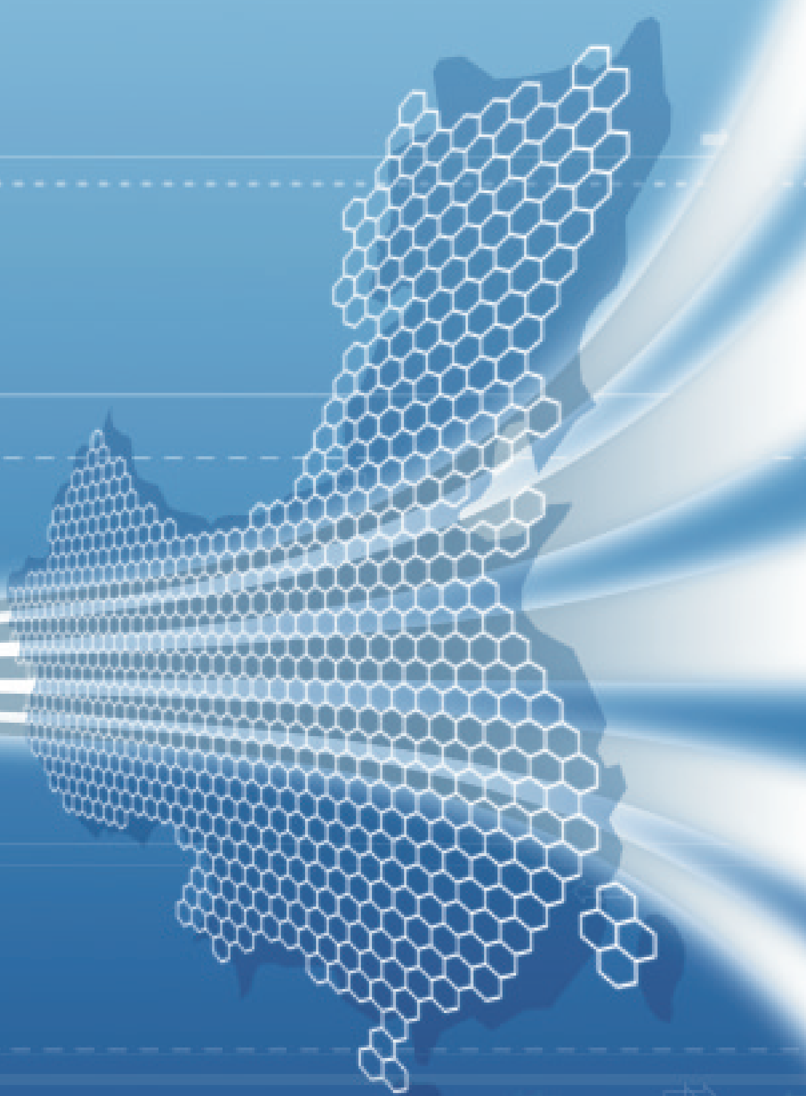
Angels Technology Company Limited

英君技術有限公司

(Incorporated in the Cayman Islands with limited liability)



Annual Report 2002

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

Contents

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, FCCA, AHKSA

Authorised Representatives

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

Qualified Accountant

Ms. Hon Yin Wah, Eva, FCCA, 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 2712, 27th 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
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal Bankers

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

Auditors

RSM Nelson Wheeler
Certified Public Accountants
7th Floor, Allied Kajima Building
138 Gloucester Road
Hong Kong

Sponsor

Asia Investment Capital Limited
Units 1402-3, 14th Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught 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

Business Review

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

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

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

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

Product and Development

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

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

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

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

Prospects

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

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

Appreciation

On behalf of the board, I would like to express my gratutuide 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

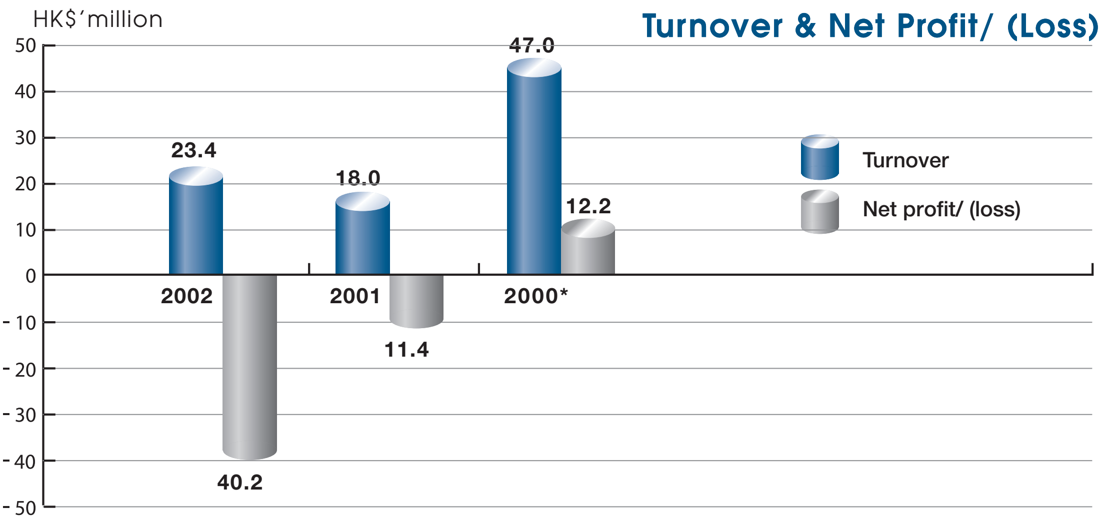
25 March 2003, Hong Kong

Financial Highlights

	2002 HK$'000	2001 HK$'000	Change
OPERATING RESULTS			
Turnover	23,423	18,048	+30%
Gross profit	2,892	4,103	–29%
Operating expenses	14,348	13,245	+8%
Other operating expenses	26,874	2,411	10 times
Share of loss of an associated company	1,912	–	n/a
Loss attributable to shareholders	(40,183)	(11,391)	2.5 times
Loss per share – basic	(21.32 cents)	(7.75 cents)	1.8 times
FINANCIAL POSITION			
Total assets	21,013	47,725	–56%
Cash and bank balances	5,140	12,814	–60%
Shareholders' funds	12,935	37,363	–65%
FINANCIAL RATIOS			
Current ratio	1.7	3.8	–55%
Gearing ratio	n/a	n/a	n/a

Financial Review

The number of companies participating in mechanical and electrical transportation projects is increasing in the PRC, which has brought keen competition to the industry. The difficult economic environment has affected the Group's performance significantly. During the year under review, the Group has suffered from delays and cancellations of projects, making it a difficult year for the Group. As a result, the Group has to adjust its strategies to cope with the changing market, for instance, to raise effective costs control and develop new businesses and products. However, all these measures could hardly bring profit in a short period of time.



