



ANGELS

Angels Transport Technology Company Limited

英君交通系統技術有限公司

(Incorporated in the Cayman Islands with limited liability)

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This report, for which the directors (the “Directors”) of Angels Transport Technology Company Limited (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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.



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Corporate Profile

Board of Directors

Executive Directors

Mr. Yan, Daniel X.D. (*Chairman*)
Mr. Lau, Andrew Kim
Mr. Zhu Quan
Ms. Shek Ying, Christine

Independent Non-Executive Directors

Mr. Yang Xiaoping
Mr. Zhao Ming

Compliance Officer

Mr. Yan, Daniel X.D.

Company Secretary

Ms. Hon Yin Wah, Eva, ACCA, AHKSA

Authorised Representatives

Mr. Yan, Daniel, X.D.
Mr. Lau, Andrew Kim

Qualified Accountant

Ms. Hon Yin Wah, Eva, ACCA, AHKSA

Audit Committee Members

Mr. Yang Xiaoping
Mr. Zhao Ming

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

Head Office and Principal Place of Business in Hong Kong

Room 2210, 22nd Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Abacus Share Registrars Limited
5th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Bankers

The Hongkong & Shanghai Banking Corporation
Bank of China (Hong Kong) Limited

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Central
Hong Kong

Sponsor

DBS Asia Capital Limited
16th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Legal Advisers

As to Hong Kong Law:
Stephenson Harwood & Lo

As to Cayman Islands law:
Conyers Dill & Pearman, Cayman

Stock Code

8112

Chairman's Statement

The shares of Angels Transport Technology Company Limited (the "Company") have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 30 August 2001. I would like to take this opportunity on expressing the gratitude to those who have continuously supported us. Also, I am pleased to present the audited annual financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001.

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 People's Republic of China (the "PRC").

In October 2001, the Kunming Yuxi expressway project, which is the longest six-lane expressway in the South-western China, was successfully completed and opened to traffic. This stands as one of the notable landmarks in the construction of Yunnan highways and ended the lack



of six-lane expressways in Yunnan Province and South-western China. With the success of Kunming Yuxi expressway, there was encouragement of various exploration of highway construction in Yunnan, and thus creates additional value to Yunnan transportation. The open up of Kunming Yuxi expressway has led to a positive and far-reaching influence for the Group in building up a good image in Yunnan Province.

The Group applied various advanced technologies in the Kunming Yuxi expressway project. The Group had fully integrated the B & A toll collection software and the IBM AS/400 mini-computer system and operated steadily in the Kunming Yuxi expressway project. In addition, the

optical fibre emergency telephone system developed by the Group was successfully implemented in the Kunming Yuxi expressway. In the meantime, the Group's fibre-optical network solution was effective, building a foundation for the Group's future development in this area. All these technologies were not only being first launched in the Kunming Yuxi expressway, but also the first of its kind to be used in the industry in the PRC. This paves a solid base for the Group's business in Yunnan Province.

The Group cooperated with China Harbour Engineering Group to lead the project of the Huhehaote Baotou expressway, a part of Dan-la main-stem national trunk highway. Huhehaote Baotou expressway marks a significant development as it is the first expressway in Inner Mongolia, which is expected to have a profound influence on the transportation network development in this area.

In 2001, the Group also undertook the toll collection and surveillance system project of Xiangtansan Bridge, the toll collection system project of the Guangdong Shaoguan Maba toll station and the Inner Mongolia Ningcheng Wuhua toll station. All three projects were completed with acceptance certificates issued whereby they were recognized and appreciated by the expressway owners.

Product

In participating in the provision of transportation technology solutions for highways and expressways in the PRC, the Group has taken special attention on city traffic flow within the country. The Group has developed its innovative Intellectual Traffic Policeman System. Based on the traditional vehicle traffic detection system, it has, however, gone a step further with regard to function and efficiency. It combines user-friendliness with astounding accuracy, high anti-interception control, high availability, high extendability, etc – a truly representative of the roadmap of such surveillance system. The system has been approved by the City Traffic Authority and is currently used in Shijiazhuang. With no doubt, the Group has already successfully established a market for this product.

The Concierge Access Control System is another new product launched by the Group. This system combines the verification of personnel and vehicles with a comprehensive security check applied to specific areas. With its application in the Management of the state government entrances, its practical and inherent characteristics will not only enhance sales for the Group,

Chairman's Statement

also provide a new motivation for the Group's future development as it required higher and stricter technological standard.

In line with market development, the Group also launched its DY2000- Vehicle License Identification System. Tested in various highways and compared with other similar products on a technological index, the DY2000 recorded the highest grading – solid proof of the Group's leading position in the industry. As the Group's main product for transportation and public security departments and highway operators, DY2000 will be the marketing focus of the Group in 2002.

Development

In order to meet the requirements of our customers, the Group focuses its efforts in products upgrade as well as the development of new products. In 2002, the Group has begun the complete overhaul and upgrading of version 2.0 of the B&A toll collection software. Meanwhile, a fully upgraded version of our non-standard hardware equipment for expressways has also been launched by the Group. With continuous upgrading and developing of our vehicle license identification system, eventually, the system will be applied to specific surveillance areas, city traffic, public security customs and blockade zones.

A planning solution of a freight logistics management information system is nearly completed. This is an online management information system that supports transportation companies, freight yards and cargo operators with regard to up-to-the-minute transport information. This logistics management information system will be launched at the Guangzhou-Shenshan highway. The Group is committed to develop this project, and will promote it as its pioneer in its market development tool for nearby freight yards in the coming years.

The Group will be engaged in other systems integration, and has started to develop related software for automatic control system for buildings. Negotiations with these landlords are continuing. Software development is expected to be completed this year and bring considerable profit to the Group in 2002.

Regarding the Intellectual Transportation System, in accordance with the current traffic management pattern and the characteristic of this industry in the PRC, the Group places its emphasis on the development of an integrated consolidated business management information system. This system will be of significance in the realization of scientific, modern and intelligent traffic management in the PRC.

Sales and Marketing

The Group's strategy is primary focused on transportation system projects and related marketing activities, with an emphasis on Yunnan Province, Heilongjiang Province and Inner Mongolian, which are areas in which the Group enjoys especially good relation. Various areas in the PRC have also been identified, where more effort will be geared to road construction. As at the date of this



report, the Group has signed two contracts, namely the Kunming Shilin expressway project and the Kunrui expressway linkage center construction station in Yunnan Province. Negotiations are under way to participate in the Dali Baoshan and Qujing Shengjingguan projects. Additionally, the electrical and mechanical system of Yushan Yuanjiang highway is in its early preparatory stage. The Group will also participate in the electrical and mechanical systems of Mudanjiang Jixi high-graded highway in Heilongjiang in the first half of the year 2002.

The focal point for business growth still rests with the Group's urban Intellectual Transportation System and its related products, the DY2000-Vehicle License Identification System and Personnel Identification System. The Group had entered into a letter of intent in respect of the Dali Baoshan highway vehicle license identification system. The Group aims to obtain one-third of the highway transportation system segment through different strategies. For the Concierge Access Control System and the automatic control system for buildings, the Group has started to build a solid foundation with related customers. Preliminary intentions of co-operation have been arranged with several owners in respect of the automatic control system for buildings. Regarding the Intellectual Transportation System, we continue to co-operate closely with the respective Beijing authorities so that our visions for Beijing traffic control, using the Group's traffic signal intelligent control system, will be realized.

