

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)



**Third Quarterly Report
For the nine months ended 30 September 2001**

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This document, for which the directors (the “Directors”) of Angels Transport Technology Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information in GEM-listed issuers.

HIGHLIGHTS

- The shares of the Company have been listed on GEM since 30 August, 2001.
- Turnover of the Group for the nine months ended 30 September, 2001 was approximately HK\$10.8 million, representing a decrease of approximately 68 per cent. as compared with the corresponding period in 2000.
- The Group recorded a net loss of approximately HK\$6,760,000 for the nine months ended 30 September, 2001.
- The Directors do not recommend payment of a dividend for the nine months ended 30 September, 2001

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 nine months and three months ended 30 September, 2001, together with the comparative unaudited results for the respective corresponding periods in 2000 (the "Relevant Periods") as follows:–

	Notes	Nine months ended 30 September,		Three months ended 30 September,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	10,821	33,813	4,981	13,034
Cost of sales		(8,691)	(18,930)	(4,001)	(6,495)
Gross profit		2,130	14,883	980	6,539
Other revenue		48	32	42	2
Distribution costs		(1,363)	(1,268)	(490)	(364)
Administrative expenses		(7,575)	(5,385)	(2,768)	(2,358)
Operating (loss)/profit		(6,760)	8,262	(2,236)	3,819
Taxation	3	–	–	–	–
(Loss)/profit after taxation		(6,760)	8,262	(2,236)	3,819
Minority interest		–	(292)	–	–
(Loss)/profit attributable to shareholders		(6,760)	7,970	(2,236)	3,819
(Loss)/earnings per share – basic	4	(3.76 cents)	4.43 cents	(1.24 cents)	2.12 cents

Notes:

1. Group reorganization and basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law (2000 Revision) of the Cayman Islands as an exempted company with limited liability on 7 April, 2000. Pursuant to a group reorganization (the "Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares (the "Shares") on GEM in August 2001, the Company became the ultimate holding company of the Group on 16 August, 2001. Further details of the Reorganization are set out in the Company's prospectus (the "Prospectus") dated 22 August, 2001. The Shares have been listed on GEM since 30 August, 2001.

The Group's financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The Reorganization, 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 and the nine months ended 30 September, 2001 and 2000 rather than from the date on which the Reorganization was completed. The Group held 65% interests in Beijing Angels Communications Technology Co., Ltd. ("Beijing Angels") for the period from 1 January, 2000 to 18 February, 2000 and the Group increased its interests in Beijing Angels from 65% to 100% on 18 February, 2000. Accordingly, the above results included minority interests in Beijing Angels for the period from 1 January, 2000 to 18 February, 2000.

2. Turnover

Turnover represents total value of services rendered to customers from long-term system integration contracts net of value-added tax and sales tax.

3. Taxation

- (i) No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits arising or derived from Hong Kong in the Relevant Periods.
- (ii) People's Republic of China (the "PRC") income tax represents taxation charged on the assessable profits of the subsidiaries operating in the PRC calculated at the applicable rate.

The subsidiary, Beijing Angels, operating in the PRC, is eligible for the High and New Technology Enterprise status and hence the applicable income tax rate was reduced to 15 per cent.. The subsidiary is entitled to full exemption from PRC income tax from the years 2000 to 2002 followed by a 50 per cent. reduction in the income tax rate (i.e. 7.5 per cent.) for the years from 2003 to 2005.

4. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to the shareholders for the nine months and three months ended 30 September, 2001 of HK\$6,760,000 and HK\$2,236,000, respectively (profit attributable to the shareholders for the nine months and three months ended 30 September, 2000: HK\$7,970,000 and HK\$3,819,000, respectively) and on the weighted average number of 180,000,000 shares for both the nine months and three months ended 30 September, 2001 (2000: 180,000,000 shares for both periods) which were deemed to be in issue during the periods assuming the 180,000,000 shares issued pursuant to the Reorganization described in note 1 above had been in existence throughout the nine months and three months period ended 30 September, 2001 and 2000.

Diluted (loss)/earnings per share was not presented because there were no dilutive potential ordinary shares in existence during the period ended 30 September, 2001 (2000: Nil).

5. Movement on reserve

Movement in the reserves of the Group during the period were as follows:

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>
At 1 January, 2001	–	–	–
Movements for the period from			
1 January to 30 September, 2001	20,810	(4,002)	(160)
At 30 September, 2001	20,810	(4,002)	(160)

There was no movement of reserves, other than retained earnings, for the corresponding period for 2000 and the six months ended 30 June 2001.

