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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.*



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**ANGELS TECHNOLOGY COMPANY LIMITED**

**英君技術有限公司**

*(Incorporated in the Cayman Islands with limited liabilities)*

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2003**

**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 three months ended 31 March 2003 was approximately HK\$5,054,000, representing an increase of approximately 11 times as compared with the corresponding period in 2002.
- The Group recorded a net loss of approximately HK\$2,593,000 for the three months ended 31 March 2003.
- The Directors do not recommend payment of any dividend for the three months ended 31 March 2003.

## UNAUDITED QUARTERLY 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 ended 31 March 2003, together with the unaudited comparative figures for the corresponding period in 2002 as follows:

	Notes	Three months ended 31 March	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	5,054	408
Cost of services		<u>(4,704)</u>	<u>(314)</u>
Gross profit		350	94
Other revenue		–	43
Distribution costs		(319)	(740)
Administrative expenses excluded depreciation and amortization		(2,269)	(3,233)
Depreciation of fixed assets		(118)	(143)
Amortization of goodwill		–	–
Operating loss		<u>(2,356)</u>	<u>(3,979)</u>
Share of loss of an associated company		(237)	–
Taxation	3	–	–
Loss after taxation and attributable to shareholders		<u><u>(2,593)</u></u>	<u><u>(3,979)</u></u>
Loss per share – basic	4	<u><u>(1.35cents)</u></u>	<u><u>(2.21cents)</u></u>

*Notes:*

**1. Basis of preparation**

The 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. They have been prepared under the historical cost convention.

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

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 three months ended 31 March 2003.
- ii. The subsidiary, 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 reduction tax rate of 15%. Pursuant to a notice issued by the Local Taxation Bureau of Beijing Haidian District on 14 November 2000, tax holiday is granted to Beijing Angels. Beijing Angels is entitled to a 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 three months ended 31 March 2003 (2002: Nil).
- iii. There was no material unprovided deferred taxation for the period.

**4. Loss per share**

The calculation of loss per share is based on the Group's loss attributable to the shareholders of HK\$2,593,000 (2002: HK\$3,979,000).

The basic loss per share is based on the weighted average of 192,000,000 (2002: 180,000,000) ordinary shares in issue during the year. Diluted loss per share was not presented because there were no potential dilutive ordinary shares in existence during the three months ended 31 March 2003 (2002: Nil).

## INTERIM DIVIDENDS

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2003 (2002: Nil).

## RESERVES

	Share Premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	(Accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2003	35,365	(1,628)	(144)	(39,858)	(6,265)
Loss for the period	—	—	—	(2,593)	(2,593)
At 31 March 2003	<u>35,365</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(42,451)</u>	<u>(8,858)</u>
				Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2002	20,810	(1,628)	(144)	325	19,363
Loss for the period	—	—	—	(3,979)	(3,979)
At 31 March 2002	<u>20,810</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(3,654)</u>	<u>15,384</u>

## MANAGEMENT'S 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\$5.0 million for the three months ended 31 March 2003, representing an increase of approximately 11 times as compared with the corresponding period in 2002. A net loss of approximately HK\$2.6 million was recorded for the three months ended 31 March 2003 as compared with a net loss of approximately HK\$4.0 million for the three months ended 31 March 2002. Turnover for the three months ended 31 March 2003 are mainly contributed by the toll collection system on Yuxi-Yuanjiang Expressway and vehicle license identification system on Dali-Baoshan Expressway. The Group has continuously undertaken the mechanical and electrical transportation projects of Yuxi-Yuanjiang Expressway and Jixi-Mudanjiang Expressway in Heilongjiang Province. The projects will be completed in the second and third quarter of 2003 respectively.

The number of companies participating in mechanical and electrical transportation projects is increasing in the PRC, which has brought keen competition to the industry. The Group has been implementing cost measures to reduce operational costs. Cost reduction measures have been put in place in the areas of headcount, professional fee and entertainment. 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.

### Capital Structure and Material Acquisition

During the three months ended 31 March 2003, the Group did not have any charges on its assets, and there were no changes in the Company's authorised share capital.

The Group has no material acquisition or disposal of subsidiaries and affiliate companies during the three months ended 31 March 2003. It has no plans for material investment or capital assets other than those set out in the prospectus of the Company dated 22 August 2001.

### Outlook

The recent outbreak of Severe Acute Respiratory Syndrome ("SARS") in the PRC, especially in Beijing, would have a negative impact on the Group's normal business meetings and operations as the major operation of the Group are located in Beijing. Since the Board does not have a view as to how long the outbreak of SARS will disrupt the Group's operation, therefore, the Board is unable to quantify the potential impact on the Group's operations and financial performance.

### Prospects

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As 31 March 2003, 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, the chief executives of the Company and their respective associated corporations were as follows:

### (I) Ordinary Shares

Name of director	Notes	Number of Shares			
		Personal Interest	Family Interest	Corporate Interest	Other Interest
Mr. Yan, Daniel X.D.	1	N/A	N/A	76,900,000	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**

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 31 March 2003, none of the options granted to Directors had been exercised or cancelled.

Save as disclosed above, as at 31 March 2003, 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**

The Company adopted a share option scheme (the "Old Scheme") on 16 August 2001 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".

As at 31 March 2003, options granted under the Old Scheme 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 under review.

The Company's new share option scheme (the "New Scheme") was adopted and the Old Scheme was terminated pursuant to a resolution passed 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.

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 been granted under the New Scheme.

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

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Save as disclosed in section headed "Directors' and chief executives' 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 31 March 2003.

## SUBSTANTIAL SHAREHOLDERS

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As at 31 March 2003, 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	76,900,000	40.1
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.

## COMPETING INTEREST

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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.

## SPONSOR'S INTEREST

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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 as the Company's sponsor and is entitled to receive 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 31 March 2003.

## ADVANCE TO AN ENTITY

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On 26 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"). CTIA became an associated company of the Company. The loan is unsecured, interest free and repayment is due on 5 October 2005. As at 31 March 2003, the amount owned by CTIA to the Group was HK\$7,488,000, which exceeded 25% of the unaudited net tangible assets of the Group.

Please refer to the announcement made by the Group on 25 March 2003 for the details of the arrangement with CTIA.

## AUDIT COMMITTEE

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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

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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

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During the three months ended 31 March 2003, neither the Company nor its subsidiaries had purchased or sold or redeemed any of the Company's shares.

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

15 May 2003, Beijing