Chairman's Statement

Prospects

With the successful accession to the World Trade Organisation and the hosting of the 2008 Olympic Games in Beijing, the PRC has entered into a period of rapid development. There is a need for the state traffic management departments of the PRC to implement a completely new city traffic management system to replace the inefficient old traffic management system. In addition, the PRC government has abolished the Unit Allocation Housing System, giving rise to an increasing demand for private housing which has never seen. As living standards rise, so does the requirement for a higher standard of personal safety. In this respect, the Group has positioned itself well in this emerging market. Along with its established strong relationship with the state traffic management departments, the Directors reasonably believe that there is an extensive room for the development in its line of expertise – that of city intelligent traffic systems and automatic control systems for buildings.



The current market trend is conducive to the Group's business development. Thus, the Group has focused its efforts and resources on our automatic control systems for buildings with a view to expanding this area of business. The transportation industry in the PRC, particularly expressways, was rapidly expanding in 2001. The length of expressways completed in the PRC reached the second place worldwide. Under these circumstances, the Group's expressway project will be the focal point for 2002, especially in regards to the development of the western and south-western regions of the PRC, including Yunnan Province and Inner Mongolia. In 2002, Yunnan Provincial Government will continue the preparation of constructing roads in Laos, which is a part of the Great International Channel.

Also in Yunnan emphasis is being placed on the construction of the following highways: Dali Baoshan, Yuanjiang Wuhan, Qujing Shengjingguan, Songshan Dai, Kunming Shilin, Yanping, Lancangjiang Lincang and the Suijiang Bridge projects. In particular, it is projected that the Dali Baoshan and Qujing Shengjingguan expressways would be opened to traffic during 2002. The construction of the Onning-Chuxiong Expressway commenced at the end of 2001. At the same time, the



construction of the Simao Xiaomengyang which will eventually connect to the "Great International Channel", has been proposed to start in 2002. In 2002, Inner Mongolia will focus on the construction and planning of the "Three latitudinal and Nine longitudinal and Twelve exits expressway", which links the national/district trunk highway to economic zones, making way for a major efficiently-controlled system of traffic and highways. The Directors believe that these will provide additional business opportunities in the near future.

Appreciation

On behalf of the board, I would like to express my gratitude to all staff for their dedication and contribution. Our staff is the asset of the Group and they hold the key to the Group's future success.

Daniel X.D. Yan
Chairman

18 March 2002, Hong Kong

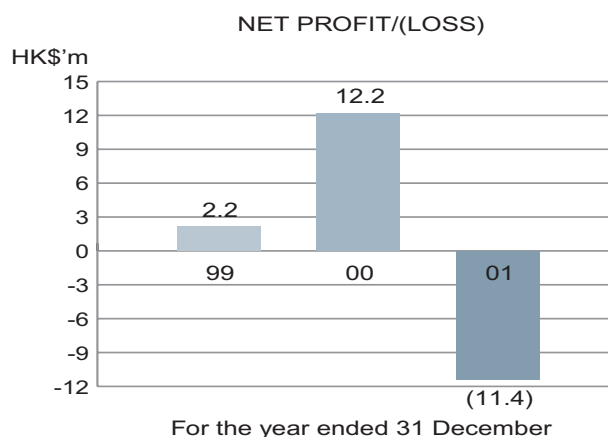
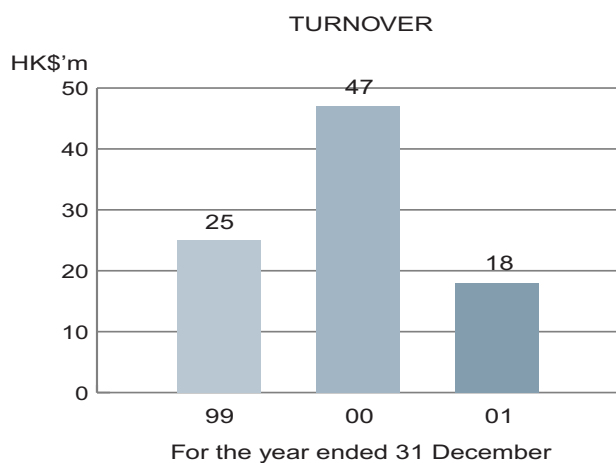
Management's Discussion and Analysis

Financial Highlights

	Actual consolidated 2001 HK\$'000	Pro-forma combined 2000 HK\$'000	Change
Operating Results			
Turnover	18,048	47,080	-62%
Gross profit	4,103	21,810	-81%
Operating expenses	15,656	9,311	+68%
(Loss)/Profit attributable to shareholders	(11,391)	12,243	-193%
(Loss)/Earning per share – basic	(7.75 cents)	9.42 cents	-182%
Financial Position			
Total assets	47,725	33,561	+42%
Cash and bank balances	12,814	244	+52 times
Shareholders' funds	37,363	16,385	+1.3 times
Financial Ratios			
Current ratio	3.8	1.8	
Gearing ratio	NIL	NIL	

Note: For comparison purpose, all the analysis above is based on:

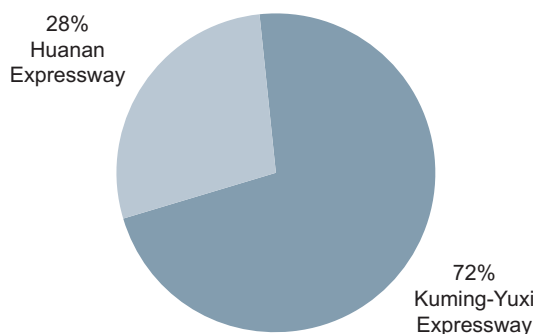
- the actual results of the Group for the year ended 31 December 2001 and the proforma results of the Group for the year ended 31 December 2000 on page 45.
- the actual balance sheet of the Group as at 31 December 2001 and the proforma balance sheet of the Group as at 31 December 2000, on page 46.



Management's Discussion and Analysis

The Group is one of the first companies engaged in the business of 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. It provides transportation technology solutions on a turnkey basis which mainly involve system design and implementation, staff training and system maintenance. The Group's freight logistics management information system is still under development and has not yet contributed to the Group's turnover for the year ended 31 December 2001.

During the first year of listing on GEM, the Group recorded a turnover of approximately HK\$18 million, representing a decrease of approximately 57 per cent. as compared with period ended 31 December 2000 which was principally due to the decrease in number of projects on hand. In respect of the provision of transportation technology solutions, turnover of approximately HK\$12.9 million was derived from the Kunming Yuxi Expressway project and approximately HK\$4.8 million was derived from the Huanan Expressway project. The gross profit margin decreased significantly from that of the previous year. Such decrease was mainly due to the fact that the Group had offered a competitive price for the Kunming Yuxi Expressway project, as the project is located in Yunnan Province. The marketing strategy of the Group was aimed to attract other potential customers in Yunnan Province in the future. A net loss of approximately HK\$11.4 million was recorded for the year, representing a net loss of approximately HK7.75 cents per share.



2001 Turnover by Projects

Except for the investment in securities which the management considered will enhance the overall financial return of the Group, there is no significant investment held by the Group nor material acquisitions and disposals of subsidiaries during the year.

As at 31 December 2001, the Group had cash and cash equivalents amounting to approximately HK\$12.8 million. The Group's gearing ratio was zero (this is based on the division of long term debt by total assets) and the liquidity ratio was 1.9, reflecting that the Group had maintained a strong liquidity position with no borrowings.

The Group's sales and purchase are mainly transacted in Renminbi and the books are recorded in Hong Kong dollars. Since the exchange rate fluctuation between Hong Kong dollars and Renminbi has not been material, the foreign exchange risk was very low and no hedging had been undertaken.

As at 31 December 2001, the Group had outstanding contracted capital commitments amounting to approximately HK\$3.7 million in respect of purchase of materials for projects and software development costs. As at 31 December 2001, the Group did not have any material contingent liabilities.