DIVIDEND

The Directors do not recommend payment of a dividend for the nine months ended 30 September, 2001 (2000: 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. Since commencement of business in 1996, the Group has developed a customized toll collection computer software, which is marketed in the PRC under the brand name of "B&A Expressway Toll Collection System", as part of its transportation technology solutions. The toll collection system of the Group is connected with an optical fibre road network communication system and a traffic surveillance system through an operating platform supported by computer servers and workstations to form an integrated system to manage the operations of expressways in the PRC. The Shares have been listed on GEM since 30 August, 2001. An amount of net proceeds of approximately HK\$27 million was raised to accelerate the business growth of the Group.

For the nine months ended 30 September, 2001, the Group achieved a turnover of approximately HK\$10,821,000, whereas a turnover of approximately HK\$33,813,000 was recognized for the nine months ended 30 September, 2000. A net loss of approximately HK\$6,760,000 was recorded for the nine months ended 30 September, 2001. A net profit of approximately HK\$7,970,000 was recorded for the nine months ended 30 September, 2000.

Owing to the significant portion of the long-term system integration contracts having been completed last year, the Group recorded a turnover of approximately HK\$10,821,000, for the nine months ended 30 September, 2001, representing a decrease of approximately 68 per cent. as compared with the corresponding period in 2000. Such turnover was principally contributed by the Kunming-Yuxi Expressway project, with gross profit of approximately HK\$2,130,000. The gross profit margin decreased significantly from that of the previous year, which was principally due to the Group's marketing strategy to offer a very competitive price for the Kunming-Yuxi Expressway project in Yunnan Province at where the construction of expressways is developing rapidly. The marketing strategy of the Group is aimed to attract other prospective customers in Yunnan Province and will increase the competitiveness of the Group in the future.

The cash and bank balance of the Group as at 30 September, 2001 amounted to approximately HK\$20 million.

Business Development

The Group adopts an aggressive business development strategy with the objective of playing an important role in the transportation technology solution industry in the PRC. The Group is undertaking negotiations on three new projects which are expected to be finalized soon and the Group has started preparatory works for the three projects, two of which are situated in Yunnan Province, the PRC. Due to the Group's good working relationship with the Transportation Department of Yunnan Provincial Government and the Group's intensive experience in this region, amid the continuous developments in the Western Region of the PRC, the Directors expect the Group to benefit from the thriving business opportunities. The Group will continue to focus on the development of new products and technologies, such as store-value smart cards, prepaid smart cards, intranet toll collection systems and license plate identification systems, which are complementary to the B&A Expressway Toll Collection System and traffic surveillance system.

During the three months ended 30 September, 2001, the Group had also been working with the Beijing Public Security Bureau of Traffic Administration to test the police intelligent traffic surveillance systems at three different locations in Beijing.

FUTURE PROSPECTS

In accordance with the Group's development objectives and strategies determined and stated in the Prospectus, the Group aims at enlarging its market share, increasing its turnover and profits in the provision of transportation technology solutions in expressway transportation by looking for new business partners; making extra effort in the marketing and promoting of the Group's technology know-how and services. Since the PRC is expected to maintain a substantial economic growth in the coming years, the Directors expect that there will be increasing number of expressways and highways to be built in the PRC. Thus, the Directors believe that the Group will be able to secure additional projects in the future.

In addition, with the gradual implementation of the police intelligent traffic surveillance system in Beijing, the Directors expect that the Group is capable of penetrating into the urban traffic management market in the PRC. The Directors are also confident that the Beijing's hosting of the Olympic Games in 2008 is expected to stimulate the municipal government to use significant amount of financial resources to upgrade the traffic surveillance system in order to accommodate the anticipated increase in traffic volume during the Olympics Games. Since the Group is experienced in developing traffic surveillance systems, the Directors believe that it stands an excellent position to explore this enormous market. The Group is dedicated to developing its business and is geared to bring satisfactory reward to its shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September, 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 executive 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:

- 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.
- 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 30 September, 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.

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 30 September, 2001, none of the Directors and full-time employees of the Group were granted options to subscribe for Shares.

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

As at 30 September, 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.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 30 September, 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 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.

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.

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 18.63 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 30 September, 2001.

AUDIT COMMITTEE

The Company established an audit committee on 16 August, 2001 with written terms of reference in compliance 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. The audit committee now comprises two independent non-executive Directors, namely Mr. Yang Xiaoping and Mr. Zhao Ming. Mr. Yang is the chairman of the audit committee.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30 September, 2001, neither the Company nor any of its holding companies or subsidiaries purchased, sold or redeemed any listed securities of the Company.

By order of the Board
Angels Transport Technology Company Limited
Daniel X.D. Yan
Chairman

13 November, 2001, Hong Kong