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This report, for which the directors (the "Directors") of Angels Technology Company Limited (the "Company" and together with its subsidiaries, the "Group") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



ANGELS

ANGELS TECHNOLOGY COMPANY LIMITED

英君技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8112)

FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2004

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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HIGHLIGHTS

- Turnover of the Group for the three months ended 31 March 2004 was approximately HK\$5,639,000 representing an increase of approximately 12% as compared with the corresponding period in 2003.
- The Group recorded a net profit of approximately HK\$157,000 for the three months ended 31 March 2004.
- The Directors do not recommend payment of any dividend for the three months ended 31 March 2004.

RESULTS

The board of Directors (the "Board") hereby announces the unaudited consolidated results of the Group for the three months ended 31 March 2004, together with the unaudited comparative figures for the corresponding period in 2003 as follows:

Condensed Consolidated Income Statement – unaudited

		Three months ended 31 March	
	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	2	5,639	5,054
Cost of services		(3,173)	(4,704)
Gross profit		2,466	350
Other revenue		4	–
Distribution costs		(434)	(319)
Administrative expenses excluded depreciation and amortization		(1,594)	(2,269)
Depreciation of fixed assets		(102)	(118)
Operating Profit/ (Loss)		340	(2,356)
Share of Loss of an associated company		(116)	(237)
Profit/(Loss) before Taxation		224	(2,593)
Taxation	3	(67)	–
Profit/(Loss) attributable to shareholders		157	(2,593)
Profit/(Loss) per share – basic	5	0.08 cents	(1.35 cents)

Notes:

1. Basis of preparation

The condensed consolidated results 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 condensed consolidated results are consistent with those used in the annual financial statements for the year ended 31 December 2003.

2. Turnover

The Group is principally engaged in the provision of transportation technology solutions in the People's Republic of China (the "PRC"). Turnover represents 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 three months ended 31 March 2004.
- ii. The subsidiaries, Beijing Angels Communications Technology Co., Ltd ("Beijing Angels") and Angels ITS (Guangzhou) Co., Ltd. ("Guangzhou Angels"), operating in the PRC, are subject to an income tax rate of 33% on their taxable profits in accordance with the income tax law in the PRC. 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 three months ended 31 March 2004.
- iii. There was no material unprovided deferred taxation for the period.

4. Dividend

The Directors do not recommend payment of any dividend for the three months ended 31 March 2004 (2003: Nil).

5. Earnings/(Loss) per share

Earnings/(loss) per share for the three months ended 31 March 2004 are calculated based on the Group's profit attributable to the shareholders of HK\$157,000 (loss attributable to the shareholders for the three months ended 31 March 2003 HK\$2,593,000) and on the weighted average number of 204,000,000 shares (2003: 192,000,000 shares) in issue during the periods.

Diluted earnings/(loss) per share was not presented because there were no potential dilutive ordinary shares in existence during the three months ended 31 March 2004 (2003: Nil).

6. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	37,010	(1,628)	(144)	(49,864)	(14,626)
Profit for the period	—	—	—	157	157
At 31 March 2004	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(49,707)</u>	<u>(14,469)</u>

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is devoted to the solution of mechanical and electrical transportation projects in the PRC, the whole solution of Expressway networks toll collection system and system integration and R&D of new product in IT Industry.

Financial and business review

The Group recorded a turnover of approximately HK\$5,639,000 for the three months ended 31 March 2004, representing an increase of approximately 12% as compared with the corresponding period in 2003. A net profit of approximately HK\$157,000 was recorded for the three months ended 31 March 2004 as compared with a net loss of approximately HK\$2,593,000 for the three months ended 31 March 2003. Turnover for the three months ended 31 March 2004 were mainly contributed by the Guangzhou Expressway (East, south and west section) network toll collection systems and the Guangdong Province Fanyu Bridge network toll collection system.

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

Capital structure and Material acquisition

During the three months ended 31 March 2004, the Group did not have any charges on its assets, and there were no changes in the Company's authorized share capital.

The Group has no material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2004. It has no plans for material investment on capital assets.

Prospects

The Directors realized that substantial economic growth maintain in the PRC. The car-booming trend has resulted in over 2 million vehicles in Beijing and which in turn causes serious urban traffic jam. The traffic congestion has been of concern for both the government and commuters. The Group will continue to focus on this area to develop a new city traffic management solution and seek more business opportunities.

Based on the Group's practical experience in mechanical and electrical transportation projects, the Directors believe that the rapid development of this field is inevitable and anticipate that favourable results can be achieved in this financial year while the long term growth prospect of the Group remains strong.

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 31 March 2004, the interests and short positions of each Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the laws of Hong Kong) (the "SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(I) Interests in shares of the Company (Note 1)

Name	Number of ordinary 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 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 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 31 March 2004, the executive Directors have outstanding share options granted pursuant to the Company's share option scheme, details of which were set out below and in the section headed "Share Option Scheme".