The Group employed 82 full time employees which included 75 members of staff employed in the PRC as at 31 December 2001. Remuneration of the staff comprised monthly salaries, provident fund contributions, medical benefits, training programmes and housing allowances. The Group had not experienced any significant labour disputes or substantial change in the number of its employees during the year ended 31 December 2001 which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

Comparison Of Business Objectives With Actual Business Progress

Key Business objectives for the period ended 31 December 2001

Transportation technology solutions

- Complete systems integration for the Chuxiong-Dali Expressway
- Implement store-value smartcard technology on the Guangzhou Huanan Expressway
- Complete the Kunming Yuxi Expressway project
- Complete the Xiangtansan Bridge project

Freight logistics management information system

- Complete the development of computer software for freight logistics management system which includes seven sub-systems, namely system management, property and facilities management, transportation, logistic, ordering, information system and e-business

Research and development

- Research on the intelligent police traffic surveillance system
- Develop the smart-card counting machine as a component of "B&A Expressway Toll Collection System"
- Research on the broadband fibre communication system for expressways

Resources, employment and administration

- Recruit one professional with strong backgrounds in logistic management

Actual Business Progress

Not yet completed because of an unexpected implementation problem of the expressway toll collection system which was installed by the lead-contractor and another sub-contractor of the project. As the system integration was inter-related, the Group was not able to complete its communication switching system and the relevant power supply system.

The hardware, software and system design have been commenced.

The system integration for the Kunming Yuxi Expressway has been completed in November 2001 and the Kunming Yuxi Expressway has opened to traffic and is currently under trial operation.

The Xiangtansan Bridge project was completed.

The development of computer software for freight logistics management system has commenced.

The Group has completed the research and development on the intelligent police traffic surveillance system. This product has been launched.

Development has completed and the product has been launched.

Specification design has commenced.

One consultant has been employed.

Comparison Of Business Objectives With Actual Business Progress

Use of proceeds

The net proceeds from the placing was approximately HK\$26 million. The net proceeds had been applied in the following areas:

	Proposed HK\$ million	Actual HK\$ million
Transportation technology solutions	1.5	1.7
Freight logistics management information system	0.5	1.9
Research and development	1.5	3.8
Resources, employment and administration	0.2	0.1
Repayment of loan due to a related company	2.2	2.2
	5.9	9.7

Reasons for material differences between planned business objectives and actual business progress up to 31 December 2001 are set out below.

Freight Logistics Management Information System

The Group and a company in Guangzhou have entered into a cooperative agreement in respect of the development of a logistic information system in Guangzhou. The Group has contributed funds for the development of the project which is still in progress.

Research and development

With the successful accession to the World Trade Organisation and the hosting of the 2008 Olympic Games in Beijing, China has entered into a period of rapid economic development. There is a need for the state traffic management departments in the PRC to implement a completely new city traffic management system to replace the inefficient old traffic management system. In addition, the PRC Government has abolished the Unit Allocation Housing System, giving rise to a demand for private housing as never seen before. As living standards rise, so does the requirement for a higher standard of personal safety. In this respect, the Group has positioned itself well on this emerging market by having commenced

research and development on those areas along with its established strong relationship with the state traffic management departments. This market trend, together with the Group's technical advantage and favourable condition, it is expected that there is also an extensive room for the development of its business in automatic control system for buildings.

The remaining net proceeds have been placed with a licensed bank in Hong Kong for future use as identified by the Group's business plans as stated in the prospectus. The Board does not envisage any circumstances that may lead to any material alteration to the proposed use of the net proceeds.

Profiles Of Directors And Senior Management

Executive Directors

YAN, Daniel X.D., aged 39, appointed on 7 April, 2000, is the Chairman of the Company. Mr. Yan is primarily responsible for the Group's overall strategic planning, business development and sales and marketing since the establishment of Beijing Angels in 1996. Mr. Yan, being the founder of the Group, has over 15 years of experience in information technology industry in the PRC, particularly in the area of strategic planning, business development, sales and marketing. He holds a bachelor's degree in mathematics and computer science from the Capital University of Economics and Trade, the PRC.

LAU, Andrew Kim, aged 33, appointed on 7 April 2000, is an executive Director of the Company. Mr. Lau is primarily responsible for the Group's overall strategic planning and formulation of corporate strategy of the Sales and Marketing Operation. Mr. Lau graduated from Dalian Maritime University, the PRC in 1992. Mr. Lau joined the Group in October 1996.

ZHU Quan, aged 39, appointed on 11 January 2001, is an executive Director of the Company. Mr. Zhu is primarily responsible for the Group's research and development activities and management of the projects. Mr. Zhu holds a bachelor's degree in mathematics and computer science from the Capital University of Economics and Trade. Mr. Zhu joined the Group in May 1996 as the general manager.

SHEK Ying, Christine, aged 31, appointed on 11 January 2001, is an executive Director of the Company. Ms. Shek is primarily responsible for the Group's overseas business development and cooperation with foreign business partners. Ms. Shek holds a bachelor's degree in English Language and Literature from Beijing Normal University. After graduation in 1992, Ms. Shek worked for an information technology company for approximately six years. Ms. Shek joined the Group in April 2000. Ms. Shek is the spouse of Mr. Lau, Andrew Kim.

Independent Non-executive Directors

YANG Xiaoping, aged 38, appointed on 11 January 2001, is an independent non-executive Director of the Company. Mr. Yang is currently an executive director of Hong Kong Fortune Limited, a company listed on the Stock Exchange.

ZHAO Ming, aged 44, appointed on 11 January 2001, is an independent non-executive Director of the Company. Mr. Zhao is currently the general manager of Charter Harvest Shipping Limited. Mr. Zhao holds a Master's degree in Arts from the University of Texas at Austin, the US and a bachelor's degree in chemistry from Zhongshan University, the PRC.

Profiles Of Directors And Senior Management

Senior Management

ZHU Jia Wei, aged 64, is the chief technical consultant of the Group. Mr. Zhu joined the Group in 1996 as the chief technical consultant to provide technical support to the Group's products and services. After graduation from the faculty of computer science of Tsinghua University, the PRC in 1959, Mr. Zhu lectured at Tsinghua University and became a professor in 1986. Mr. Zhu was awarded the Outstanding Experts Award by the Ministry of Personnel of the PRC in 1988.

MIAO Yong Xiang, Michael aged 39, is the general manager of the Group. Dr. Miao has been in charge of the overall daily operations of Beijing Angels and the coordination of the relationships with the PRC government authorities. He also assists in establishing and implementing the corporate development strategies of the Company. Dr. Miao holds a doctorate's degree in Engineering Thermophysics from Odessa Lomonosov Technological Institute, Former Soviet Union. Dr. Miao joined the Group in November 2001 and has over 10 years of experience in information technology industry.

SUN Wei, aged 37, is the marketing director of the Group. Mr. Sun joined the Group in November 2001 and is primarily responsible for the market development, public relations and commercial negotiations of Beijing Angels. Mr. Sun holds a master's degree in telecommunication and electronic system from Xian Air Force Institute of Telecommunication and Engineering, the PRC.

JIN Ji Dong, aged 39, is the head of the systems department of the Group. Mr. Jin is responsible for the systems architecture design and the preparation of tender documents. Mr. Jin holds a bachelor's degree in mathematics and computer science from the Capital University of Economics and Trade, the PRC. Before joining the Group in March 1997, Mr. Jin lectured as an assistant professor at the Capital University of Economics and Trade, the PRC.

