

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

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)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER, 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 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.

HIGHLIGHTS

- Turnover of the Group for the nine months ended 30 September, 2003 was approximately HK\$15,025,000 representing an increase of approximately 2.37 times as compared with the corresponding period in 2002.
- The Group recorded a net loss of approximately HK\$6,744,000 for the nine months ended 30 September, 2003.
- The Directors do not recommend payment of any dividend for the nine months ended 30 September, 2003.

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, 2003, together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

Condensed Consolidated Profit and Loss Account – unaudited

	Notes	Nine months ended 30 September,		Three months ended 30 September,	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	15,025	4,457	6,884	3,898
Cost of services		(13,093)	(4,120)	(5,677)	(3,681)
Gross profit		1,932	337	1,207	217
Other revenue		13	55	-	4
Distribution costs		(771)	(2,541)	(313)	(505)
Administrative expenses excluded depreciation and amortization		(6,866)	(9,283)	(1,853)	(3,508)
Depreciation of fixed assets		(391)	(375)	(153)	(150)
Amortization of goodwill		-	(317)	-	(158)
Operating loss		(6,083)	(12,124)	(1,112)	(4,100)
Share of profit/loss of an associated company		(661)	(260)	132	(12)
Loss before taxation		(6,744)	(12,384)	(980)	(4,112)
Taxation	3	-	-	-	-
Loss after taxation and attributable to shareholders		(6,744)	(12,384)	(980)	(4,112)
Loss per share – basic	5	(3.48 cents)	(6.61 cents)	(0.50 cents)	(2.14 cents)

Notes:

1. Basis of preparation

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

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, 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 are derived from the provision of transportation technology solution 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 nine months ended 30 September, 2003.
- 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. Both Beijing Angels and Guangzhou Angels had no estimated assessable profits for the nine months ended 30 September, 2003.
- iii. 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, 2003 (2002: Nil).

5. Loss per share

Basic loss per share for the nine months and three months ended 30 September, 2003 are calculated based on the Group's loss attributable to the shareholders of HK\$6,744,000 and HK\$980,000 respectively (2002 : HK\$12,384,000 and HK\$4,112,000 respectively) and on the weighted average number of 193,538,462 shares and 196,565,217 shares respectively (2002: 187,341,000 shares and 192,000,000 shares) in issue during the periods.

Diluted loss per share was not presented because there were no potential dilutive ordinary shares in existence during the nine months ended 30 September, 2003 (2002: Nil).

6. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January, 2003	35,365	(1,628)	(144)	(39,858)	(6,265)
Premium arising from new issue as consideration shares	1,800	-	-	-	1,800
Expenses in connection with issue of new shares	(155)	-	-	-	(155)
Loss for the period	-	-	-	(6,744)	(6,744)
	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(46,602)</u>	<u>(11,364)</u>
At 30 September, 2003	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(46,602)</u>	<u>(11,364)</u>
	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January, 2002	20,810	(1,628)	(144)	325	19,363
Premium arising from new issue as consideration shares	13,200	-	-	-	13,200
Expenses in connection with issue of new shares	(205)	-	-	-	(205)
Loss for the period	-	-	-	(12,384)	(12,384)
	<u>33,805</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(12,059)</u>	<u>19,974</u>
At 30 September, 2002	<u>33,805</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(12,059)</u>	<u>19,974</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\$15,025,000 for the nine months ended 30 September, 2003, representing an increase of approximately 2.37 times, as compared with the corresponding period in 2002. A net loss of approximately HK\$6,744,000 was recorded for the nine months ended 30 September, 2003 as compared with a net loss of approximately HK\$12,384,000 for the nine months ended 30 September, 2002. Turnover for the nine months ended 30 September, 2003 are mainly contributed by toll collection systems on Yuxi-Yuanjiang Expressway, vehicle licence identification system on Dail-Baoshan Expressway and Jixi-Mudanjiang expressway project in Heilongjiang Province. As at the date of this report, the Group has two contracts, namely toll collection systems on Yuanjiang-Maijii expressway project in Yunnan and Second Phase of Huanan Expressway project.

The Group has successfully placed 12,000,000 new shares on August, 2003, those shares represented approximately 6.25 per cent. of the issued share capital of the Company at the time of the new issue and approximately 5.88 per cent. of the enlarged issue share capital of the Company. The net proceeds were retained by the Group for general working capital purpose. The cash and bank balance of the Group as at 30 September, 2003 amounted to approximately HK\$5,118,000.

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

Material acquisition

The Group has no material acquisition or disposal of subsidiaries and affiliated companies during the nine months ended 30 September, 2003. It has no plans for material investment on capital assets.