* Pro-forma combined

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

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

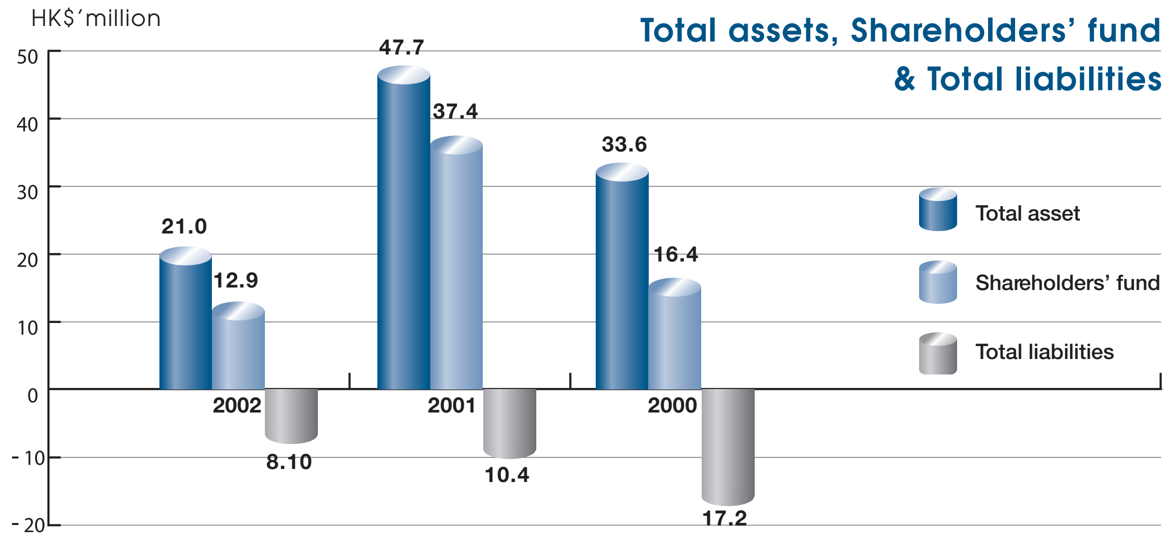
(1) the provision made on doubtful debts of HK$0.5 million and written off the amounts due from customers for contract works of HK$10.7 million;

(2) the provisions made for the impairment loss on deposits for software development and fixed assets of HK$5.9 million and HK$0.3 million respectively, and the impairment loss on goodwill arising from acquisiton of CTIA VSAT Network Limited ("CTIA") of approximately HK$8.1 million during the year;

(3) the amortisation of goodwill arising from the acquisition of CTIA since April 2002 was HK$0.7 million; and

(4) the share of loss of CTIA, an associated company, of HK$1.9 million.

Written off the amounts due from customer for contract works included HK$4.3 million for the Guangzhou-Zhuhai East Expressway. The Group was a subcontractor and provided traffic surveillance system and toll collection system for the project. The project was completed in 2001. As there is dispute among the subcontractors, the Directors consider the Group has difficulty in recovering the cost incurred.



The written off amount also included costs incurred for Kunrui Expressway linkage center construction station and the Kunming-Shilin Expressway project in Yunnan Province. However, the Transportation Department of Yunnan Province has rescheduled the development of the road network in Yunnan Province, it has targeted to complete the implementation of regional network for toll collection, traffic surveillance and expressway networks communication in Yunnan Province in 5 years' time. It will include the one-card-pass electronic toll collection technology used in the provincial expressway networks. As a result, the system requirements and system design of the Kunming-Shilin Expressway project have been changed and the contract with the Group was cancelled. The Kunrui Expressway linkage center construction station has been combined with the provincial expressway linkage center project in Yunnan Province. The owners will hold the tender for the mechanical and electrical transportation system for the revised projects. As an effort to acquire the contracts, the Group is in negotiation with the project owners. The amounts due from customers for contract works written off included HK$3.3 million and HK$2.5 million costs incurred for the Kunrui Expressway linkage center construction station and Kunming-Shilin Expressway project respectively.

Last year, the Group commenced the development of city traffic management system, freight logistic management information system and automatic control system for buildings. Due to the unfavourable market conditions of the expressway and highway mechanical and electrical transportation engineering industry, the Group has adopted a more conservative approach in its research and development. The development in the above areas have been terminated. Future development will commence when the Group identities market opportunity and has sufficient resources.

In April 2002, the Company indirectly acquired a 24% equity interest in Beijing Asia Pacific East Communication Network Limited ("APECN") in PRC. APECN is principally engaged in the research and development of satellite communication technology solutions, the provision of the related consultancy and technical support services and system integration services. Moreover, APECN also runs a multimedia data exchange center, builds content transmission platform and digitizes analogue contents. Since the acquisition eight months ago, the global economic downturn has increased the uncertainty about the recoverability of the goodwill arising from the acquisition in the near future. Accordingly, management of the Group performed an assessment of the recoverable amount of its goodwill. The assessment was based on the value in use of the asset using the present value of estimated future cash flow. As a result of this assessment, a provision for impairment of HK$8.1 million has been made for the year ended 31 December 2002.

The loss per share attributable to shareholders for the year ended 31 December 2002 was HK21.32 cents. If the provisions made for the above impairment losses on deposits for software development, fixed assets and goodwill had not been taken into account, the loss per share attributable to shareholders for the year ended 31 December 2002 would have been reduced to HK13.73 cents.