YAN Xiao Qiang, aged 32, is the assistant general manager of the Group. Mr. Yan Xiao Qiang holds a bachelor's degree in electrical engineering from Harbin Industrial University, the PRC. Mr. Yan Xiao Qiang joined the Group in 1996 and is the brother of Mr. Yan, Daniel X.D.

TIAN Xiu Zhan, aged 38, is the head of the engineering department of the Group. Mr. Tian holds a master's degree in telecommunications engineering from Northern Jiaotong University, the PRC and a master's degree in electrical engineering from Zurich Federal Institute of Technology, Switzerland. Mr. Tian joined the Group in 1998 and has over 10 years of experience in software development.

HON Yin Wah, Eva, aged 30, is the financial controller and company secretary of the Company. Ms. Hon is primarily responsible for the Group's finance projection, financial control and accounting of the Group. Ms. Hon holds a bachelor's degree in Business Administration from the Hong Kong University of Science and Technology. Ms. Hon is an associate member of the Hong Kong Society of Accountant and the Association of Chartered Certified Accountants. Prior to joining the Group in March 2000, Ms. Hon worked as a manager in an international accounting firm.

WANG Jia Ning, aged 52, is the financial manager of the Group. Ms. Wang has over 20 years of experience in the accounting field in the PRC. Before joining the Group in 1996, Ms. Wang worked for a governmental institution as the head of the finance division.

GONG Lin, aged 41, is the executive vice general manager of Angels ITS (Guangzhou) Co., Ltd., a wholly-owned subsidiary of the Group. Mr. Gong Lin holds a bachelor's degree in telecommunication from Northern Jiaotong University, the PRC. Mr. Gong Ling joined the Group on July 2000. He is responsible for the management of Angels Guangzhou, the maintenance and administration of expressway projects like Guangzhou-Zhuhai East and Shenzhen-Shantou West. Mr. Gong Lin is also in charge of the logistic project in Guangzhou.

Report Of The Directors

The Directors are pleased to present their first report together with the audited accounts of Angels Transport Technology Company Limited (“the Company”) and its subsidiaries (collectively refer to “the Group”) for the year ended 31 December 2001.

Group Reconstruction

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company’s shares have been listed on GEM since 30 August 2001.

Pursuant to a Group reconstruction (the “Reconstruction”) in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, the Company became the holding company of the subsidiaries comprising the Group on 16 August 2001. Details of the Reconstruction are set out on the prospectus of the Company dated 22 August 2001 and note 1 to the accounts.

Principal Activities and Geographical Analysis of Operations

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 12 to the accounts.

No business segment analysis and geographical analysis are presented as substantially all the Group’s turnover and contribution to results were derived from the provision of transportation technology solutions for highways and expressway in the PRC.

Results and Appropriations

The results of the Group for the year ended 31 December 2001 are set out in the consolidated profit and loss account on page 18.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2001.

Fixed Assets

Details of movements in fixed assets of the Company and the Group are set out in note 11 to the accounts.

Share Capital

Details of movements in the share capital of the Company are set out in note 22 to the accounts.

Reserves

Details of movements in the reserves of the Group and the Company are set out in note 23 to the accounts.

Directors

The Directors during the year were:

Executive Directors

Mr. Yan, Daniel X.D.	(appointed on 7 April 2000)
Mr. Lau, Andrew Kim	(appointed on 7 April 2000)
Mr. Zhu Quan	(appointed on 11 January 2001)
Ms. Shek Ying, Christine	(appointed on 11 January 2001)

Report Of The Directors

Independent Non-Executive Directors

Mr. Yang Xiaoping (appointed on 11 January 2001)
Mr. Zhao Ming (appointed on 11 January 2001)

In accordance with the articles 86(3) and 87(1) of articles of association of the Company, Mr. Yan, Daniel X.D., Mr. Lau, Andrew Kim and Mr. Zhu Quan respectively retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 7 April 2000 (in the cases of Mr. Yan, Daniel X.D. and Mr. Lau, Andrew Kim) and 11 January 2001 (in the cases of Mr. Zhu Quan and Ms. Shek Ying, Christine). The service contracts shall continue thereafter until terminated by either party giving the other not less than 90 days' notice after the expiration of the said initial fixed term.

Directors' and Chief Executives' Interests in Securities

As at 31 December 2001, according to the register required to be kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Directors, the chief executives of the Company and their respective associated companies were as follows:

Name	Notes	Number of Shares			
		Personal Interest	Family Interest	Corporate Interest	Other Interest
Mr. Yan, Daniel X.D.	1	N/A	N/A	81,900,000	N/A
Mr. Lau, Kim Andrew	2	N/A	N/A	35,100,000	N/A

Notes:

1. These Shares are held by Sebastian International Holdings Limited ("Sebastian"), a company incorporated in the British Virgin Islands. Mr. Yan, Daniel X.D. is the sole shareholder and the sole director of Sebastian.
2. These Shares are held by Mitac International Holdings Limited ("Mitac"), a company incorporated in the British Virgin Islands. Mr. Lau, Andrew Kim is the sole shareholder and the sole director of Mitac.

Save as disclosed above, as at 31 December 2001, none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

Report Of The Directors

Directors' Interests in Contracts

Save as disclosed in note (c) under the section "Connected transactions" below, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executive's Rights to acquire Shares or Debt Securities

As at 31 December 2001, 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.

Share Option Scheme

Pursuant to a share option scheme adopted by the Company on 16 August 2001, the Directors may, at their discretion, offer options to full-time employees of the Group and the Directors to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at 31 December 2001, no share options have been granted under the scheme.

Substantial Shareholders

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10 per cent. or more of the Company's issued share capital.

Name	Notes	Number of Shares	Percentage of holding (%)
Sebastian	1	81,900,000	45.5
Mitac	2	35,100,000	19.5

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.

Report Of The Directors

Connected transactions

The Group has entered into certain connected party transactions during the year ended 31 December 2001 and the period ended 31 December 2000. The following is a summary of these connected party transactions:

- (a) During the year ended 31 December 2001 and the period ended 31 December 2000, Mr. Yan, Daniel X.D. and Mr. Lau, Andrew Kim provided unsecured and interest-free loans to Beijing Angels Communications Technology Co., Ltd* (“Beijing Angels”), Angels Intelligent Transportation Systems Company Limited (“Angels Transport”), Angels Logistics Systems (Guangzhou) Company Limited (“Angels Logistics”) and Angels Engineering Technology Limited (“Angels Technology”) from time to time for the operation of the Group and payment for certain professional fees in relation to the Company’s application for listing on GEM. On 16 August 2001, the amounts of approximately HK\$4,686,000 and HK\$2,008,000, representing the amounts of loan due from the Group to Mr. Yan, Daniel X.D. and Mr. Lau, Andrew Kim respectively as remained outstanding as at that date, were capitalised prior to the listing of the Company on the GEM of the Stock Exchange.
- (b) During the period ended 31 December 2000, the Group received advances of HK\$2,160,000 (2001: Nil) from a connected person. Angels Investments Consultants Limited, which is beneficially wholly-owned by Mr. Yan, Daniel X.D.. The amount is unsecured and interest free. The amount was settled subsequent to the Company listing on the GEM of the Stock Exchange.
- (c) On 1 March 2000, the Group disposed its leasehold land and buildings including certain furniture, fixtures and equipment with a net book value of HK\$2,002,000 to Mr. Yan, Daniel X.D. at a consideration of RMB2,100,000 (approximately HK\$1,963,000).