Name of director	Date of Grant	Number of underlying shares in respect of outstanding options as at 31 December, 2003	Number of underlying shares in respect of outstanding options as at 31 March, 2004	Consideration		Exercise period
				Price for grant (for all)	Exercise price per share (HK\$)	
Yan Daniel X.D.	28.3.2002	1,500,000	1,500,000 (L)	10.00	1.28	10.8.2002 – 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

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

Save as disclosed above, as at 31 March 2004, none of the Directors, Chief Executives of the Company or their associates had any interests in the shares or debentures of, or short positions in the shares of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Old Scheme”) on 16 August 2001 which was terminated pursuant to a resolution passed at the annual general meeting held on 25 April 2003, and the summary of the principal terms of the Old Scheme is set out in Appendix IV of prospectus of the Company dated 22 August 2001 under the section headed “Share Option Scheme”.

Before 25 April 2003, options comprising a total of 8,288,000 underlying shares were granted under the Old Scheme to employees (including executive directors) of the Group at an exercise price of HK\$1.28 per share with the exercise period from 10 August 2002 to 9 August 2011 (both dates inclusive) (first tranche of 50% exercisable from 10 August 2002 and the remaining tranche of 50% from 10 August 2003).

Details of share option movements during the period under review the Old Scheme are as follows:

Name	Date of Grant	Exercise Price (HK\$)	Exercise Period	Closing price before date of grant (HK\$)	Number of Share Options		
					Outstanding at 31 December, 2003	Granted/ exercised/ lapsed/ cancelled during the period between 1 January, 2004 to 31 March, 2004	Outstanding at 31 March, 2004
Yan Daniel X.D.*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,500,000	–	1,500,000
Lau Andrew Kim*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,000,000	–	1,000,000
Zhu Quan*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	1,000,000	–	1,000,000
Shek Ying Christine*	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	400,000	–	400,000
Employees	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	3,388,000	–	3,388,000

* executive directors of the Company

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

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

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

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

DIRECTORS' INTEREST IN CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

Other than interests disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in the shares, Underlying shares and Debentures of the Company or any Associated Corporations" above, as at 31 March 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO disclosed the following persons or corporations as having an interest of 5% or more of the issued share capital of the Company.

Name	Capacity/ Nature of interest	Number of Shares	Percentage of issued share capital
Sebastian	Beneficial Owner	76,900,000 (L) <i>(Note 1)</i>	37.70%
Mitac	Beneficial Owner	35,100,000 (L) <i>(Note 2)</i>	17.20%
Lam Leung Hung	Beneficial Owner	12,896,000 (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 shareholders or management shareholders of the Company or an associate of any of them.
4. Ms. Lau Ying Ying, Angela is deemed to be interested in these shares by virtue of the fact that she is the wife of Mr. Yan, Daniel X.D., the Chairman of the Company and an executive Director of the Company.

Save as disclosed above, as at 31 March 2004, the Directors are not aware of any other persons who has interests in the shares or debentures of, or short positions in the shares of, the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO.

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

Save as disclosed under the Section headed "Directors' and Chief Executive's Interests and Short Positions in the shares, Underlying Shares and Debentures of the Company or any Associated Corporations", as at 31 March 2004, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors and Chief Executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and Chief Executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

COMPETING INTEREST

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

ADVANCE TO AN ENTITY

As disclosed in the report made by the Group on 11 April 2002, the Company acquired 40% equity interest in, and the benefit of a shareholder's loan of US\$960,000 (equivalent to approximately HK\$7,488,000) which represented 40% of the shareholder's loan owed by CTIA VSAT Network Limited ("CTIA" together with its subsidiary "CTIA Group") in April 2002. CTIA became an associated company of the Company. The loan is unsecured, interest free and repayment is due on 5 October 2005. As at 31 March 2004, the amount owed by CTIA to the Company was HK\$7,488,000, which exceeded 25% of the unaudited net tangible assets of the Group.

As disclosed in the announcement of the Company dated 25 July 2003, Excellent Idea Group Limited and its ultimate owner (together the "Indemnifiers") have undertaken jointly and severally to warrant the Company 40% of the diminution in the audited net asset value of the CTIA Group as at 31 December 2002 compared with that as at 31 December 2001. The indemnity amounted to HK\$3,908,819. The Company has served a demand on the Indemnifiers and is currently negotiating with the Indemnifiers on the repayment terms.

AUDIT COMMITTEE

The Company established an audit committee on 16 August 2001 comprising the independent non-executive Directors, Mr. Yang Xiaoping and Mr. Zhao Ming. The written terms of reference of the audit committee comply with the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee of the Board will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules for the period ended 31 March 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the three months ended 31 March 2004. Neither the Company nor any of its subsidiaries has purchased, sold any of the Company's shares.

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

Beijing, 14 May 2004