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

Capital structure, liquidity and financial resources

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

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

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

Foreign currency risk

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

Contingent liabilities

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

Employee information

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

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

Material acquisitions and significant investment

In April 2002, the Company acquired a 40% equity interest in CTIA thereby the Company indirectly acquired a 24% equity interest in APECN. APECN is principally engaged in the research and development of satellite communication technology solutions, the provision of the related consultancy and technical support services and system integration services. Moreover, APECN also runs a multimedia data exchange center, builds content transmission platform and digitizes analogue contents.

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the actual business progress as measured against the statement of business objective set out in the prospectus (the "Prospectus") of the Company dated 22 August 2001, for the year ended 31 December 2002. The management of the Group reviews its business objectives and strategies on an ongoing basis and makes adjustments as necessary.

Business Objectives	Actual Business Progress
Transportation technology solutions	
• Complete the Nian Bei Expressway project	The project is not yet achieved. The customer has a lot of variations in the project specifications and details of the system requirement.
• Complete the system design of transportation technology solutions for the 11 expressways in Guangdong Province	System design had been completed.
• Complete systems design for the autopass toll collection system on the Guangzhou Huanan Expressway	Initial system architectural design work had been finished. The Group had conducted a detailed analysis of the customer's requirements and commenced to produce detailed system design.
• Complete the autopass toll collection system on the Guangzhou Huanan Expressway	The Group was in negotiation with the customers regarding the project of the auto-pass toll collection system on the Guangzhou Huanan Expressway. The Group completed the toll collection system of Huhehaote-Baotou Expressway project during the period.
Freight logistics management information system	
• Complete the implementation of the logistics management information system on one truck depot in Guangzhou.	Due to the slower-than-expected path of setting up the truck depot in Guangzhou, the development of the logistic management system has slowed down.
• Commence the deployment of the Guangzhou logistics management information system on truck depots in Guangzhou.	Due to the delay in setting up the truck depot in Guangzhou, the project development was postponed.
Research and development	
• Research on small-sized SDH system	Due to the rapid development of wireless data transmission technology, the Group had applied the 2.5G technology for the development of the Group's small-sized SDH system.

Business Objectives	Actual Business Progress
• Develop "B&A Expressway Toll Collection System" on IBM AS/400 platform	The System operated on IBM AS/400 platform has been successfully implemented on the Kunming-Yuxi Expressway project. The Group had launched the above upgraded products under the name "B&A Expressway Toll Collection System".
• Research on the smart-card auto-despatch machine	The Group had completed the research on the smart-card auto dispatch machine. This product has been used in Guangzhou-Zhuhai East Expressway toll collection system. The Group entered into a memorandum of understanding with QUALCOMM Incorporated to form a strategic cooperation with a view to assisting an operator of CDMA wireless telecommunication networks in the PRC in the deployment of location based services using in CDMA wireless telecommunication networks in PRC. The Group had completed the system integration and the trial operation network of the deployment of location based services based on QUALCOMM Incorporated's gpsOne[TM] technology.
Resources, employment and administration	
• Recruit one professional with strong backgrounds in logistics management. Use of proceeds from the issuing of new shares	Due to the delay in the freight logistic management information system project, the recruitment of a professional in logistics management is suspended. Three new staff for the Group's research and development team have been recruited.
• Improve the Group's training facilities	The Group had no further plan to pursue this objective. The Group has been implementing control measures to reduce operational costs. No further resource was applied for improving the Group's training facilities.

Use of Proceeds

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

	Proposed (as per Prospectus) HK$ million	Proposed (as revised)* HK$ million	Actual HK$ million
Transportation technology solutions	3.0	3.1	3.1
Freight logistics management information system	3.0	0.5	0.5
Research and development	2.0	2.4	2.4
Resources, employment and administration	0.7	0.1	0.1
	8.7	6.1	6.1

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

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

Executive Directors

Mr. YAN, Daniel X.D., aged 40, 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.

Mr. LAU, Andrew Kim, aged 34, 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.

Mr. ZHU Quan, aged 40, 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.

Ms. SHEK Ying, Christine, aged 32, 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

Mr. YANG Xiaoping, aged 40, 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.

Mr. ZHAO Ming, aged 45, 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.

Senior Management

Mr. ZHU Jia Wei, aged 65, 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.

Dr. MIAO Yong Xiang, Michael, aged 40, is the general manager of the Group. Dr. Miao 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.

Mr. JIN Ji Dong, aged 40, 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.

Mr. YAN Xiao Qiang, aged 33, 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 joined the Group in 1996 and is the brother of Mr. Yan, Daniel X.D.

Mr. TIAN Xiu Zhan, aged 39, 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.

Ms. HON Yin Wah, Eva, aged 31, 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 Accountants and a fellow of 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.

Ms. WANG Jia Ning, aged 54, 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.

The Directors are pleased to present their report together with the audited accounts of the Company and its subsidiaries (collectively refer to the "Group") for the year ended 31 December 2002.

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 13 to the accounts.

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

Change of Name

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

Results and Appropriations

The results of the Group for the year ended 31 December 2002 are set out in the consolidated profit and loss account on page 22.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2002.

Fixed Assets

Details of movements in fixed assets of the Group are set out in note 12 to the accounts.

Share Capital

Details of movements in the share capital of the Company are set out in note 23 to the accounts.

Reserves

Details of movements in the reserves of the Group and the Company are set out in note 25 to the accounts.

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

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

Independent Non-Executive Directors

Mr. Yang Xiaoping
Mr. Zhao Ming

In accordance with the article 87(1) of articles of association of the Company, Ms. Shek Ying, Christine retires from office and, being eligible, offer herself 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) respectively. 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

At 31 December 2002, according to the register required to be kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the interests of the Directors, the chief executives of the Company and their respective associated corporations were as follows:

		Number of Shares				Number of outstanding options
Name	Notes	Personal Interest	Family Interest	Corporate Interest	Other Interest	Personal Interest
Mr. Yan, Daniel X.D.	1 & 3	N/A	N/A	81,900,000	N/A	1,500,000
Mr. Lau, Kim Andrew	2 & 3	N/A	N/A	35,100,000	N/A	1,000,000
Mr. Zhu Quan	3	N/A	N/A	N/A	N/A	1,000,000
Ms. Shek Ying, Christine	3	N/A	N/A	N/A	N/A	400,000

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.