Save as disclosed above, the Group did not enter into any significant connected transactions during the year ended 31 December 2001 and the period ended 31 December 2000. All connected transactions disclosed above are also regarded as related party transactions and disclosed in note 26 to the accounts.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

* For identification only

Report Of The Directors

Major Customers and Suppliers

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2001 and the period ended 31 December 2000 are as follow:

	Percentage of the Group's total			
	Sales		Purchases	
	Year ended 31 December 2001	Period from 10 January 2000 to 31 December 2000	Year ended 31 December 2001	Period from 10 January 2000 to 31 December 2000
The largest customer	71%	47%		
Five largest customers in aggregate	100%	86%		
The largest supplier			12%	14%
Five largest suppliers in aggregate			52%	43%

None of the directors, their associates or any shareholders (which to the knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

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.

Pre-emptive Rights

No pre-emptive rights exist under the laws in the Cayman Islands, being the jurisdiction in which the Company is incorporated.

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2001, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares.

Sponsor's Interest

Pursuant to a sponsor's agreement dated 21 August 2001 entered into between the Company and DBS Asia Capital Limited ("DBS Asia"), DBS Asia is entitled to receive a fee in respect of the appointment by the Company as the sponsor of the Company as required under GEM Listing Rules for the period from 30 August 2001 to 31 December 2003.

Save as disclosed herein, none of DBS Asia, its directors, employees or associates (as referred to in Rules 6.35 and 11.04 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2001.

Report Of The Directors

Compliance with the GEM Listing Rules

The Company has complied with the GEM Listing Rules except that the independent non-executive Directors are not appointed for a specific term. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the articles of association of the Company.

Board Practices and Procedures

The Company was in compliance with Board Practices and Procedures as set out in rules 5.28 to 5.39 to the GEM Listing Rules since the Company's share are listed on GEM.

Audit Committee

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

Up to the date of approval of these accounts, the audit committee has held one meeting and has reviewed and commented on the Company's draft annual report.

Auditors

The accompanying financial statements were audited by Messrs. PricewaterhouseCoopers. A resolution for the re-appointment of Messrs. PricewaterhouseCoopers as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

By order of the Board

Daniel X.D. Yan

Chairman

18 March 2002, Hong Kong

Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS OF ANGELS TRANSPORT TECHNOLOGY COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 18 to 44 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are required to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 March 2002

Consolidated Profit And Loss Account

For the year ended 31 December 2001

	Note	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000 (See Note 1)
Turnover	3	18,048	41,553
Cost of services		(13,945)	(22,619)
Gross profit		4,103	18,934
Other revenue	3	162	35
Distribution costs		(1,877)	(1,325)
Administrative expenses		(13,779)	(5,928)
Operating (loss)/profit	4	(11,391)	11,716
Taxation	5	–	–
(Loss)/profit attributable to shareholders	6	(11,391)	11,716
(Loss)/earnings per share – basic	8	(7.75) cents	9.01 cents

No statement of recognised gains and losses is presented as the (loss)/profit attributable to shareholders shown above is the only component.

Consolidated Balance Sheet

As at 31 December 2001

	Note	2001 HK\$'000	2000 HK\$'000 (see Note 1)
Fixed assets	11	1,900	1,908
Investment securities	13	467	467
Deposits for software development	14	6,215	–
Current assets			
Amounts due from customers for contract works	15	18,471	23,274
Trade receivables	16	4,680	3,365
Deposits, prepayments and other receivables		3,178	4,303
Cash and bank balances	17	12,814	244
		39,143	31,186
Current liabilities			
Receipt in advance	15	66	–
Trade payables	18	4,754	6,686
Accrued charges and other payables		5,542	3,468
Due to a related company	19	–	2,160
Due to directors	20	–	4,862
		10,362	17,176
Net current assets		28,781	14,010
Total assets less current liabilities		37,363	16,385
Financed by:			
Share capital	22	18,000	3,260
Reserves	23(a)	19,363	13,125
		37,363	16,385

Yan, Daniel X.D.
Director

Lau, Andrew Kim
Director

Balance Sheet

As at 31 December 2001

	Note	2001 HK\$'000	2000 HK\$'000 (see Note 1)
Investments in subsidiaries	12	32,491	–
Current assets			
Deposits, prepayments and other receivables		499	1,772
Cash and bank balances		10,090	2
		10,589	1,774
Current liabilities			
Accrued charges and other payables		574	–
Due to subsidiaries	21	92	–
Due to a related company	19	–	1,779
		666	1,779
Net current assets/(liabilities)		9,923	(5)
Total assets less current liabilities		42,414	(5)
Financed by:			
Share capital	22	18,000	–
Reserves	23(b)	24,414	(5)
		42,414	(5)

Yan, Daniel X.D.
Director

Lau, Andrew Kim
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2001

	Note	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000 (See Note 1)
Net cash outflow from operating activities	24(a)	(6,039)	(6,552)
Returns on investments and servicing of finance			
Interest received		162	35
Net cash inflow from returns on investments and servicing of finance		162	35
<hr style="border-top: 1px dashed black;"/>			
Investing activities			
Net cash outflow from acquisition of a subsidiary	24(b)	–	(2,309)
Purchase of fixed assets		(841)	(386)
Sale of fixed assets		156	15
Payment for software development costs		(6,215)	–
Purchase of investment securities		–	(467)
Net cash outflow from investing activities		(6,900)	(3,147)
<hr style="border-top: 1px dashed black;"/>			
Net cash outflow before financing		(12,777)	(9,664)
<hr style="border-top: 1px dashed black;"/>			
Financing	24(c)		
Proceeds from issue of new shares		35,000	3,260
Share issue expenses		(9,190)	–
(Repayment)/advance of loan from a related company		(2,160)	2,160
Loans from directors		1,832	4,505
Net cash inflow from financing		25,482	9,925
<hr style="border-top: 1px dashed black;"/>			
Increase in cash and cash equivalents		12,705	261
Cash and cash equivalents at 1 January		244	–
Effect of foreign exchange rate changes		(135)	(17)
Cash and cash equivalents at 31 December		12,814	244
<hr style="border-top: 1px dashed black;"/>			
Analysis of balances of cash and cash equivalents:			
Cash and bank balances		12,814	244

Notes To The Accounts

1. Group reconstruction 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 (Revised) of the Cayman Islands.
- (b) On 16 August 2001, pursuant to a group reconstruction (the “Reconstruction”) in preparation for a listing of the company’s shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), 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 respective subsidiaries. Details of the Reconstruction are set out in the prospectus (the “Prospectus”) of the Company dated 22 August 2001. The Company’s shares were listed on the GEM of the Stock Exchange on 30 August 2001.
- (c) Merger accounting is adopted in the preparation of the Group’s consolidated accounts pursuant to Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 27, “Accounting for Group Reconstructions”, under which the accounts of the Company and the consolidated accounts of Angels Transport and Angels Logistics are combined as if the Reconstruction had been carried out from 10 January 2000, the date of incorporation of Angels Transport and Angels Logistics. In the opinion of the directors, the consolidated accounts prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.
- (d) The consolidated accounts of Angels Transport were prepared based on acquisition accounting since the acquisition of its subsidiary, Beijing Angels Communications Technology Co., Ltd. (“Beijing Angels”), was achieved through the payment of a cash consideration on 18 February 2000. Under this basis, Angels Transport’s consolidated profit and loss account, cash flow statement and statement of recognised gains and losses for the period ended 31 December 2000 include the results, cash flows and recognised gains and losses of Angels Transport and its subsidiaries for the period from 10 January 2000 (the date of incorporation of Angels Transport) or the results of its subsidiaries from their respective dates of acquisition to 31 December 2000. In respect of the Group’s consolidated balance sheet as at 31 December 2000, it comprises the balance sheet of Angels Transport and Angels Logistics and their subsidiaries already acquired as at 31 December 2000.
- (e) The Group’s consolidated 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. The accounts are prepared under the historical cost convention.

