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*This announcement, for which the directors (“Director”) of Angels Technology Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the “GEM Listing Rules”) on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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)*

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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## HIGHLIGHTS

- Turnover of the Group for the year ended 31 December 2002 was approximately HK\$23.4 million, representing an increase of approximately 30 per cent. as compared with that of the year ended 31 December 2001.
  - The Group recorded a loss attributable to shareholders of approximately HK\$40.2 million for the year ended 31 December 2002.
  - The Directors do not recommend payment of dividend for the year ended 31 December 2002.
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## RESULTS

The board of Directors (the “Board”) is pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to the “Group”) for the year ended 31 December 2002 together with the comparative figures for the year ended 31 December 2001 as follows:

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	<b>2001</b> <b>HK\$'000</b>
Turnover	2	23,423	18,048
Cost of services		<u>(20,531)</u>	<u>(13,945)</u>
Gross profit		2,892	4,103
Other revenue	2	59	162
Distribution costs		(3,937)	(1,877)
Administrative expenses		(10,411)	(11,368)
Other operating expenses		<u>(26,874)</u>	<u>(2,411)</u>
Operating loss	3	(38,271)	(11,391)
Share of loss of an associated company		<u>(1,912)</u>	<u>-</u>
Loss before taxation		(40,183)	(11,391)
Taxation	4	<u>-</u>	<u>-</u>
Loss attributable to shareholders		<u>(40,183)</u>	<u>(11,391)</u>
Loss per share - basic	6	<u>(21.32) cents</u>	<u>(7.75) cents</u>

Notes:

## 1 General and basis of preparation

(a) The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The Company's shares were listed on GEM on 30 August 2001.

Pursuant to a special resolution passed at the annual general meeting held on 25 April 2002, the English name of the Company has been changed to "Angels Technology Company Limited" and the Chinese name of the Company has been changed to 「英君技術有限公司」.

(b) On 16 August 2001, pursuant to a group reconstruction (the "Reconstruction") in preparation for a listing of the Company's shares on GEM, the Company acquired the entire issued share capital of Angels Intelligent Transportation Systems Company Limited ("Angels Transport") and Angels Logistics Systems (Guangzhou) Company Limited ("Angels Logistics") through a share swap and became the holding company of Angels Transport and Angels Logistics and their subsidiaries. The resulting entity from the Reconstruction is regarded as a continuing entity. Accordingly, in accordance with Statement of Standard Accounting Practice ("SSAP") No. 27, "Accounting for Group Reconstructions", the financial statements of the Group for the year ended 31 December 2002, including the comparative figures, have been prepared on a merger basis as if the Company had always been the holding company of the Group. Details of the Reconstruction are set out in the prospectus (the "Prospectus") of the Company dated 22 August 2001.

(c) The Group incurred a loss attributable to shareholders of HK\$40,183,000 and reported a significant net cash outflow from operating activities of HK\$7,225,000 for the year ended 31 December 2002.

The Directors have continued to tighten cost controls over operating costs to improve the cash flows, profitability and operations of the Group. The Directors believe that the Group will have sufficient working capital for its future operational requirements. Accordingly, the accounts have been prepared on a going concern basis. Currently, the Group's operations are funded by its internal resources. The continuation of the Group's business depends upon the ability of the Group to attain profitable and positive cash flow operations to meet its future working capital and financial requirements.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to the classification of recorded asset amounts, with these assets being written down to their recoverable amounts, and to the amounts and classification of liabilities, to reflect the fact that the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, additional liabilities may crystallise and the resulting amounts may differ materially from those stated in the accounts. The effects of these adjustments have not been reflected in the accounts.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised) :	Presentation of financial statements
SSAP 11 (revised) :	Foreign currency translation
SSAP 15 (revised) :	Cash flow statements
SSAP 34 (revised) :	Employee benefits

Certain comparative figures have been reclassified to conform to the current year’s presentation.

(d) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

## 2 Turnover, revenue and segment information

The Group is principally engaged in the provision of transportation technology solutions in the People’s Republic of China (the “PRC”). Revenues recognised during the year are as follows:

	2002 <i>HK\$ '000</i>	2001 <i>HK\$ '000</i>
Turnover		
Revenue from long-term systems integration contracts	23,423	18,048
Other revenue		
Interest income	59	162
Total revenue	<u>23,482</u>	<u>18,210</u>

Turnover represents total value of services rendered to customers net of value-added tax and sales tax.

