19,974</u>
	Share Premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 31 December 2000	-	1,418	(9)	11,716	13,125
Reserve arising from the Reconstruction	-	(3,046)	-	-	(3,046)
Exchange difference on the translation of the accounts of subsidiaries	-	-	(135)	-	(135)
Premium arising from issue of shares upon listing	30,000	-	-	-	30,000
Issuing expenses	(9,190)	-	-	-	(9,190)
Loss for the period	-	-	-	(6,760)	(6,760)
At 30 September 2001	<u>20,810</u>	<u>(1,628)</u>	<u>(144)</u>	<u>4,956</u>	<u>23,994</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of transportation technology solutions in respect of toll collection, traffic surveillance, optical fibre road network communication and power supply systems for highways and expressways in the PRC.

Financial and business review

The Group recorded a turnover of approximately HK\$4,457,000 for the nine months ended 30 September 2002, representing a decrease of approximately 59 per cent. as compared with the corresponding period in 2001. A net loss of approximately HK\$12,384,000 was recorded for the nine months ended 30 September 2002 as compared with a net loss of approximately HK\$6,760,000, for the nine months ended 30 September 2001. The decrease in turnover was principally due to the decrease in the number and size of the projects handled by the Group. Currently, the Group is undertaking the Hubehaoto-Baotou expressway project and it is expected that the project will be completed and open for transportation in late 2002.

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 development of other new businesses and products needs a process of introduction into the market. The businesses and products of this kind can hardly bring profit in a short period of time.

The Group will continue to expand in the transportation engineering market and actively promote the sale of products. In terms of transportation engineering, after the date of the interim report, the Group obtained the project in respect of the transportation technology solution on Jixi-Mudanjiang section of Heda expressway.

During the nine months ended 30 September 2002, the Group did not have any charges on its assets, and there were no changes in the Company's authorised share capital. The Company's issued and fully paid ordinary shares of HK\$0.10 each increased from 180,000,000 shares to 192,000,000 shares, and the issued and fully paid share capital increased from HK\$18,000,000 to HK\$19,200,000 accordingly.

Material acquisition

In April 2002, the Company acquired a 40% equity interest in CTIA VSAT Network Limited and indirectly a 24% equity interest in Beijing Asia Pacific East Communication Network Limited ("APECN"). APECN is principally engaged in the research and development of satellite communication technology solutions and the provision of the relevant consultancy and technical support services and system integration services. Moreover, APECN also runs a multimedia data exchange center and is engaged in a building program transmission platform and the formation of simulated film resource digitalization works. The Group is able to apply APECN's satellite communication technology and related solutions to develop road communication networks for its expressway networks.

Other than the above, the Group has no material acquisition or disposal of subsidiaries and affiliate companies during the nine months ended 30 September 2002. It has no plans for material investment or capital assets other than those set out in the Prospectus.

Prospects

In June 2002, the Group and Qualcomm Inc. formed a strategic cooperation and used Qualcomm Inc.'s CDMA wireless communication network technology – gpsOne™, with a view to assisting an operator of CDMA wireless telecommunication networks in the

PRC in the deployment of location based services. This technology possesses more advantages than GPS, unitary GSM and GPS/GSM. Consequently, the ultimate customers who need positioning service (e.g. public security, traffic management, logistic and motorcade) have great interest, which created an extensive customer base in the future.

With the entry into the World Trade Organization and the hosting of the 2008 Olympic Games in Beijing, the PRC has entered into a speedy development stage. The Directors are clearly aware of the challenges at present. The increasingly fierce competition makes it necessary for the Group to be dedicated to developing its business so as to bring a satisfactory reward to its shareholders through exploring its product sales and other rapidly growing business.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, according to the register required to be kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Directors and their respective associates were as follows:

(I) Ordinary Shares

Name	Notes	Number of Shares			
		Personal Interest	Family Interest	Corporate Interest	Other Interest
Mr. Yan, Daniel X.D.	1	N/A	N/A	81,900,000	N/A
Mr. Lau, Kim Andrew	2	N/A	N/A	35,100,000	N/A

Notes:

- These Shares are held by Sebastian International Holdings Limited ("Sebastian"), a company incorporated in the British Virgin Islands. Mr. Yan, Daniel X.D. is the sole shareholder and the sole director of Sebastian.
- These Shares are held by Mitac International Holdings Limited ("Mitac"), a company incorporated in the British Virgin Islands. Mr. Lau, Andrew Kim is the sole shareholder and the sole director of Mitac.

(II) Share options

Pursuant to the Company's Share Option Scheme adopted by the Company on 16 August 2001, the following Directors have personal interests in options to subscribe for shares in the Company which have been granted to them as follows:

Name of director	Number of options	Exercise price per share HK\$	Date of grant
Yan Daniel X.D.*	1,500,000	1.28	28 March 2002
Lau Andrew Kim*	1,000,000	1.28	28 March 2002
Zhu Quan*	1,000,000	1.28	28 March 2002
Shek Ying Christine*	400,000	1.28	28 March 2002

* executive director of the Company

The period for exercising the options is from 10 August 2002 to 9 August 2011 (both dates inclusive) (the first tranche of 50 per cent. from 10 August 2002 and the remaining tranche of 50 per cent. from 10 August 2003).

As at 30 September 2002, none of the options granted to Directors had been exercised or cancelled.

Save as disclosed above, as at 30 September 2002, none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

Pursuant to a share option scheme adopted by the Company on 16 August 2001, the Directors may, at their discretion, offer options to full-time employees of the Group and the Directors to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at 30 September 2002, options comprising a total of 8,288,000 underlying shares were granted to employees (including executive directors) of the Group at an exercise price of HK\$1.28 per share with the option period from 10 August 2002 to 9 August 2011 (both dates inclusive) (the first tranche of 50 per cent. from 10 August 2002 and the remaining tranche of 50 per cent. from 10 August 2003).

No options have been exercised, cancelled or lapsed during the period from the date of grant to 30 September 2002.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, as at 30 September 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10 per cent. or more of the Company's issued share capital.

Name	Notes	Number of Shares	Percentage of holding (%)
Sebastian	1	81,900,000	42.7
Mitac	2	35,100,000	18.3

Notes:

1. Sebastian is a company incorporated in the British Virgin Islands with limited liabilities, 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 liabilities, and wholly owned by Mr. Lau Andrew Kim, an executive Director of the Company.

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

Save as disclosed in section headed "Directors' interest in securities" above, 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, as at 30 September 2002.

COMPETING INTEREST

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

SPONSOR'S INTEREST

Pursuant to an agreement dated 21 August 2001 entered into between the Company and DBS Asia Capital Limited ("DBS Asia"), DBS Asia is entitled to receive a fee in respect of acting as the Company's sponsor as required under GEM Listing Rules for the period from 30 August 2001 to 29 August 2002. On 29 August 2002, the sponsor agreement was terminated.

Pursuant to an agreement dated 23 August 2002 entered into between the Company and Asia Investment Capital Limited ("Asia Investment Capital"), Asia Investment Capital has been appointed by the Company to replace DBS Asia as the Company's sponsor and receives a fee for the period from 30 August 2002 to 31 December 2003.

Save as disclosed herein, none of Asia Investment Capital, its directors, employees or associates (as referred to in Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 September 2002.

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 accounts, 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.

COMPLIANCE WITH BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules for the period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September 2002, the Company has not redeemed any of its shares. Neither the Company nor its subsidiaries purchased or sold any of the Company's shares.

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

8 November 2002, Hong Kong