Notes To The Accounts

2. Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Consolidation

- (i) The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st 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.
- (ii) A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.
- (iii) The gain or loss on the disposal of a subsidiary represents the differences between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account or retained earnings.
- (iv) Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.
- (v) In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer equipment	20%
Motor vehicles	16%

Major costs incurred in restoring fixed assets to their normal working condition to allow continued use of the overall assets are capitalised and depreciated over the period to the next overhaul. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Notes To The Accounts

2. Principal accounting policies (Continued)

(b) Fixed assets (Continued)

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(c) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(d) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 3 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

Notes To The Accounts

2. Principal accounting policies (Continued)

(e) Investment securities

Investment securities are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(f) Long-term systems integration contracts

Revenue from long-term systems integration contracts comprises the agreed contract amount and appropriate amounts from variation orders and claims, if any. Contract costs incurred comprise direct materials, direct labour and an appropriate proportion of variable and fixed overheads.

When the outcome of a system integration contract can be estimated reliably, contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue. When the outcome of a system integration contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred. Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as gross amounts due from customers for contract works. Where progress billings exceed contract cost incurred to date plus recognised profits less recognised losses, the surplus is treated as gross amounts due to customers for contract work.

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprises cash on hand deposits held at call with banks.

Notes To The Accounts

2. Principal accounting policies (Continued)

(i) Provisions

In accordance with SSAP No. 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Group had no provisions previously recognised at 31 December 2000 which do not meet the recognition and measurement criteria prescribed in the new standard, and hence, no adjustment has been made with respect to the adoption of SSAP No. 28.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an assets is recognised.

(k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

Notes To The Accounts

2. Principal accounting policies (Continued)

(l) Revenue recognition

- (i) Revenue from long-term systems integration contracts is recognised on the percentage of completion method measured by reference to the percentage of costs incurred to date to the estimated total costs for each contract.
- (ii) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and titles have passed.
- (iii) Dividend income is recognised when the right to receive payment is established.
- (iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(m) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

(n) Retirement benefit costs

The subsidiaries of the company in Hong Kong and the People's Republic of China (the "PRC") are required to make contributions for their employees to retirement schemes managed by relevant local authorities in accordance with their rules and regulations. Contributions to these retirement schemes are charged to the profit and loss account in the year in which they are incurred.

Notes To The Accounts

3. Turnover, revenue and segment information

The Group is principally engaged in the provision of transportation technology solution in the PRC. Revenues recognised during the year/period are as follows:

	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000
Turnover		
Revenue from long-term systems integration contracts	18,048	41,553
Other revenue		
Interest income	162	35
Total revenue	18,210	41,588

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

During the year/period, the Group has operated in the PRC in one business segment and provided a single service. Accordingly, no further segment analysis is presented.

4. Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000
Charging		
Auditors' remuneration	531	35
Cost of inventories sold	11,153	20,904
Depreciation of fixed assets	630	330
Loss on disposal of fixed assets	63	13
Operating lease rentals in respect of land and buildings	1,286	1,012
Provision for doubtful debts	–	1,500
Retirement benefit costs (Note 9)	285	72
Staff costs (including directors' emoluments) included in:		
– cost of services	453	1,519
– administrative expenses	6,118	3,038

Notes To The Accounts

5. 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 2001 and period from 10 January 2000 to 31 December 2000.
- (ii) The subsidiaries, 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. Pursuant to a renewal notice issued by Local Taxation Bureau of Beijing Haidian District on 14 November 2000, 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 was approved as a "newly-established advanced and new technology enterprise" on 19 September 2000 and is therefore entitled to a reduced tax rate of 15%. Guangzhou Angels had no assessable profits for the year ended 31 December 2001 and period from 10 January 2000 to 31 December 2000.

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

6. (Loss)/profit attributable to shareholders

The (loss)/profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$307,000 (period ended 2000: loss of HK\$5,000).

7. Dividend

The Directors of the Company do not recommend payment of a dividend for the year (period ended 2000: Nil).

8. (Loss)/earnings per share

Basic loss per share is calculated based on the Group's loss attributable to shareholders of HK\$11,391,000 and on the weight average number of 146,986,000 shares in issue during the year.

The comparative earnings per share is calculated based on the Group's profit attributable to shareholders of HK\$11,716,000 and an aggregate of 130,000,000 shares, comprising 1 share issued at HK\$0.1 on 7 April 2000 immediately after incorporation of the Company together with 9 shares issued at HK\$0.1 each on 7 June 2000 and 129,999,990 shares issued at HK\$0.1 on 16 August 2001 upon completion of Reconstruction, which were deemed to have been in issue since 10 January 2000, the date of incorporation of Angels Transport and Angels Logistics.

Diluted (loss)/earnings per share was not presented because there were no potential dilutive ordinary shares in existence during the year (period ended 2000: Nil).

Notes To The Accounts

9. Retirement benefit costs

The subsidiaries operating in Hong Kong and the PRC participated in defined contribution retirement schemes. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries.

	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000
Contributions made	285	72

No contributions have been forfeited during the year/period.

10. Directors' and senior management's emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments payable to directors of the Company during the year/period are as follows:

	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000
Fees	40	–
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind		
– Executive directors (Note)	1,365	1,072
– Independent non-executive directors	–	–
Contributions to pension schemes for directors		
– Executive directors	63	11
– Independent non-executive directors	–	–
	1,468	1,083

Note: This includes operating lease rental of HK\$104,000 (2000: Nil) paid by the Group for quarters provided to an executive director.

Notes To The Accounts

10. Directors' and senior management's emoluments (Continued)

(a) Directors' remuneration (Continued)

During the year, the executive directors received individual emoluments for the year ended 31 December 2001 of approximately HK\$479,000 (period ended 2000: HK\$451,000), HK\$479,000 (period ended 2000: HK\$368,000), HK\$162,000 (period ended 2000: HK\$116,000), and HK\$308,000 (period ended 2000: HK\$148,000) respectively.

No directors of the Company waived any emoluments and no emoluments were paid or payable by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group are as follows:

	Number of individuals	
	Year ended 31 December 2001	Period from 10 January 2000 to 31 December 2000
Directors	3	3
Non-directors	2	2
	5	5

The five individuals whose emoluments were the highest in the Group for the year include three directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2000: two) individuals during the year are as follows:

	Year ended 31 December 2001	Period from 10 January 2000 to 31 December 2000
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	845	664
Contributions to pension schemes	39	3
	884	667

The emoluments of these two (2000: two) highest paid individuals are less than HK\$1,000,000.

Notes To The Accounts

11. Fixed assets – Group

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 January 2001	–	459	658	2,186	3,303
Additions	508	161	172	–	841
Disposals	–	–	(13)	(476)	(489)
At 31 December 2001	508	620	817	1,710	3,655
Accumulated depreciation					
At 1 January 2001	–	155	187	1,053	1,395
Charge for the year	102	88	134	306	630
Disposals	–	–	–	(270)	(270)
At 31 December 2001	102	243	321	1,089	1,755
Net book value					
At 31 December 2001	406	377	496	621	1,900
At 31 December 2000	–	304	471	1,133	1,908

12. Investments in subsidiaries

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted, at cost (Note (a))	16,917	–
Due from subsidiaries (Note (b))	15,574	–
	32,491	–

Notes To The Accounts

12. Investments in subsidiaries (Continued)

(a) The following is a list of subsidiaries at 31 December 2001:

Company	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued/ registered and paid up capital	Interest held
Held directly:				
Angels Intelligent Transportation Systems Company Limited	British Virgin Islands	Investment holding in Hong Kong	9,041,767 ordinary shares of HK\$1 each	100%
Angels Logistics Systems (Guangzhou) Company Limited	British Virgin Islands	Investment holding in Hong Kong	903,000 ordinary shares of HK\$1 each	100%
Held indirectly:				
Angels Engineering Technology Limited ("Angels Technology")	Hong Kong	Provision of management services to group companies in Hong Kong and the PRC	10,000 ordinary shares of HK\$1 each	100%
Angels ITS (Guangzhou) Co., Ltd*	The PRC	Provision of freight logistics management information system services in the PRC	US\$600,000	100%
Beijing Angels Communications Technology Co., Ltd*	The PRC	Provision of transportation technology solutions in the PRC	RMB10,000,000	100%

* For identification only

(b) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms for repayment.