Prospects

The Group will continue to be principally engaged in the provision of transportation technology solution in the PRC. As it is expected that, in the PRC, substantial economic growth will be maintained in the coming years, the Directors foresee that there will be an increasing demand for the construction of expressways and highways in the PRC. Thus, the Directors believe that the Group will be able to secure additional projects in the future.

In addition, the Group is dedicated to the research and development of the traffic surveillance system. The intelligent traffic management system will enhance the ride of passengers. The Group will develop a new city traffic management solution base on the existing transportation technology solution and will represent a first move of this kind in the PRC. The Directors believe that it stands at an excellent position to explore this enormous market. The Group is dedicated to developing its business and is geared to bring satisfactory reward to its shareholders.

DIRECTORS' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September, 2003, the interests and/or short positions of the 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 Rules 5.40 to 5.58 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 share				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 the SFO (Section 311), 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 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 September, 2003, four directors, namely Yan Daniel X.D., Lau Andrew Kim, Zhu Quan and Shek Ying Christine, have outstanding share options granted pursuant to the Company's new share option scheme, details of which were set out below and in the section headed "Share option scheme".

Name of director	Date of Grant	Number of underlying shares in respect of outstanding options as at 31 December, 2002	Number of underlying shares in respect of outstanding options as at 30 September, 2003	Consideration		Exercise period
				Price for Grant HK\$10.00 (for all)	Exercise price (HK\$)	
Yan Daniel X.D.*	28.3.2002	1,500,000	1,500,000 (L)	10.00	1.28	10.8.2002 – 9.8.2011
Lau Andrew Kim*	28.3.2002	1,000,000	1,000,000 (L)	10.00	1.28	10.8.2002 – 9.8.2011
Zhu Quan*	28.3.2002	1,000,000	1,000,000 (L)	10.00	1.28	10.8.2002 – 9.8.2011
Shek Ying Christine*	28.3.2002	400,000	400,000 (L)	10.00	1.28	10.8.2002 – 9.8.2011

* executive directors of the Company

Note: the letter "L" denotes a long position in the underlying shares.

Save as disclosed above, as at 30 September, 2003, 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 5.40 to 5.58 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 option 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\$)	Price at exercise date of options (HK\$)	Number of Share Options		
						Outstanding at 31 December, 2002	Granted/ exercised/ lapsed/ cancelled during the period between 1 January, 2003 to 30 September, 2003	Outstanding at 30 September, 2003
Yan Daniel X.D.*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1.28	1,500,000	–	1,500,000
Lau Andrew Kim*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1.28	1,000,000	–	1,000,000
Zhu Quan*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1.28	1,000,000	–	1,000,000
Shek Yng Christine*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1.28	400,000	–	400,000
Employees	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1.28	4,388,000	–	4,388,000

* executive directors of the Company

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

The Company's new share option scheme (the "New Scheme") was adopted at the annual general meeting held on 25 April, 2003. A summary of the principal terms of the New Scheme is set out in the circular of the Company dated 31 March, 2003.

Under the New Scheme, the Directors may, at their discretion, offer options to Participants (as defined in the circular of the Company dated 31 March, 2003) to subscribe for shares in the Company subject to the terms and conditions stipulated therein. No options have yet been granted under the New Scheme.

The options granted are not recognized in the financial statements until they are exercised.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period under review.

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the paragraph headed "Directors' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporations" above, as at 30 September, 2003, 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	12,896,000 (L) <i>(Note 3)</i>	6.32%
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 shareholder 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.

Save as disclosed above, as at 30 September, 2003, 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 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' interests and/or short positions in shares, underlying shares and debentures of the Company or any associated corporations", as at 30 September, 2003, 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.

SPONSOR'S INTEREST

Pursuant to an agreement dated 23 August, 2002 entered into between the Company and Goldbond Capital (Asia) Limited ("Goldbond") (formerly known as Asia Investment Capital Limited), Goldbond 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 Goldbond, its directors, employees or associates (as referred to in Rules 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, 2003.

ADVANCE TO AN ENTITY

As disclosed in the report made by the Group on 11 April, 2002, the Company acquired 40% equity interest in, and the benefit of a shareholder's loan of US\$960,000 (equivalent to approximately HK\$7,488,000) which represented 40% of the shareholder's loan owed by CTIA VSAT Network Limited ("CTIA" together with its subsidiary "CTIA Group") in April, 2002. CTIA became an associated company of the Company. The loan is unsecured, interest free and repayment is due on 5 October, 2005. As at 30 September, 2003, 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 report 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\$3,908,819.20. 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 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, 2003, Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's shares.

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

14 November, 2003, Beijing