No segment information is presented as substantially all the Group’s turnover and contribution to operating results were derived from the provision of transportation technology solutions carried out in the PRC.

### 3 Operating loss

Operating loss is stated after charging the following:-

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Auditors' remuneration	280	531
Amortisation of goodwill	653	-
Depreciation of fixed assets	532	630
Impairment (included in other operating expenses)		
- deposits for software development	5,935	-
- fixed assets	304	-
- goodwill	8,059	-
Provision for doubtful debts	470	-
Staff costs (including directors' emoluments) included in:		
- cost of services	350	453
- administrative and distribution expenses	6,269	6,465
Written off the amounts due from customers for contract works (included in other operating expenses)	<u>10,704</u>	<u>-</u>

### 4 Taxation

(i) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for the year ended 31 December 2002 (2001: Nil).

(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 profit 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, 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 year ended 31 December 2002 (2001: Nil).

(iii) There was no material unprovided deferred taxation for the year.

### 5 Dividend

The Directors do not recommend payment of a dividend for the year (2001: Nil).

## 6 Loss per share

The calculation of loss per share is based on the Group's loss attributable to shareholders of HK\$40,183,000 (2001: HK\$11,391,000).

The basic loss per share is based on the weighted average of 188,515,000 (2001: 146,986,000) ordinary shares in issue during the year. Diluted loss per share was not presented because there were no potential dilutive ordinary shares in existence during the year (2001:Nil).

## 7. Movement of 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 2001	-	1,418	(9)	11,716	13,125
Reserve arising from the Reconstruction	-	(3,046)	-	-	(3,046)
Exchange differences arising on the translation of the accounts of overseas subsidiaries	-	-	(135)	-	(135)
Issue of shares upon listing	30,000	-	-	-	30,000
Issuing expenses	(9,190)	-	-	-	(9,190)
Loss for the year	-	-	-	(11,391)	(11,391)
At 31 December 2001	20,810	(1,628)	(144)	325	19,363
Acquisition of an associated company	14,760	-	-	-	14,760
Issuing expenses	(205)	-	-	-	(205)
Loss for the year	-	-	-	(40,183)	(40,183)
At 31 December 2002	<u>35,365</u>	<u>(1,628)</u>	<u>(144)</u>	<u>(39,858)</u>	<u>(6,265)</u>

## **MODIFIED OPINION**

### **Fundamental uncertainty relating to going concern**

In forming the auditors' opinion, the auditors have considered the adequacy of the disclosures made in the accounts concerning the basis of preparation made by the Directors. The accounts have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flows operations to meet its future working capital and financial requirements. The accounts do not include any adjustments that would result from a failure to attain profitable and positive cash flow operations. Details of the circumstances relating to this fundamental uncertainty are described in note 1(c) above. The auditors consider that the fundamental uncertainty has been adequately disclosed in the accounts and the auditors' opinion is not qualified in this respect.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

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.

In co-operation with China Harbour Engineering Group Co. Ltd, the lead-contractor of the Huhehaote-Baotou Expressway project, the Group has successfully completed the mechanical and electrical transportation project of Huhehaote-Baotou Expressway in 2002. The Huhehaote-Baotou Expressway was officially open to traffic in March 2003 and is currently under trial operation.

In July 2002, the Group has undertaken the mechanical and electrical transportation project of Jixi-Mudanjiang Expressway in Heilongjiang Province. The project will be completed in September 2003. During the year under review, the Group has also undertaken several projects on open-ended toll collection system, vehicle license identification system, concierge access control system and the intelligent identification management system for the State Sport General Administration.

In November 2002, the Group has obtained the mechanical and electrical transportation project of Yuxi-Yuanjiang Expressway in Yunnan Province. The project has used the UNIX system as its central information platform to improve system stability. In addition, the vehicle license identification system has been successfully implemented to identify and record the license plate of the passing vehicles to improve monitoring function. All these technologies are new in Yunnan Province expressways.

## Financial Review

Turnover of the Group for the year ended 31 December 2002 was approximately HK\$23.4 million, representing an increase of approximately 30 per cent as compared with that of the previous year. In respect of the toll collection systems, turnover of approximately HK\$19.8 million was derived from the Huhehaote-Baotou Expressway project and HK\$1.8 million was derived from Kunming-Yuxi Expressway and several projects. Turnover of HK\$1.8 million was derived from the concierge access control system and intelligent identification management system launched in 2002. Gross profit margin decreased from that of the previous year due to fiercer competition in the market.