3. Share options were granted pursuant to the share option scheme set out below in the section headed "Share Option".

Save as disclosed above, at 31 December 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

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 16 August 2001 for the purpose of providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 16 August 2011. Under the Scheme, a duly authorised committee. (the "Committee") of the board of directors of the Company, including the independent non-executive directors of the Company, may grant options to eligible employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 13,000,000 shares, being 10% (the "Scheme Mandate Limit") of the issued share capital of the Company as at the date of an adoption of the Scheme. The Scheme Mandate Limit may be renewed by the approval of shareholders proposed that the number of shares under outstanding options shall not exceed 30% of the total issued share capital in issue from time to time. No eligible employee shall be granted options in any 12-month period up to the date of grant which would result in the total number of shares issued or to be issued upon exercise of the options granted (including both exercised and outstanding options) exceeding 1% of the aggregate number of shares for the time being in issue.

HK$10 shall be paid to the Company upon acceptance of the option. Options may be exercised at any time during the period to be notified by the Committee to each grantee provided the period within which the option must be exercised shall not be less than three years and not more than ten years from the date of grant of the option. The Scheme does not set a minimum period for which an option must be held before it can be exercised and it is at the discretion of the Committee to response such a requirement. The exercise price will not be less than the highest of (i) the nominal amount of a share, (ii) the closing price of the Company's shares on the date of grant, and (iii) an amount determined by the Committee being not less than the average closing price of the shares for the five business days immediately preceding the date of grant.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the profit and loss account in respect of the value of options granted in the year. Upon the exercise of the share option, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

A summary of the details of share options granted to certain Directors and employees to subscribe for shares in the Company is as follows:

Name	Date of grant	Exercisable period (both dates inclusive)	Exercise price HK$	Number of share options granted during the year and at 31 December 2002
Mr. Yan, Daniel X.D.	28.3.2002	10.8.2002 to 9.8.2011	1.28	750,000
	28.3.2002	10.8.2003 to 9.8.2011	1.28	750,000
Mr. Lau, Andrew Kim	28.3.2002	10.8.2002 to 9.8.2011	1.28	500,000
	28.3.2002	10.8.2003 to 9.8.2011	1.28	500,000
Mr. Zhu Quan	28.3.2002	10.8.2002 to 9.8.2011	1.28	500,000
	28.3.2002	10.8.2003 to 9.8.2011	1.28	500,000
Ms. Shek Ying, Christine	28.3.2002	10.8.2002 to 9.8.2011	1.28	200,000
	28.3.2002	10.8.2003 to 9.8.2011	1.28	200,000
Employees	28.3.2002	10.8.2002 to 9.8.2011	1.28	2,216,000
	28.3.2002	10.8.2003 to 9.8.2011	1.28	2,172,000
				8,288,000

At the date before the options were granted, 27 March 2002, the closing price was HK$1.30 and at the date of options were granted, 28 March 2002, the closing price was HK$1.28.

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

At 31 December 2002, the number of shares in respect of which options had been granted under the share option scheme was 8,288,000 representing 4.3% of the shares of the Company in issue at that date.

In order to comply with the new requirements of Chapter 23 of the GEM Listing Rules, an ordinary resolution will be proposed at the forthcoming annual general meeting to adopt a new share option scheme and to terminate the Scheme.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transaction

During the year, the Group advanced HK$93,000 to Mr. Yan Xiao Qiang, assistant general manager of the Group, which remained outstanding as at 31 December 2002. Mr. Yan is the brother of Mr. Yan Daniel X. D.. The amount is unsecured, interest free and has no fixed terms of repayment. The Directors are of the opinion that the transaction was carried out in the normal course of business of the Group.

The transaction falls within Rule 20.23 of the GEM Listing Rules as the total consideration is less than the higher of (a) HK$1,000,000 or (b) 0.03% of the consolidated net tangible assets of the Company. Such transaction was therefore exempted from the reporting, announcement and shareholders' approval requirements.

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

Save as disclosed in the section headed "Share Option" above, 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, as at 31 December 2002.

Substantial Shareholders

At 31 December 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% or more of the Company's issued share capital.

Name	Note	Number of Shares	Percentage of holding (%)
Sebastian	1	81,900,000	42.6
Mitac	2	35,100,000	18.3

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.

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.

Convertible Securities, Options, Warrants or other similar rights

Apart from the share options, details of which are set out above in the section headed "Share Option", the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2002. There had been no exercise of convertible securities, options, warrants or other similar rights during the year ended 31 December 2002.

Major Customers and Suppliers

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the years ended 31 December 2002 and 2001 are as follow:

	Percentage of the Group's total			
	Sales		Purchases	
	2002	2001	2002	2001
The largest customer	85%	71%		
Five largest customers in aggregate	95%	100%		
The largest supplier			73%	12%
Five largest suppliers in aggregate			82%	52%

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.

Distributable Reserves

Distributable reserves of the Company at 31 December 2002 amounted to HK$12,426,000 (2001: HK$20,498,000). Under section 34 of the Companies Law (2000 Revision) of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provision of the Articles of Association of the Company and no distribution shall be paid to shareholders out of the share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

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 2002, neither the Company nor its subsidiaries had purchased or sold or redeemed any of the Company's shares.

Sponsor's Interest

Pursuant to an agreement dated 21 August 2001 entered into between the Company and DBS Asia Capital Limited ("DBS Asia"), DBS Asia was entitled to receive a fee in respect of acting as the Company's sponsor as required under the GEM Listing Rules for the period from 30 August 2001 to 31 December 2003. On 29 August 2002, the sponsor agreement was terminated.

Pursuant to an agreement dated 23 August 2002 entered into between the Company and Asia Investment Capital Limited ("Asia Investment Capital"), Asia Investment Capital has been appointed by the Company to replace DBS Asia as the Company's sponsor and is entitled to receive a fee for the period from 30 August 2002 to 31 December 2003.

Save as disclosed herein, none of Asia Investment Capital, its directors, employees or associates (as referred to in Rule 6.35 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 2002.

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

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.

The audit committee held four meetings during the year ended 31 December 2002.

