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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)

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

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 reports 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 2004 was approximately HK\$26,560,000 representing an increase of approximately 1.77 times as compared with the corresponding period in 2003.
- The Group recorded a net loss of approximately HK\$571,000 for the nine months ended 30 September 2004.
- The Directors do not recommend payment of any dividend for the nine months ended 30 September 2004.

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 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

Condensed Consolidated Income Statement – unaudited

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	26,560	15,025	7,736	6,884
Cost of services		(18,927)	(13,093)	(5,279)	(5,677)
Gross profit		7,633	1,932	2,457	1,207
Other revenue		9	13	–	–
Distribution costs		(1,721)	(771)	(706)	(313)
Administrative expenses excluded depreciation and amortization		(5,192)	(6,866)	(2,108)	(1,853)
Depreciation of fixed assets		(392)	(391)	(145)	(153)
Operating Profit/(loss)		337	(6,083)	(502)	(1,112)
Finance Costs		(100)	–	(100)	–
Share of profit/(loss) of an associated company		(601)	(661)	(199)	132
Loss before Taxation		(364)	(6,744)	(801)	(980)
Taxation	3	(207)	–	(49)	–
Loss after taxation and attributable to shareholders		(571)	(6,744)	(850)	(980)
Loss per share					
– basic	5	(0.28 cents)	(3.48 cents)	(0.42 cents)	(0.50 cents)

Notes:

1. Basis of preparation

The condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of these condensed consolidated results are consistent with those used in the annual accounts 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 nine months ended 30 September 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. 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. Guangzhou Angels has no estimated assessable profits for the nine months ended 30 September 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 nine months ended 30 September 2004 (2003: Nil).

5. Loss per share

Loss per share for the nine months and three months ended 30 September 2004 are calculated based on the Group's Loss attributable to the shareholders of HK\$571,000 and HK\$850,000 respectively (2003 : HK\$6,744,000 and HK\$980,000 respectively) and on the weighted average number of 204,000,000 shares in issue during the periods (2003: 193,538,462 shares and 196,565,217 shares).

Diluted loss per share was not presented because there were no potential dilutive ordinary shares in existence during the nine months ended 30 September 2004 (2003: Nil).

6. Reserves

	Share Premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	37,010	(1,628)	(144)	(49,864)	(14,626)
Loss for the period	—	—	—	(571)	(571)
At 30 September 2004	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(50,435)</u>	<u>(15,197)</u>
	Share Premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	35,365	(1,628)	(144)	(39,858)	(6,265)
Premium arising from new issue of consideration shares	1,800	—	—	—	1,800
Expenses in connection with the issue of new shares	(155)	—	—	—	(155)
Loss for the period	—	—	—	(6,744)	(6,744)
At 30 September 2003	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(46,602)</u>	<u>(11,364)</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\$26,560,000 for the nine months ended 30 September 2004, representing an increase of approximately 1.77 times as compared with the corresponding period in 2003. A net loss of approximately HK\$571,000 was recorded for the nine months ended 30 September 2004 as compared with a net loss of approximately HK\$6,744,000 for the nine months ended 30 September 2003. Turnover for the nine months ended 30 September 2004 are mainly contributed by Guangdong province Fanyu Bridge network system, Guangdong Expressway (East, south and west section network toll collection system) and Yanshan-Pingyuanjie Expressway toll collection system in Yunnan province, Yunnan province Yuxi – Yuanjiang and Yuanjiang – Mohei Expressway network toll collection systems. Currently the Group is in the course of negotiating on various big projects .

The Group has successfully issued a convertible note for a principal amount of HK\$4,000,000 to VC Finance Limited in July 2004 (the "Note"). The Note bears an interest at the rate of 4% per annum and the noteholder shall have the right to convert its Note into Shares at any time during the period commencing from 7 July 2004 and ending upon on a date falling 18 months therefrom. Assuming the full conversion of the Note at the initial conversion price of HK\$0.37, the Note will be convertible into approximately 10,810,810 Shares (subject to adjustment), representing approximately 5.3% of the issue share capital of the Company and approximately 5.04% of the enlarged issue share capital of the Company. The net amount received by the Company after deducting the expenses incidental to the issue of the Note was approximately around HK\$3,850,000. The net proceed were retained by the Group for general working capital purpose.