The Group generated a loss attributable to shareholders of approximately HK\$40.2 million for the year ended 31 December 2002, compared with approximately HK\$11.4 million for the year ended 31 December 2001, representing an increase of approximately HK\$28.8 million. The significant increase of the loss attributable to shareholders for the year ended 31 December 2002 was mainly due to:

- (1) the provision made on doubtful debts of HK\$0.5 million and written off the amounts due from customers for contract works of HK\$10.7 million;
- (2) the provisions made for the impairment loss on deposits for software development and fixed assets of HK\$5.9 million and HK\$0.3 million respectively, and the impairment loss on goodwill arising from acquisition of CTIA VSAT Network Limited (“CTIA”) of approximately HK\$8.1 million during the year;
- (3) the amortization of goodwill arising from the acquisition of CTIA since April 2002 was HK\$0.7 million; and
- (4) the share of loss of CTIA, an associated company of HK\$1.9 million.

The loss per share attributable to shareholders for the year ended 31 December 2002 was 21.32 cents. If the provisions made for the above impairment losses on deposits for software development, fixed assets and goodwill had not been taken into account, the loss per share attributable to shareholders for the year ended 31 December 2002 would have been reduced to 13.73 cents.

Indeed, the Group has been implementing cost measures to reduce operating costs. The increase in the loss attributable to shareholders as a result of the factors mentioned above was offset by the effect of aggressive cost reduction measures being put in place in the areas of headcount, professional fee and entertainment. While staff cost remained to be the largest component of the operating costs, the total headcount was reduced to 37 as of 31 December 2002. 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.



## **Product and development**

In order to meet the demand of the market, the Group focuses its efforts on products upgrade.

The DY2000-Vehicle License Identification System has been successfully implemented in many expressways in 2002. The system was widely accepted in Yunnan Province and Fujian Province with its obvious advantages in respect of the identification rate and the identification of speed compared to other similar products. With the continuous effort of the Group in improving the technology on the vehicle license identification system in mechanical and electrical transportation projects, the Group will apply this system to other areas such as the monitoring of city traffic congestion and public security checkpoints.

The application of the vehicle license identification technology by the expressway owners on the toll collection system was noted with a reduction in fraud. The Directors believe that this technology can be widely used in expressway mechanical and electrical transportation projects in the coming years and will bring more profit for the Group.

The Group's intelligent identification management system, which was developed based on the theory of radio frequency technology and the application of contactless smart card in toll collection system is a rapid, convenience and secured mean to manage vehicles, personnel and cards. This innovative intelligent identification management system has been successfully applied in the training and management of the Chinese athletes and coaches participating the 2002 Asian Games in South Korea. The reliability and effectiveness of the system has won the affirmation and praises from officials of the State Sport General Administration. In view of the demand of the market, the Group will endeavor to expand the application of this new technology to other fields. The Directors anticipate that this technology will become a new source of revenue for the Group in the future.

## **Prospects**

The Group's strategy still focuses on mechanical and electrical transportation projects as well as other products selling and projects. While sustaining the leading position in the mechanical and electrical transportation engineering of a single expressway, the Group will strive to find business opportunities on provincial expressway network projects. In February 2003, the Group has been shortlisted to tender for bids in the Provincial Expressway Network project in Yunnan Province, the mechanical and electrical transportation project of Zhengzhou-Xinxiang Expressway in Henan Province and Chongming-Daibu Expressway in Yunnan Province. Meanwhile, the Group is preparing for the mechanical and electrical transportation project of Yuanjiang-Mojiang Expressway in Yunnan Province and Huhehaote-Jining Expressway in Inner Mongolia.

The recent development of the transportation industry of the PRC indicates that the expressways will develop at a fast pace in the following years. The Directors believe that it is a correct choice for the Group to focus on expressway mechanical and electrical transportation projects underpinned by good relationship and abundant engineering experience after years' of accumulation.

## **Capital structure, liquidity and financial resources**

On 16 April 2002, the Company entered into a conditional agreement in respect of the acquisition of a 40% equity interest in CTIA. The acquisition was completed on 26 April 2002 and in consideration of the acquisition, the Company issued and allotted of 12,000,000 new ordinary shares of HK\$0.10 each at an issue price of HK\$1.20 per consideration share representing a total consideration of HK\$14,400,000. On 26 April 2002, the market value of the shares in the Company was HK\$1.33 per share. Accordingly, the fair value of the share consideration was HK\$15,960,000. As a result of the issue of 12,000,000 new ordinary shares of HK\$0.10 each, the issued share capital of the Company was increased from HK\$18,000,000 as at 31 December 2001 to HK\$19,200,000 as at 31 December 2002.