Auditors

In January 2003, the Board of Directors accepted the resignation of PricewaterhouseCoopers, who acted as auditors of the Company for the past one year and Messrs. RSM Nelson Wheeler were appointed as auditors of the Company to fill in the casual vacancy. A resolution for the re-appointment of Messrs. RSM Nelson Wheeler as the Company's auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

By order of the Board

Daniel X.D. Yan
Chairman

25 March 2003, Hong Kong

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

AUDITORS' REPORT TO THE SHAREHOLDERS OF
ANGELS TECHNOLOGY COMPANY LIMITED
(formerly known as Angels Transport Technology Company Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 22 to 49 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.

Fundamental uncertainty relating to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis of preparation made by the Directors. The accounts have been prepared on a going concern basis, the validity of which depends upon the ability of the Group to attain profitable and positive cash flows operations to meet its future working capital and financial requirements. The accounts do not include any adjustments that would result from a failure to attain profitable and positive cash flow operations. Details of the circumstances relating to this fundamental uncertainty are described in note 2(a) to the accounts. We consider that the fundamental uncertainty has been adequately disclosed in the accounts and our opinion is not qualified in this respect.

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 2002 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.

RSM Nelson Wheeler
Certified Public Accountants

25 March 2003, Hong Kong

Consolidated Profit and Loss Account

For the year ended 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Turnover	3	23,423	18,048
Cost of services		(20,531)	(13,945)
Gross profit		2,892	4,103
Other revenue	3	59	162
Distribution costs		(3,937)	(1,877)
Administrative expenses		(10,411)	(11,368)
Other operating expenses		(26,874)	(2,411)
Operating loss	4	(38,271)	(11,391)
Share of loss of an associated company		(1,912)	–
Loss before taxation		(40,183)	(11,391)
Taxation	5	–	–
Loss attributable to shareholders	6	(40,183)	(11,391)
Loss per share – basic	8	(21.32) cents	(7.75) cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Goodwill	11	–	–
Fixed assets	12	1,160	1,900
Interests in an associated company	14	5,336	–
Long-term investments	15	805	467
Deposits for software development	16	–	6,215
		7,301	8,582
Current assets			
Amounts due from customers for contract works	17	2,569	18,471
Trade receivables	18	4,698	4,680
Deposits, prepayments and other receivables		1,305	3,178
Cash and bank balances	19	5,140	12,814
		13,712	39,143
Current liabilities			
Amounts due to customers for contract works	17	269	–
Receipt in advance		–	66
Trade payables	20	2,051	4,754
Accrued charges and other payables		4,552	4,221
Warranty provision	21	1,206	1,321
		8,078	10,362
Net current assets		5,634	28,781
Net assets		12,935	37,363
Financed by:			
Share capital	23	19,200	18,000
Reserves	25	(6,265)	19,363
		12,935	37,363

Yan, Daniel X.D.
Director

Lau, Andrew Kim
Director

BALANCE SHEET

As at 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Non-current assets			
Investments in subsidiaries	13	28,857	32,491
Interests in an associated company	14	7,160	–
		36,017	32,491
Current assets			
Deposits, prepayments and other receivables		12	499
Cash and bank balances		122	10,090
		134	10,589
Current liabilities			
Accrued charges and other payables		528	574
Amounts due to subsidiaries	22	81	92
		609	666
Net current (liabilities)/assets		(475)	9,923
Net assets		35,542	42,414
Financed by:			
Share capital	23	19,200	18,000
Reserves	25	16,342	24,414
		35,542	42,414

Yan, Daniel X.D.
Director

Lau, Andrew Kim
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2002

	Note	Share capital HK$'000	Total reserves HK$'000	Total equity HK$'000
At 1 January 2001		–	13,125	13,125
Acquisition of subsidiaries	23	13,000	–	13,000
Reserve arising from the Reconstruction	25	–	(3,046)	(3,046)
Exchange differences arising on the translation of the accounts of overseas subsidiaries	25	–	(135)	(135)
Issue of shares upon listing	23 & 25	5,000	30,000	35,000
Issuing expenses	25	–	(9,190)	(9,190)
Loss for the year	25	–	(11,391)	(11,391)
At 31 December 2001		18,000	19,363	37,363
Acquisition of an associated company	23 & 25	1,200	14,760	15,960
Issuing expenses	25	–	(205)	(205)
Loss for the year	25	–	(40,183)	(40,183)
At 31 December 2002		19,200	(6,265)	12,935

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2002

	Note	2002 HK$'000	2001 HK$'000
Net cash outflow from operating activities	26(a)	(7,225)	(6,039)
Investing activities			
Purchase of fixed assets		(245)	(841)
Sale of fixed assets		–	156
Purchase of long-term investment		(338)	–
Refund/(payment) for software development costs		280	(6,215)
Interest received		59	162
Net cash outflow from investing activities		(244)	(6,738)
Financing activities	26(b)		
Issue of ordinary shares		–	35,000
Share issue expenses		(205)	(9,190)
Loans from directors		–	1,832
Repayment of amounts borrowed		–	(2,160)
Net cash (outflow)/inflow from financing		(205)	25,482
(Decrease)/increase in cash and bank balances		(7,674)	12,705
Cash and bank balances at 1 January		12,814	244
Effect of foreign exchange rate changes		–	(135)
Cash and bank balances at 31 December		5,140	12,814

1. General

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

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

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

(c) The Company is an investment holding company. The principal activities of its subsidiaries and an associated company are set out in notes 13 and 14 respectively.

2. Principal accounting policies

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

(a) Basis of preparation

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

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

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

2. Principal accounting policies (Continued)

(a) Basis of preparation (Continued)

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

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

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

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(b) Consolidation

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

(ii) Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority of votes at the meetings of the Board of Directors.

(iii) The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

(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 for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

(i) An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

2. Principal accounting policies (Continued)

(c) Associated companies (Continued)

(ii) The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(iii) In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(iv) Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(d) 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 balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(e) Intangibles

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired associated company at the date of acquisition. Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill is amortised over a period of ten years.

2. Principal accounting policies (Continued)

(e) Intangibles (Continued)

(ii) 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 five 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.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses 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.

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 account.

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.

2. Principal accounting policies (Continued)

(g) Long-term investments

Long-term investments are stated at cost less any provision for impairment losses.