Notes To The Accounts

13. Investment securities

	Group	
	2001 HK\$'000	2000 HK\$'000
Unlisted, at cost	467	467

14. Deposits for software development – Group

These are deposits paid to suppliers for the development of software for traffic surveillance, freight and logistics management and automatic control system for buildings which are at various stages of development. According to the respective contracts with the suppliers, the software will be completed and delivered to the Group before the end of 2002. The software will be used as part of a total solution provided to future customers.

15. Amounts due from customers for contract works

	Group	
	2001 HK\$'000	2000 HK\$'000
Contracts in progress at the balance sheet date:		
Cost incurred to date recognised profits to date	38,363	49,594
Less: progress billing	(19,892)	(26,320)
	18,471	23,274
Represented by:		
Gross amounts due form customers for contract works	18,471	23,274
Gross amounts due to customers for contract works	–	–
	18,471	23,274

At 31 December 2001, there were retention monies amounting to HK\$3,738,000 (equivalent to RMB4,000,000) included in the amounts due from customers for contract work and there was an advance of HK\$66,000 received from a customer for contract work.

Notes To The Accounts

16. Trade receivables

At 31 December 2001, the aging analysis of trade receivable is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 90 days	1,223	–
91 to 180 days	–	3,112
181 to 270 days	–	292
271 to 360 days	4,957	–
Over 360 days	–	1,461
	6,180	4,865
Less: provision for doubtful debts	(1,500)	(1,500)
	4,680	3,365

The credit terms granted to customers vary and are generally the result of negotiations between the individual customers and the Group. Customers are generally required to pay at various intervals over the life of the projects.

17. Cash and bank balances – Group

As at 31 December 2001, RMB2,014,000 (2000: RMB117,000) of the Group's cash and bank balances were denominated in Renminbi and kept in the PRC. The conversion of these Renminbi denominated balances into foreign currencies is subject to the rules and regulations for foreign exchange control promulgated by the PRC government.

18. Trade payables

At 31 December 2001, the aging analysis of trade payable is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current to 90 days	1,138	4,951
91 to 180 days	1,609	1,194
181 to 270 days	–	541
Over 270 days	2,007	–
	4,754	6,686

Notes To The Accounts

19. Due to a related company – Group and Company

The amounts due were settled subsequent to the Company listing on the GEM of the Stock Exchange.

20. Due to directors – Group

The amount due to two directors, Mr. Yan, Daniel X.D. and Mr. Lau, Andrew Kim, have been capitalised as part of the Group's Reconstruction prior to the listing of the Company on the GEM of the Stock Exchange.

21. Due to subsidiaries – Company

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

22. Share capital

	Note	Company Authorised ordinary shares of HK\$0.1 each	
		No. of shares	HK\$'000
As at 7 April 2000 and 31 December 2000	(a)	1,000,000	100
As at 1 January 2001		1,000,000	100
Increase of authorised share capital	(b)	1,199,000,000	119,900
As at 31 December 2001		1,200,000,000	120,000
		Issued and fully paid ordinary shares of HK\$0.1 each	
		No. of shares	HK\$'000
As at 7 April 2000	(c)	1	–
Issue of shares	(d)	9	–
As at 1 January 2001		10	–
Acquisition of subsidiaries	(e)	129,999,990	13,000
Issue of shares upon listing	(f)	50,000,000	5,000
As at 31 December 2001		180,000,000	18,000

Notes To The Accounts

22. Share capital (Continued)

- (a) The Company was incorporated on 7 April 2000 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each.
- (b) On 16 August 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$120,000,000 by the creation of an additional 1,199,000,000 new shares.
- (c) Upon its incorporation, the Company allotted and issued 1 share at par which was credited as fully paid.
- (d) On 7 June 2000, the Company allotted and issued 9 shares at par which were credited as fully paid.
- (e) Pursuant to the Reconstruction, the company issued 129,999,990 shares to acquire 100% shareholdings in Angels Transport and Angels Logistics from their then existing shareholders.
- (f) The Company issued 50,000,000 ordinary shares of HK\$0.10 each at a subscription price of HK\$0.70 per share upon the listing of the company's shares on the GEM of the Stock Exchange. The Group raised approximately HK\$26 million net of related expenses of approximately HK\$9.2 million by way of this placing.
- (g) The share capital of the Group as at 31 December 2000 represented the issued and fully paid share capital of the subsidiaries, Angels Transport, Angels Logistics and Angels Technology.

Notes To The Accounts

23. Reserves

(a) Group

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 10 January 2000	–	–	–	–	–
Acquisition of a subsidiary by Angels Transport	–	1,418*	(9)	–	1,409
Profit for the period	–	–	–	11,716	11,716
At 31 December 2000	–	1,418	(9)	11,716	13,125
At 1 January 2001	–	1,418	(9)	11,716	13,125
Reserve arising from the Reconstruction	–	(3,046)	–	–	(3,046)
Exchange difference on the translation of the accounts of subsidiaries	–	–	(135)	–	(135)
Issue of shares upon listing (Note 22(f))	30,000	–	–	–	30,000
Issuing expenses (Note 22(f))	(9,190)	–	–	–	(9,190)
Loss for the year	–	–	–	(11,391)	(11,391)
At 31 December 2001	20,810	(1,628)	(144)	325	19,363

* Note 24(b)

Notes To The Accounts

23. Reserves (Continued)

(b) Company

	Share premium HK\$000	Accumulated losses HK\$000	Total HK\$000
At 7 April 2000	–	–	–
Loss for the period	–	(5)	(5)
At 31 December 2000	–	(5)	(5)
As at 1 January 2001	–	(5)	(5)
Issue of shares pursuant to the Reconstruction*	3,916	–	3,916
Issue of shares upon listing (Note 22(f))	30,000	–	30,000
Issue expenses (Note 22(f))	(9,190)	–	(9,190)
Loss for the year	–	(307)	(307)
As at 31 December 2001	24,726	(312)	24,414

* The balance represented the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of the shares issued by the Company in exchange thereof.

