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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 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 2006

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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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 2006 was approximately HK\$457,000 representing a decrease of approximately 90% as compared with the corresponding period in 2005.
- The Group recorded a net loss of approximately HK\$1,898,000 for the three months ended 31 March 2006.
- The Directors do not recommend payment of any dividend for the three months ended 31 March 2006.

RESULTS

The board of Directors (the "Board") hereby announces the unaudited consolidated results of the Group for the three months ended 31 March 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:–

Condensed Consolidated Income Statement – unaudited

		Three months ended 31 March	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	457	4,405
Cost of services		<u>(345)</u>	<u>(3,160)</u>
Gross profit		112	1,245
Other revenue	2	202	1
Distribution costs		(277)	(839)
Administrative expenses excluded depreciation and amortization		(1,552)	(1,349)
Depreciation of fixed assets		<u>(55)</u>	<u>(98)</u>
Operating Loss		(1,570)	(1,040)
Finance Costs		(127)	(42)
Share of Loss of an associated company		<u>(201)</u>	<u>(113)</u>
Loss before Taxation		(1,898)	(1,195)
Taxation	3	<u>-</u>	<u>-</u>
Loss attributable to shareholders		<u>(1,898)</u>	<u>(1,195)</u>
Loss per share – basic	5	<u>(0.91cents)</u>	<u>(0.59cents)</u>

Notes:

1. Basis of preparation

The accompanying unaudited consolidated results of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ('HKFRS'). The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2005.

The consolidated results are unaudited but have been reviewed by the Company's audit committee in accordance with rule 5.30 of the Gem Listing rule.

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 2006.
- 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 2006.
- iii. As at 31 December, 2005, the Group has unused tax losses of approximately HK\$8,585,000 (2004 HK\$4,767,000) available for offset against future profits. No deferred tax asset has been recognized due to the unpredictability of future profit streams. The unrecognized tax losses of HK\$4,905,000 and HK\$3,680,000 will expire on 31 December, 2007 and 31 December 2010 respectively.

4. Dividend

The Directors do not recommend payment of any dividend for the three months ended 31 March 2006 (2005: Nil).

5. Loss per share

Loss per share for the three months ended 31 March 2006 are calculated based on the Group's loss attributable to the shareholders of HK\$1,898,000 (2005: HK\$1,195,000) and on the weighted average number of 208,533,000 shares (2005: 204,000,000 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 2006 (2005: Nil).

6. Reserves

	Share premium <i>HK\$'000</i>	Capital Reserve <i>HK\$'00000</i>	Exchange Reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	37,010	(1,628)	3	(63,222)	(27,837)
Exchange Difference	–	–	(64)	–	(64)
Share issue expenses	(217)	–	–	–	(217)
Loss for the period	–	–	–	(1,898)	(1,898)
	<u>36,793</u>	<u>(1,628)</u>	<u>(61)</u>	<u>(65,120)</u>	<u>(30,016)</u>
At 31 March 2006	<u>36,793</u>	<u>(1,628)</u>	<u>(61)</u>	<u>(65,120)</u>	<u>(30,016)</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 2005	37,010	(1,628)	(144)	(54,274)	(19,036)
Loss for the period	–	–	–	(1,195)	(1,195)
At 31 March 2005	<u>37,010</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(55,469)</u>	<u>(20,231)</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\$457,000 for the three months ended 31 March 2006, representing a decrease of approximately 90% as compared with the corresponding period in 2005. A net loss of approximately HK1,898,000 was recorded for the three months ended 31 March 2006 as compared with a net loss of approximately HK\$1,195,000 for the three months ended 31 March 2005. Turnover for the three months ended 31 March 2006 were mainly contributed by the Yunnan Toll Collection Software Project.

In January 2006, the Group entered into a loan agreement which provide for an unsecured loan of HK\$4,500,000 at an interest rate of 12% per annum. The Group used the loan to repay 4% HK\$4,000,000 convertible note issued by the company in favour of VC Finance Limited.

In order to strengthen the cash flow of the Company, the Group has successfully placed 40,800,000 Placing Shares in March, 2006. Those shares represented approximately 20% of the issued share capital of the company at the time of new issue and approximately 16.7% of the enlarged issued share capital of the company. The net proceeds of the placing would be used by the Group for general working capital.

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.

In April 2006, the Group entered into the Acquisition Agreement with the Vendors pursuant to which, among other things, the Group conditionally agreed to purchase from the Vendors the Sale Interest representing 100% of the equity interest in Changchun Yicheng for an aggregate cash consideration of HK\$10.0 million.

In May 2006, the Group entered into the Placing Agreement with the Placee. Pursuant to the Placing Agreement, the Group has conditionally agreed to issue 48,960,000 Placing Shares to the Placee at a price of HK\$0.223 per share. The Placing Shares represent approximately 20% of the Company's existing issued share capital of 244,800,000 Shares and approximately 16.67% of its issued share capital of 293,760,000 Shares as enlarged by the Placing.