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 investments 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.

(h) Long-term systems integration contracts

When the outcome of a systems integration contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised when incurred.

When the outcome of a systems integration contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenues and expenses. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract and the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. When it is probable total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers for contract works, under current assets. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers for contract works, under current liabilities.

(i) 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.

(j) 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, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

2. Principal accounting policies (Continued)

(k) Provisions

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.

(i) Warranty provision

The Group recognises a provision for repairs or replacement of products still under warranty at the balance sheet date. This provision is calculated based on past history of the level of repairs and replacements.

(ii) Restructuring provision

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the numbers of employees affected, or, after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group contributes to Mandatory Provident Fund scheme ("MPF Scheme") which is available to all employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. Payments made to the MPF Scheme are charged as an expense to the profit and loss account as they fall due.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on applicable rates in accordance with the relevant government regulations.

2. Principal accounting policies (Continued)

(m) 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.

(n) 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, they will then 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 asset is recognised.

(o) Revenue recognition

(i) Revenue from long-term systems integration contracts is recongised 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 the 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.

(p) 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.

3. Turnover, revenue and segment information

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

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

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

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

4. Operating loss

Operating loss is stated after charging the following:

	2002 HK$'000	2001 HK$'000
Auditors' remuneration	280	531
Amortisation of goodwill (Note 11)	653	–
Depreciation of fixed assets	532	630
Impairment (included in other operating expenses)		
– deposits for software development (Note 16)	5,935	–
– fixed assets (Note 12)	304	–
– goodwill (Note 11)	8,059	–
Loss on disposal of fixed assets	149	63
Operating lease rentals in respect of land and buildings	1,418	1,286
Provision for doubtful debts	470	–
Research and development costs	588	461
Staff costs (including directors' emoluments) included in:		
– cost of services	350	453
– administrative and distribution expenses	6,269	6,465
Written off the amounts due from customers for contract works (included in other operating expenses)	10,704	–

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 2002 (2001: Nil).

The subsidiaries, Beijing Angels Communications Technology Co., Ltd ("Beijing Angels") and Angels ITS (Guangzhou) Co., Ltd ("Guangzhou Angels"), operating in the PRC, are subject to an income tax rate of 33% on their taxable profit in accordance with the income tax law in the PRC. Both Beijing Angels and Guangzhou Angels were approved as a "Newly-established Advanced and New Technology Enterprise" and is therefore entitled to a reduced tax rate of 15%. Pursuant to a notice issued by State Taxation Bureau of Beijing Haidian District on 14 November 2000, tax holiday is granted to Beijing Angels. Beijing Angels is entitled to full exemption from PRC income tax from the years 2000 to 2002 followed by a 50% reduction in the income tax rate (i.e. 7.5%) for the years from 2003 to 2005. Guangzhou Angels has no estimated assessable profits for the year ended 31 December 2002 (2001: Nil).

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

6. Loss attributable to shareholders

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$22,627,000 (2001: HK$307,000).

7. Dividend

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

8. Loss per share

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

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

9. Staff costs (including directors' emoluments)

	2002 HK$'000	2001 HK$'000
Wages and salaries	6,169	6,608
Unutilised annual leave	36	–
Termination benefits	91	14
Social security costs	38	11
Pension costs	285	285
	6,619	6,918

10. Directors' and senior management's emoluments

(a) Directors' emoluments

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

	2002 HK$'000	2001 HK$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	40	40
Other emoluments:		
Basic salaries, housing allowances, share options, other allowances and benefits in kind		
– Executive directors (Note)	1,384	1,365
– Independent non-executive directors	–	–
Contributions to pensions schemes		
– Executive directors	53	63
– Independent non-executive directors	–	–
	1,477	1,468

Note: This includes operating lease rental of HK$286,000 (2001: HK$104,000) paid by the Group for quarters provided to an executive director.

The executive directors received individual emoluments for the year ended 31 December 2002 of approximately HK$425,000 (2001: HK$479,000), HK$425,000 (2001: HK$479,000), HK$121,000 (2001: HK$162,000) and HK$466,000 (2001: HK$308,000) 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2001: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2001: two) individuals during the year are as follows:

	2002 HK$'000	2001 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	970	845
Contributions to pensions schemes	17	39
	987	884

The emoluments of these two (2001: two) highest paid individuals are less than HK$1,000,000.

No emoluments were paid or payable to these two individuals by the Group as an inducement to join or upon joining the Group, or as compensation for loss of office during the year.

11. Goodwill

On 26 April 2002, the Group had completed the acquisition of a 40% equity interest in CTIA VSAT Network Limited ("CTIA") (note 14). Goodwill represents the excess of the fair value of the share consideration of acquisition over the fair value of the Group's share of net assets of CTIA at the date of acquisition.

Year ended 31 December 2002	**Group** HK$'000
Acquisition of an associated company	8,712
Amortisation charge (Note 4)	(653)
Impairment charge (Note 4)	(8,059)
Closing net book amount (Note 14)	–
At 31 December 2002	
Cost	8,712
Accumulated amortisation and impairment losses	(8,712)
Net book amount	–

12. 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 2002	508	620	817	1,710	3,655
Additions	56	73	116	–	245
Disposals	–	(117)	(320)	–	(437)
At 31 December 2002	564	576	613	1,710	3,463
Accumulated depreciation					
At 1 January 2002	102	243	321	1,089	1,755
Charge for the year	106	76	145	205	532
Impairment charge (Note 4)	304	–	–	–	304
Disposals	–	(87)	(201)	–	(288)
At 31 December 2002	512	232	265	1,294	2,303
Net book value					
At 31 December 2002	52	344	348	416	1,160
At 31 December 2001	406	377	496	621	1,900

13. Investments in subsidiaries

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted investments, at cost (Note (a))	16,917	16,917
Amounts due from subsidiaries (Note (b))	23,940	15,574
	40,857	32,491
Less: impairment losses	(12,000)	–
	28,857	32,491

(a) The following is a list of subsidiaries at 31 December 2002:

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$1.0 each	100%
Angels Logistics Systems (Guangzhou) Company Limited	British Virgin Islands	Investment holding in Hong Kong	903,000 ordinary shares of HK$1.0 each	100%
Held indirectly:				
Angels Engineering Technology Limited	Hong Kong	Provision of management services to group companies in Hong Kong and the PRC	10,000 ordinary shares of HK$1.0 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	RMB1,000,000	100%

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

14. Interests in an associated company

	Group 2002 HK$'000	Group 2001 HK$'000
Share of net liabilities	(2,152)	–
Goodwill on acquisition of an associated company less amortisation/impairment (Note 11)	–	–
Loan receivable	7,488	–
	5,336	–

	Company 2002 HK$'000	Company 2001 HK$'000
Unlisted shares, at cost	8,472	–
Loan receivable	7,488	–
	15,960	–
Less: impairment loss	(8,800)	–
	7,160	–

(a) Details of the associated company at 31 December 2002 are as follows:

Company	Place of incorporation and operation	Principal activities	Particulars of issued shares held	Interest held directly
CTIA VSAT Network Limited ("CTIA")	Hong Kong	Investment holding	5,000,000 ordinary share of HK$1.0 each	40%

(b) Loan receivable from an associated company is unsecured, interest free and has no fixed terms of repayment.

15. Long-term investments

	Group 2002 HK$'000	Group 2001 HK$'000
Club membership, at cost	338	–
Unlisted investments, at cost	467	467
	805	467

16. Deposits for software development

	Group 2002 HK$'000	Group 2001 HK$'000
At 1 January	6,215	–
Additions	–	6,215
Refunded	(280)	–
Impairment (Note 4)	(5,935)	–
At 31 December	–	6,215

At 31 December 2001, the amount represented deposits paid to suppliers for the development of software for traffic surveillance, freight logistics management and automatic control system for buildings which were at various stages of development. Owing to the unfavourable market response for these software development, impairment amounted to HK$5,935,000 was made during the year.

17. Long-term systems integration contracts in progress

	Group 2002 HK$'000	Group 2001 HK$'000
Cost incurred to date plus recognised profits to date	2,765	38,363
Less: progress billings	(465)	(19,892)
	2,300	18,471
Included in current assets/(liabilities) under the following captions:		
Amounts due from customers for contract works	2,569	18,471
Amounts due to customers for contract works	(269)	–
	2,300	18,471

At 31 December 2002, retention monies held by customers for contract works included in amounts due from customers for contract works amounted to HK$Nil (2001: HK$3,738,000).

18. Trade receivables

At 31 December 2002, the aging analysis of trade receivables were as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 90 days	2,573	1,223
91 to 180 days	–	–
181 to 270 days	3,527	–
271 to 360 days	–	4,957
Over 360 days	568	–
	6,668	6,180
Less: provision on doubtful debts	(1,970)	(1,500)
	4,698	4,680

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

19. Cash and bank balances

At 31 December 2002, RMB5,344,000 (2001: RMB2,014,000) 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 of foreign exchange control promulgated by the PRC government.

20. Trade payables

At 31 December 2002, the aging analysis of trade payables were as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 90 days	1,404	1,138
91 to 180 days	–	1,609
181 to 270 days	6	–
271 to 360 days	–	–
Over 360 days	641	2,007
	2,051	4,754

21. Warranty provision

	Group HK$'000
At 1 January 2002	1,321
Additional provisions	362
Less: Amounts utilised	(477)
At 31 December 2002	1,206

	2002 HK$'000	2001 HK$'000
Analysis of warranty provision		
Current	1,206	1,321

The Group gives 12 months warranties on certain contracts and undertakes to repair or replace items that fail to perform satisfactorily.

22. Amounts due to subsidiaries

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

23. Share capital

		Authorised Ordinary shares of HK$0.10 each	
	Note	No. of shares	HK$'000
At 1 January 2001		1,000,000	100
Increase of authorised share capital	(a)	1,199,000,000	119,900
At 31 December 2001 and 2002		1,200,000,000	120,000

		Issued and fully paid Ordinary shares of HK$0.10 each	
	Note	No. of shares	HK$'000
At 1 January 2001		10	–
Acquisition of subsidiaries	(b)	129,999,990	13,000
Issue of shares upon listing	(c)	50,000,000	5,000
At 31 December 2001		180,000,000	18,000
Acquisition of an associated company	(d)	12,000,000	1,200
At 31 December 2002		192,000,000	19,200

23. Share capital (Continued)

(a) 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.

(b) Pursuant to the Reconstruction, the Company issued 129,999,990 shares at par to acquire 100% shareholdings in Angels Transport and Angels Logistics from their then existing shareholders.

(c) 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 GEM. The Group raised approximately HK$26 million net of related expenses by way of this placing.

(d) On 16 April 2002, the Company entered into a conditional agreement in respect of the acquisition of a 40% equity interest in CTIA (note 14). The acquisition was completed on 26 April 2002 and the consideration of HK$14,400,000 was settled by way of the issue and allotment of 12,000,000 new shares of HK$0.10 each at an issue price of HK$1.20 per consideration share. These shares rank pari passu with the existing shares. On 26 April 2002, the market value of the shares in the Company was HK$1.33 per share. Accordingly, the fair value of the share consideration was HK$15,960,000.

24. Share options

Pursuant to a resolution passed on 16 August 2001, the Company's share option scheme was approved and adopted. Share options are granted to eligible employees, including executive directors of the Company. A nominal consideration at HK$10 was paid by the employees for each lot of share options granted. Movements in the number of share options outstanding during the year are as follows:

	Number of options 2002	2001
Granted during the year and at 31 December	8,288,000	–

Share options were granted on 28 March 2002 at the exercise price of HK$1.28 per share and will expire on 9 August 2011. Consideration received was HK$110 (2001: HK$Nil) in respect of the share options granted during the year.

At 31 December 2002, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of granted	Exercise price per share HK$	Number of outstanding options	Exercisable period (both days inclusive)
28 March 2002	1.28	4,166,000	10 August 2002 to 9 August 2011
28 March 2002	1.28	4,122,000	10 August 2003 to 9 August 2011

No options were exercised, cancelled or lapsed during the period from the date of grant to 31 December 2002.

