

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)

First Quarterly Report 2002

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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 (the "GEM Listing Rules") on the Growth Enterprises Market (the "GEM") of the Stock Exchange 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.

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

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

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HIGHLIGHTS

- Turnover of the Group for the three months ended 31 March 2002 was approximately HK$408,000, representing a decrease of approximately 76 per cent. as compared with the corresponding period in 2001.

- The Group recorded a net loss of approximately HK$3,979,000 for the three months ended 31 March 2002.

- The Directors do not recommend payment of a dividend for the three months ended 31 March 2002.

RESULTS

The board (the "Board") of Directors is pleased to announce the unaudited consolidated quarterly results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2002, together with the comparative results for the respective period in 2001 as follows:

		Three months ended 31 March	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**408**	1,718
Cost of sales		**(314)**	(1,380)
Gross profit		**94**	338
Other revenue		**43**	6
Distribution costs		**(740)**	(436)
Administrative expenses		**(3,376)**	(2,105)
Operating loss		**(3,979)**	(2,197)
Taxation	*3*	**–**	–
Loss after taxation and attributable to shareholders		**(3,979)**	(2,197)
Loss per share - basic	*4*	**(2.21 cents)**	(1.69 cents)

Notes:

1. Group reconstruction and basis of preparation

The Company was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liabilities under the Companies Law (revised) of the Cayman Islands.

On 16 August 2001, pursuant to a group reconstruction (the "Reconstruction") to rationalize the structure of the Group in preparation for the listing of the Company's shares on GEM, the Company became the ultimate holding company of the Group. Details of the Reconstruction are set out in the Company's prospectus (the "Prospectus") dated 22 August 2001. The Company's shares were listed on GEM of the Stock Exchange on 30 August 2001.

The Reconstruction, which involved companies under common control, has been reflected in the accounts of the Group, which comprised the Company and its subsidiaries, as a continuing group. Accordingly, the consolidated results have been prepared in the merger accounting basis as if the Company had been the holding company of the other companies comprising the Group throughout the three months ended 31 March 2001 rather than from the date on which the Reconstruction was completed.

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.

2. Turnover

The Group is principally engaged in the provision of transportation technology solution in the PRC. Turnover represents total value of services rendered to customers from long-term system integration contracts net of value-added tax and sales tax.

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

3. Taxation

(i) No provision for Hong Kong profits tax has been made as the Group has no estimated assessable Hong Kong profits for there months period ended 31 March 2002.

(ii) The subsidiary, Beijing Angels Communications Technology Co., Ltd ("Beijing Angels") and Angels ITS (Guangzhou) Co., Ltd. ("Guangzhou Angels"), operating in the PRC, are subject to an income tax rate of 33% on their taxable profit in accordance with the income tax law in the PRC. 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 reduction in the income tax rate to 7.5% for the years from 2003 to 2005.

Guangzhou Angels was approved as a "newly-established advance and new technology enterprise" on 19 September 2000 and is therefore entitled to a reduced tax rate of 15%. Guangzhou Angels has no assessable profits for the three months period ended 31 March 2002.

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

4. Loss per share

Basic loss per share is calculated based on the Group's loss attributable to the shareholders of HK$3,979,000 and on the weight average number of 180,000,000 shares in issue during the three months period ended 31 March 2002.

The comparative loss per share is calculated based on the Group's loss attributable to the shareholders of HK$2,197,000 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 issued since 10 January 2000, the date of incorporation Angels Intelligent Transportation Systems Company Limited and Angels Logistics Systems (Guangzhou) Company Limited.

Diluted loss per share was not presented because there were no potential dilutive ordinary shares in existence during the three months period ended 31 March 2002 (period ended 2001: Nil).

5. Movements on reserves

There have been no movements in the reserves of the Group during the three months period ended 31 March 2002 except for the loss recognized during the period.

DIVIDEND

The Directors do not recommend payment of a dividend for the three months ended 31 March 2002 (2001: Nil).

BUSINESS REVIEW

General

The Group is principally engaged in the provision of transportation technology solutions in respect of toll collection, traffic surveillance, optical fibre road network communication and power supply systems for highways and expressways in the PRC.

The Group recorded a turnover of approximately HK$408,000 for the three months ended 31 March 2002, representing a decrease of approximately 76 per cent. as compared with the corresponding period in 2001. A net loss of approximately HK$3,979,000 was recorded for the three months ended 31 March 2002 and a net loss of approximately HK$2,197,000 was recorded for the three months ended 31 March 2001. The decrease in turnover was principally due to the decrease in number and size of projects on hand. Currently, the Group is undertaking the project of the Hubehaoto-Baotou expressway and it is expected that the project will be complete and open to traffic in late 2002.

Business Development

In spite of the difficult conditions, during the period under review, the Group placed significant efforts in developing and marketing the Group's urban Intellectual Transportation System and its related products. As mentioned in the 2001 Annual Report for the Company, these related products include innovative Intellectual Traffic Policeman System, Concierge Access Control System and DY-2000 Vehicle License Identification System.

As at the date of this report, the Group has signed two contracts, namely the Kuming-Shilin expressway project and the Kunrui expressway linkage center construction station in Yunnan Province.

In April 2002, the Company acquired a 40% equity interest in CTIA VSAT Network Limited ("CTIA ") for a total consideration of HK$14.4 million. CTIA is an investment holding company and its principal asset is the holding of 60 % equity interest in Beijing Asia Pacific East Communication Network Limited ("APECN"). APECN is a wholly foreign owned enterprise established in the PRC and it is principally engaged in the research and development of satellite communication technology solutions, the provision of the related consultancy and technical support services and system integration services. The Group is able to leverage on APECN's satellite communication technology and related solutions to develop road communication network and one card pass electronic toll collection system for its expressway networks. For the details of the acquisition of the equity interest of CTIA, please refer the Company's announcement dated 11 April 2002 in the GEM website.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2002, 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 and their respective associates were as follows:

(I) Ordinary Shares

		Number of Shares			
Name	*Notes*	**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.

(II) Share options

Pursuant to the Company's Share Option Scheme adopted by the Company on 16 August 2001, the following Directors have personal interests in options to subscribe for shares in the Company which have been granted to them as follows:

Name of director	Number of options	Exercise price per share *HK$*	Date of grant
Yan Daniel X.D.*	1,500,000	1.28	28 March 2002
Lau Andrew Kim*	1,000,000	1.28	28 March 2002
Zhu Quan*	1,000,000	1.28	28 March 2002
Shek Ying Christine*	400,000	1.28	28 March 2002

* *executive director of the Company*

The exercise period for the options is from 10 August 2002 to 9 August 2011 (both dates inclusive) (first tranche of 50% from 10 August 2002 and the remaining tranche of 50% from 10 August 2003).

As at 31 March 2002, none of the options granted to Directors had been exercised or cancelled.

Save as disclosed above, as at 31 March 2002, 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.

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

No options have been exercised, cancelled or lapsed during the period from the date of grant to 31 March 2002.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, as at 31 March 2002, 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 Island with limited liabilities, 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 Island with limited liabilities, and wholly owned by Mr. Lau Andrew Kim, an executive Director of the Company.

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

As at 31 March 2002, 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.

COMPETITING 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.

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 March 2002.

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 Broad. The audit committee of the Broad will also be responsible for supervising and reviewing the financial reporting process and internal control system of the Group.

PRUCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 31 March 2002, the Company has not redeemed any of its shares. Neither the Company or its subsidiaries purchased or sold any of the Company's shares.

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

14 May 2002, Hong Kong