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.

Capital Structure and Material acquisition

During the nine months ended 30 September 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 nine months ended 30 September 2004. 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 toll collection systems in the PRC. Thus, the Directors believe that the Group will be able to secure additional projects in the future.

In 7 October 2004, the Group acquired a 35% equity interest in Smart-Mover ITS Technology Co. Ltd ("Smart-Mover") (a start-up business) for a total consideration HK\$2,700,000. Smart-Mover is principally engaged in the provision of traffic information service solutions in Beijing. It is engaged in feeding traffic information and positioning data from the Beijing Public Security Bureau of Traffic Administration via short-messaging (SMS) and multimedia (MMS). Smart-Mover will launch SMS and MMS traffic data services, allowing drivers to get real-time traffic information to avoid congestion in the city. Smart-Mover would also provide call-centre services as an added source of real-time traffic information. 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' 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 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 30 September 2004, the executive Directors 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	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 30 September 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	10.08.2002 – 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
Zhu Quan	28.3.2002	1,000,000	1,000,000 (L)	10.00	1.28	10.08.2002 – 09.08.2011
Shek Ying, Christine	28.3.2002	400,000	400,000 (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 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 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 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\$)	Number of Share Options		
					Outstanding at 31 December 2003	Granted/ exercised/ lapsed/ cancelled during the period between 1 January 2004 to 30 September 2004	Outstanding at 30 September 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 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 2004, 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 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	12,000,000 (L) <i>(Note 3)</i>	5.89%
Lau Ying Ying, Angela	Interest of Spouse	78,400,000 (L) <i>(Note 4)</i>	38.43%
Atlantis Investment Management Ltd A/C GAM Trading No. 24	Investment Manager	11,000,000(L) <i>(Note 3)</i>	5.39%

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 executives, substantial shareholders or management shareholders of the Company or any 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.
5. The letter "L" denotes a long position in the shares.

As at 30 September 2004, the following persons (other than the directors or chief executives of the Company) had interests in the underlying shares of equity derivatives (being a convertible note) issued by the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity	Number of Underlying Shares	Percentage of issued share capital
Ho Yau Lung Lawrence	Interest of a controlled corporation	10,810,810 (L)	5.30
Lo Sau Yan Sharen	Family Interest	10,810,810 (L)	5.30
VC Finance Limited	Beneficial Owner	10,810,810 (L)	5.30
VC Finance Group Limited	Interest of a controlled corporation	10,810,810 (L)	5.30
Value Convergence Holdings Limited	Interest of a controlled corporation	10,810,810 (L)	5.30
Melco Financial Group Limited	Interest of a controlled corporation	10,810,810 (L)	5.30
Melco International Development Limited	Interest of a controlled corporation	10,810,810 (L)	5.30
Better Joy Overseas Ltd	Interest of a controlled corporation	10,810,810 (L)	5.30

Notes:

1. The Company has issued a convertible note for a principal amount of HK\$4 million to VC Finance Limited in 7 July, 2004. The noteholder shall have the right to convert its Note into Shares at any time during the period commencing from 7 July 2004 and ending upon on a date falling 18 months therefrom. The beneficial owner of VC Finance Limited is Value Convergence Holdings Limited, the shares of which are listed on the GEM board of the Stock Exchange. Mr. Ho Yau Lung Lawrence holds 67.57% of Value Convergence Holdings Limited. Ms. Lo Sau Yan Sharen is deemed to be interested in these shares by virtue of the fact that she is the wife of Mr. Ho Yau Lung Lawrence.
2. The letter "L" denotes a long position in the underlying shares

Save as disclosed above, as at 30 September 2004, 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 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 announcement 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 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\$3,908,819.20. 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 and Ms. Wu Xin. 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-yearly 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 2004.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the nine months ended 30 September 2004.

By order of the Board

Daniel X.D. Yan

Chairman

Beijing, 15 November 2004

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

Executive Directors

Mr. Yan, Daniel X.D.

Mr. Lau, Andrew Kim

Mr. Zhu Quan

Ms. Shek Ying, Christine

Independent Non-Executive Directors

Mr. Yang Xiaoping

Mr. Zhao Ming

Ms. Wu Xin