Notes To The Accounts

24. Notes to the consolidated cash flow statement

(a) Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000
Operating (loss)/profit	(11,391)	11,716
Interest income	(162)	(35)
Depreciation	630	370
Loss on disposal of fixed assets	63	13
Decrease/(increase) amounts due from customers for contract Works	4,803	(19,357)
Increase in trade receivables	(1,315)	(635)
Decrease/(increase) in deposits, prepayments and other receivables	1,125	(4,030)
Increase/(decrease) in receipt in advance	66	(248)
(Decrease)/increase in trade payables	(1,932)	6,134
Increase/(decrease) in accrued charges and other payables	2,074	(480)
Net cash outflow from operating activities	(6,039)	(6,552)

Notes To The Accounts

24. Notes to the consolidated cash flow statement (Continued)

(b) Acquisition of a subsidiary

	Period from 10 January 2000 to 31 December 2000 HK\$'000
Net assets acquired	
Fixed assets	1,920
Work in progress	3,992
Trade receivables	2,730
Deposits and other receivables	198
Cash and bank balances	691
Receipt in advance	(248)
Trade payables	(552)
Accrued charges and other payables	(4,313)
	4,418
Reserve arising from acquisition (Note 23(a))	(1,418)
Satisfied by cash	3,000
Analysis of the net cash outflow in respect of the acquisition of a subsidiary:	
Cash consideration	(3,000)
Cash and bank balances acquired	691
Net cash outflow in respect of the acquisition of a subsidiary	(2,309)

Notes To The Accounts

24. Notes to the consolidated cash flow statement (Continued)

(c) Analysis of changes in financing during the year/period

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Loan from a related company HK\$'000	Loans from directors HK\$'000
At 10 January 2000	–	–	–	–	–
Issue upon incorporation of Angels Transport, Angels Logistics and Angels Technology	3,260	–	–	–	–
New loans raised	–	–	–	2,160	4,505
Acquisition of a subsidiary	–	–	–	–	357
Capital reserve arising from acquisition of a subsidiary	–	–	1,418	–	–
At 31 December 2000	3,260	–	1,418	2,160	4,862
At 1 January 2001	3,260	–	1,418	2,160	4,862
Loans from directors	–	–	–	–	1,832
Reserve arising from the Reconstruction	3,046	–	(3,046)	–	–
Capitalisation of directors' loans	6,694	–	–	–	(6,694)
Issue of shares upon listing	5,000	30,000	–	–	–
Issuing expenses	–	(9,190)	–	–	–
Repayment of loan	–	–	–	(2,160)	–
At 31 December 2001	18,000	20,810	(1,628)	–	–

(d) Major non-cash transactions

Save as disclosed in notes 20 and 22(e) above, the Group did not enter into any other material non-cash transactions.

Notes To The Accounts

25. Commitments

(a) Capital commitments

As at 31 December 2001, the Group had the following capital commitments

	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for		
– Software development costs	888	–
– Purchase of materials for projects	2,765	7,167
	3,653	7,167

(b) Operating lease commitments

As at 31 December 2001, the Group has future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2001 HK\$'000	2000 HK\$'000
Operating leases which expire:		
– Not later than one year	1,575	1,124
– Later than one year but not later than five years	1,177	1,499
– Later than five years	97	158
	2,849	2,781

Notes To The Accounts

26. Related party transactions

Save as disclosed in notes 19 and 20 above, the Group entered into the following material transactions with a related party during the year/period:

	Year ended 31 December 2001 HK\$'000	Period from 10 January 2000 to 31 December 2000 HK\$'000
Sale of fixed assets to a director (Note)	–	1,963

Note: The Group sold its leasehold land and buildings including certain furniture, fixtures and equipment with a net book value of HK\$2,002,000 to a director, Mr. Yan, Daniel X.D., at a consideration of RMB2,100,000 (approximately HK\$1,963,000).

27. Approval of accounts

The accounts were approved by the board of directors on 18 March 2002.

Supplementary Financial Information

As detailed in note 1 to the accounts, the Group's accounts are prepared in accordance with Hong Kong Statements of Standard Accounting Practice and include the accounts of the Company and the consolidated accounts of Angels Transport and Angels Logistics. The consolidated accounts of Angels Transport are prepared on an acquisition basis which requires Angels Transport to consolidate the accounts of subsidiaries from the date that the subsidiaries are acquired. Accordingly, the consolidated profit and loss account of Angels Transport for the year ended 31 December 2000 only includes the results of the subsidiaries since their respective dates of acquisition and the consolidated balance sheet of Angels Transport as at 31 December 2000.

For comparison purposes, the directors consider that it is appropriate to provide additional financial information to shareholders by presenting the pro forma combined profit and loss account and pro forma combined balance sheet of the Group, which are prepared as if the subsidiary acquired as at 18 February 2000 had been subsidiary of the Group since 10 January 2000.

The pro forma financial information of the Group does not form part of the statutory accounts of the Group.

Profit and Loss Account

For the year ended 31 December 2001

	Actual consolidated year ended 31 December 2001 HK\$'000	Pro forma combined year ended 31 December 2000 HK\$'000
Turnover	18,048	47,080
Cost of services	(13,945)	(25,270)
Gross profit	4,103	21,810
Other revenue	162	36
Distribution costs	(1,877)	(1,608)
Administrative expenses	(13,779)	(7,703)
Operating (loss)/profit	(11,391)	12,535
Minority interests	–	(292)
(Loss)/profit attributable to shareholders	(11,391)	12,243
Basic (loss)/earnings per share	(7.75) cents	9.42 cents

* The computation of the pro forma earnings per share for the year ended 31 December 2000 is based on the Group's pro forma combined profit after taxation and minority interests attributable to shareholders for the same period of HK\$12,243,000 and 130,000,000 ordinary shares (the number of shares of the company just before the placing) deemed to be in issue throughout the year.

Supplementary Financial Information

Balance Sheet

As at 31 December 2001

	Actual consolidated 2001 HK\$'000	Pro forma combined 2000 HK\$'000
Fixed assets	1,900	1,908
Investment securities	467	467
Deposits for software development	6,215	–
Current assets		
Amounts due from customers for contract works	18,471	23,274
Trade receivables	4,680	3,365
Deposits, prepayments and other receivables	3,178	4,303
Cash and bank balances	12,814	244
	39,143	31,186
Current liabilities		
Receipt in advance	66	–
Trade payables	4,754	6,686
Accrued charges and other payables	5,542	3,468
Due to a related company	–	2,160
Due to directors	–	4,862
	10,362	17,176
Net current assets	28,781	14,010
Total assets less current liabilities	37,363	16,385
Financed by:		
Share capital	18,000	3,260
Reserves	19,363	13,125
	37,363	16,385

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Angels Transport Technology Company Limited (the "Company") will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 25 April 2002 at 3:00 p.m. for the following purposes:

1. To receive and consider the audited accounts and the reports of the directors and auditors for the year ended 31 December 2001;
2. To re-elect retiring directors and to fix the remuneration of directors; and
3. To reappoint auditors and authorise the board of directors to fix their remuneration.
4. By way of special business, to consider and if thought fit, pass with or without modifications, the following resolutions as ordinary resolutions:

A. "THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot or issue shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or issued or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution and the said approval shall be limited accordingly; and

Notice Of Annual General Meeting

- (d) for the purpose of this resolution:

“Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the directors of the Company under this resolution;

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. “THAT:

- (a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purpose of this resolution, “Relevant Period” shall have the same meaning as assigned to it under Ordinary Resolution 4.A of this notice.”

Notice Of Annual General Meeting

- C. “THAT conditional upon Resolutions 4.A and 4.B above being passed, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution 4.B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 4.A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this resolution.”

SPECIAL RESOLUTION

5. By way of special business, to consider and if thought fit, pass with or without modifications, the following resolution as special resolution:

“THAT, subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands, the English name of the Company be changed to “ANGELS TECHNOLOGY COMPANY LIMITED” and the Chinese name of the Company be changed to 「英君技術有限公司」.”

By order of the Board

Hon Yin Wah, Eva

Company Secretary

Hong Kong, 22 March 2002

Notes:

1. A member entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company’s principle office at Room 2210, 22nd Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.
3. A form of proxy for the meeting will be enclosed with the annual report.
4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. In relation to proposed Resolution 4 above, approval is being sought from the members for the grant to the directors of a general mandate to authorise the issue and repurchase of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The explanatory statement required by GEM Listing Rules in connection with the repurchase mandate will be dispatched to members together with the annual report.