Capital structure and Material acquisition

In March 2006, the Group has successfully placed 40,800,000 new shares, those shares represented 20% of the issue share capital of the Company at the time of the new issue and approximately 16.7% of the enlarged issue share capital of the Company. The net proceeds were retained by the Group for general working capital purpose.

During the three months ended 31 March 2006, 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 2006.

Prospects

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 bid price for such projects had become relative low recently and the profitability of such enterprises has decreased generally. Consequently, the profit of the Group has also been deteriorated. In order to improve the financial performance and position of the Group and to maximize the returns to the Group and shareholders as a whole, the Group entered into the Acquisition Agreement with the vendors on 25 April 2006, the Group conditionally agreed to purchase from the Vendors the Sale Interest representing 100% of the equity interest in Changchun Yicheng Packaging Company Limited (Changchun Yicheng) for an aggregate cash consideration of HK\$10.0 million.

Changchun Yicheng is a limited liability incorporated in the PRC. The principal business of the Changchun Yicheng is the production and sale of plastic woven bags, paper bags, paper tubes and bearings. Changchun Yicheng was established in 1999 and commenced full scale production in 2002. The operations of Changchun Yicheng is situated at San Jian Village, Hexin Xiang, Luyuan District, Changchun, Jilin Province, the PRC. Since its establishment in 1999, Changchun Yicheng has become one of the largest plastic woven bags manufacturer in Jilin Province, PRC.

Changchun Yicheng manufactures over 50 varieties of plastic woven bags catering to its customers, which comprise mainly manufacturers of corn modified products, animal feed products and amino acid products. It has over 200 machineries for plastic spinning, plastic cover making, knitting and bags closing. Changchun Yicheng owns a parcel of land in the Jilin Province, PRC having a site area of approximately 17,461 square metres on which its factories and operations are situated.

After the acquisition, the Group will continue to be involved in expressway mechanical and electrical engineering projects as well as other information technology related projects. Through the Acquisition, the Directors believe that Changchun Yicheng will provide solid business growth, and contribute positive cashflow and profits, to the Group as a whole.

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 2006, 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)	20,000,000 (L) (Note 4)	-	-	8.78%
Mak Shiu Chung, Godfrey	-	56,900,000(L) (Note 5)	-	-	23.24%
Lau, Andrew Kim	1,000,000 (L)	-	-	-	0.41%

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.
- 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 20,000,000 shares owned by Sebastian.

5. These shares are beneficially owned by Lucky Team International Limited (“Lucky Team”), a company incorporated in the British Virgin Islands. By virtue of his 100% shareholding in Lucky Team, Mr. Mak Shiu Chung, Godfrey is deemed or taken to be interested in the 56,900,000 shares owned by Lucky Team.

(II) Interests in equity derivatives (as defined in the SFO) in, or in respect of, underlying shares

As at 31 March 2006, 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	Date of Grant	Number of underlying shares in respect of outstanding options as at 31 December 2005	Number of underlying shares in respect of outstanding options as at 31 March 2006	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

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

Save as disclosed above, as at 31 March 2006, 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 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 2005	Granted/ exercised/ lapsed/ cancelled during the period between 1 January 2006 to 31 March 2006	Outstanding at 31 March 2006
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
Employees	28.3.2002	1.28	10.8.2002 – 9.8.2011	1.30	4,388,000	-	4,388,000

* executive directors of the Company

No Options granted to Directors and the employees under the old scheme had been exercised, cancelled or lapsed during the period.

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 31 March 2006, 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
Lucky Team	Beneficial Owner	56,900,000 (L) <i>(Note 1)</i>	23.24%
Li Gui Yan	Beneficial Owner	35,100,000 (L) <i>(Note 2)</i>	14.30%
Sebastian	Beneficial Owner	20,000,000 (L) <i>(Note 3)</i>	8.20%
Lau Ying Ying, Angela	Interest of Spouse	21,500,000 (L) <i>(Note 4)</i>	8.78%

Notes:

1. Lucky Team is a company incorporated in the British Virgin Islands with limited liability, and wholly owned by Mr. Mak Shiu Chung, Godfrey, an executive director of the Company.
2. 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.
3. 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.
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.

Save as disclosed above, as at 31 March 2006, 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 31 March 2006, 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 due for repayment. As at 31 March 2006, the amount owed by CTIA to the Company was HK\$7,488,000.

AUDIT COMMITTEE

The Company established an audit committee on 16 August 2001 comprising the independent non-executive Directors, during the period, Mr. Yang Xiaoping, Mr. Zhao Ming, Ms. Wu Xin. and Mr Kwok Chi Shing, Ms Wu Xin tendered his resignation as Independent Non-executive Director and Member of Audit Committee of the Company with effect from 6 April, 2006 in order to allocate more time for her own business interests. 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the three months ended 31 March 2006. 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

Hong Kong 12 May 2006

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

Executive Directors

Mr. Yan, Daniel X.D.

Mr. Mak Shiu Chung, Godfrey

Mr. Lau, Andrew Kim

Independent Non-Executive Directors

Mr. Yang Xiaoping

Mr. Zhao Ming

Mr. Kwok Chi Shing