25. Reserves

	Group				
	Share premium HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001	–	1,418	(9)	11,716	13,125
Reserve arising from the Reconstruction	–	(3,046)	–	–	(3,046)
Exchange differences arising on the translation of the accounts of overseas subsidiaries	–	–	(135)	–	(135)
Issue of shares upon listing	30,000	–	–	–	30,000
Issuing expenses	(9,190)	–	–	–	(9,190)
Loss for the year	–	–	–	(11,391)	(11,391)
At 31 December 2001	20,810	(1,628)	(144)	325	19,363
Representing:					
Company and subsidiaries	20,810	(1,628)	(144)	325	19,363
At 1 January 2002	20,810	(1,628)	(144)	325	19,363
Acquisition of an associated company	14,760	–	–	–	14,760
Issuing expenses	(205)	–	–	–	(205)
Loss for the year	–	–	–	(40,183)	(40,183)
At 31 December 2002	35,365	(1,628)	(144)	(39,858)	(6,265)
Representing:					
Company and subsidiaries	35,365	(1,628)	(144)	(37,946)	(4,353)
An associated company	–	–	–	(1,912)	(1,912)
	35,365	(1,628)	(144)	(39,858)	(6,265)

25. Reserves (Continued)

	Company			
	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001	–	–	(5)	(5)
Contributed surplus arising from the Reconstruction*	–	3,916	–	3,916
Issue of shares upon listing	30,000	–	–	30,000
Issuing expenses	(9,190)	–	–	(9,190)
Loss for the year	–	–	(307)	(307)
At 31 December 2001	20,810	3,916	(312)	24,414
At 1 January 2002	20,810	3,916	(312)	24,414
Acquisition of an associated company	14,760	–	–	14,760
Issuing expenses	(205)	–	–	(205)
Loss for the year	–	–	(22,627)	(22,627)
At 31 December 2002	35,365	3,916	(22,939)	16,342

* 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.

26. Notes to the consolidated cash flow statement

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

	2002 HK$'000	2001 HK$'000
Operating loss	(38,271)	(11,391)
Interest income	(59)	(162)
Depreciation	532	630
Amortisation of goodwill	653	–
Loss on disposal of fixed assets	149	63
Provision for doubtful debts	470	–
Impairment of deposits for software development	5,935	–
Impairment of fixed assets	304	–
Impairment of goodwill	8,059	–
Written off the amounts due from customers for contract works	10,704	–
Operating loss before working capital changes	(11,524)	(10,860)
Decrease in amounts due from/(to) customers for contract works	5,467	4,803
Increase in trade receivables	(488)	(1,315)
Decrease in deposits, prepayments and other receivables	1,873	1,125
(Decrease)/increase in receipt in advance	(66)	66
Decrease in trade payables	(2,703)	(1,932)
Increase in accrued charges, other payables and warranty provision	216	2,074
Net cash outflow from operating activities	(7,225)	(6,039)

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

(b) Analysis of changes in financing during the year

	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 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)	–	–
Issue of shares	1,200	14,760	–	–	–
Issuing expenses	–	(205)	–	–	–
At 31 December 2002	19,200	35,365	(1,628)	–	–

(c) Major non-cash transactions

The consideration for the purchase of an associated company during the year ended 31 December 2002 comprised 12,000,000 ordinary shares in the Company. SSAP 30 "Business combinations" requires the fair value of the share consideration for accounting purposes to be determined at the date that the control over the net assets attributable to the acquisition becomes effective. At the completion date of the acquisition, the market price of the shares in the Company was HK$1.33 per share. Accordingly, the fair value of the share consideration was HK$15,960,000.

27. Retirement Benefits Scheme

Prior to 1 December 2000, the Group did not have any pension or retirement benefits scheme for its employees in Hong Kong. With effect from 1 December 2000, the Group has set up a defined contribution retirement scheme ("MPF Scheme") under the Mandatory Provident Fund legislation regulated by the Mandatory Provident Fund Scheme Authority in Hong Kong and to make contributions for its eligible employees in Hong Kong at rates specified in the rules.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on applicable rates in accordance with the relevant government regulations.

The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the respective schemes. No forfeited contributions are available to reduce contributions payable in future years.

28. Commitments

(a) Capital commitments

At 31 December 2002, the Group had the following capital commitments:

	2002 HK$'000	2001 HK$'000
Contracted but not provided for		
– Software development costs	–	888
– Purchase of materials for projects	7,407	2,765
	7,407	3,653

(b) Operating lease commitments

At 31 December 2002, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	2002 HK$'000	2001 HK$'000
Not later than one year	576	1,575
Later than one year but not later than five years	373	1,177
Later than five years	36	97
	985	2,849

29. Comparative figures

The comparative figures were audited by another firms of certified public accountants in Hong Kong. Certain comparative figures have been reclassified to conform to current year's presentation.

30. Approval of accounts

The accounts were approved by the Board of Directors on 25 March 2003.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Angels Technology Company Limited (the "Company") will be held at Room 2712, 27th Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Friday, 25 April 2003 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 2002;

2. To re-elect the retiring director and to fix the remuneration of directors; and

3. To re-appoint 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

      (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 4A of this notice."

C. **"THAT**: conditional upon Resolutions 4A and 4B 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 4B 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 4A, 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."

D. **"THAT:**

(a) conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares of the Company falling to be issued pursuant to the exercise of any options under the new share option scheme of the Company (the "Scheme"), the Scheme, in the form submitted to this meeting and for the purposes of identification initialled by the Chairman and marked "A", be and is hereby approved and adopted and the existing share option scheme which was adopted on 16 August 2001 be and is hereby terminated (without prejudice to the rights and benefits of and attached to all those options granted under the existing share option scheme which are outstanding); and

(b) the directors of the Company be and they are hereby authorised to take such steps as may be necessary to implement the Scheme and to do all acts and deeds pursuant thereto including but not limited to the offer or grant of options and the issue and allotment of shares in the Company upon the exercise of any options under the Scheme, and so that the authority given hereby shall continue for the duration of the Scheme."

By order of the Board
Hon Yin Wah, Eva
Company Secretary

Hong Kong, 31 March 2003

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 principal office at Room 2712, 27th 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 Resolutions 4A, 4B and 4C 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.