At 31 December 2002, the Group had cash and cash equivalents amounting to a total of approximately HK\$5.1 million. Additionally, the Group's gearing ratio was zero. This is based on the division of long-term debt by total assets. The Group's liquidity ratio is 1.7 with no bank borrowings.

The Group did not have any charges on its assets during the year ended 31 December 2002.

## **Foreign currency risk**

The Group's sales and purchase are mainly transacted in Renminbi and the books are recorded in Hong Kong dollar. Since the exchange rate fluctuation between Hong Kong dollar and Renminbi is very small, the foreign exchange risk is very low and no hedging has been made.

## **Contingent liabilities**

At 31 December 2002, the Group did not have any material contingent liabilities.

## **Employee information**

The Group employed 37 full time employees with 31 members of staff employed in the PRC as at 31 December 2002. Remuneration of the staff comprised of monthly salary, provident fund contributions, medical claims, training programmes, housing allowance and discretionary options based on their contribution to the Group.

The Group has not experienced any significant labour disputes during the year under review which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

## **Material acquisition and significant investment**

In April 2002, the Company acquired a 40% equity interest in CTIA thereby the Company indirectly acquired a 24% equity interest in Beijing Asia Pacific East Communication Network Limited ("APECN"). APECN is principally engaged in the research and development of satellite communication technology solutions, the provision of the related consultancy and technical support services and system integration services. Moreover, APECN also runs a multimedia data exchange center, builds content transmission platform and digitalizes analogue content.

Other than the above, the Group has no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2002. It has no plans for material investment or capital assets.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the actual business progress as measured against the statement of business objective set out in the Prospectus for the six months period ended 31 December 2002. The management of the Group reviews its business objectives and strategies on an ongoing basis and makes adjustments as necessary.

### Business objectives

### Actual Business Progress

#### **Transportation technology solutions**

Complete the autopass toll collection system on the Guangzhou Huanan Expressway

The Group was in negotiation with the customers regarding the project of the auto-pass toll collection system on the Guangzhou Huanan Expressway.

The Group completed the toll collection system of Huhehaote-Baotou Expressway project during the period.

#### **Freight logistics management information system**

Commence the deployment of the Guangzhou logistics management information system on truck depots in Guangzhou.

Due to the delay in setting up the truck depot in Guangzhou, the project development was postponed.

#### **Research and development**

Research on the smart-card auto-despatch machine

The Group had completed the research on the smart-card auto-despatch machine. This product has been used in Guangzhou-Zhuhai East Expressway toll collection system.

The Group entered into a memorandum of understanding with QUALCOMM Incorporated to form a strategic cooperation with a view to assisting an operator of CDMA wireless telecommunication networks in the PRC in the deployment of location based services using in CDMA wireless telecommunication networks in PRC.

The Group had completed the system integration and the trial operation network of the deployment of location based services based on QUALCOMM Incorporated's gpsOne™ technology.

#### **Resources, employment and administration**

Improve the Group's training facilities

The Group had no further plan to pursue this objective. The Group has been implementing control measures to reduce operational costs. No further resource was applied on improving the Group's training facilities.

## Use of proceeds

For the six months ended 31 December 2002, the net proceeds had been applied in the following areas:-

	Proposed (per Prospectus) HK\$ million	Proposed (as revised)* HK\$ million	Actual HK\$ million
Transportation technology solutions	1.5	1.1	1.1
Freight logistics management information system	1.5	-	-
Research and development	1.0	1.0	1.0
Resources, employment and administration	0.5	-	-
	4.5	2.1	2.1

\* Please refer to the Company's announcement on "Change in application of the IPO proceeds" dated 21 November 2002.

At 31 December 2002, the unused proceeds of HK\$0.4 million were deposited at banks.

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2002, neither the Company nor its subsidiaries had purchased or sold or redeemed any of the Company's shares.

## BOARD PRACTICES AND PROCEDURES

The Company has complied throughout the year ended 31 December 2002 with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

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

Hong Kong, 25 March 2003

*This announcement will remain on the "Latest Company Announcements" page of the GEM website with the domain name of [www.hkgem.com](http://www.hkgem.com) for at least seven days from its date of posting.*