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ANGELS

ANGELS TECHNOLOGY COMPANY LIMITED

英君技術有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8112)

ISSUE OF HK\$4,000,000 CONVERTIBLE NOTE CONVERTIBLE INTO ORDINARY SHARES

The Company has entered into the Subscription Agreement dated 21 June 2004 with the Subscriber in connection with the issue by the Company of the Note with a principal amount of HK\$4,000,000. The initial conversion price is HK\$0.37, being a discount of 1.30% over the closing price of the Shares quoted on GEM on 21 June 2004 and a discount of 2.60% to the 10-day average closing price of the Shares over the 10 trading days up to and including 21 June 2004. Assuming full conversion of the Note at the initial conversion price of HK\$0.37, the Note will be convertible into approximately 10,810,810 Shares (subject to adjustment), representing approximately 5.30% of the issued share capital of the Company as at the date of this announcement and approximately 5.04% of the enlarged issued share capital of the Company.

The Noteholder shall have the right to convert its Note into Shares at any time during the Conversion Period. Unless previously redeemed or converted, the Company will redeem the Note at its principal amount, plus accrued interest, on the Maturity Date.

The estimated net proceeds of the issue of the Note, after deduction of fees and expenses (amounting to approximately HK\$150,000), are approximately HK\$3,850,000. The proceeds are currently intended to be used by the Company to support its general working capital requirements.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent contained there. In addition, the Subscription Agreement may be

terminated under certain circumstances. Please refer to the paragraph headed “SUBSCRIPTION AGREEMENT” below for further information.

As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 23 June 2004 pending the release of this announcement. The Company has applied for a resumption of trading in its Shares with effect from 9: 30 a.m. on 24 June 2004.

SUBSCRIPTION AGREEMENT

Date: 21 June 2004
Parties: Angels Technology Company Limited, as issuer
VC Finance Limited, as subscriber

As far as the Directors are aware, the Subscriber is not a connected person (as defined in the GEM Listing Rules) of the Company. The beneficial owner of the Subscriber is Value Convergence Holdings Limited, the shares of which are listed on the GEM board of the Stock Exchange. Value Convergence Holdings Limited is also not a connected person (as defined in the GEM Listing Rules) of the Company.

Subject to the fulfilment of the conditions set out below under the section headed “Conditions precedent of the Subscription Agreement”, the Subscriber has agreed to subscribe for the Note with a principal amount of HK\$4,000,000.

Conditions precedent of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon, among other things:

- the Subscriber being satisfied with the results of its due diligence investigations on the Company and its subsidiaries; and
- applications for the listing of the Conversion Shares on GEM having been made to the Stock Exchange, and the GEM Listing Committee granting listing of and permission to deal in the Conversion Shares.

Termination

The Subscriber may, by notice to the Company given at any time prior to payment of the net subscription moneys for the Note to the Company on the Completion Date, terminate the Subscription Agreement in circumstances including the followings:

- if there shall have come to the notice of the Subscriber any breach of, or any event rendering untrue or incorrect in any material respect any of the warranties and representations contained in the Subscription Agreement when given or repeated or any material failure to perform any of the Company's undertakings or agreements in the Subscription Agreement; and
- if any of the conditions set out in the Subscription Agreement has not been satisfied.

Subject to the foregoing, the Subscription Agreement is expected to be completed on the Completion Date.

The initial conversion price at HK\$0.37 per Share represents a discount of 1.30% over the closing price of the Shares quoted on GEM on 21 June 2004 and a discount of 2.60% to the 10-day average closing price of the Shares over the 10 trading days up to and including 21 June 2004.

The Shares issuable upon conversion of the Note will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 28 April 2004.

PRINCIPAL TERMS OF THE NOTE

The principal terms of the Note are summarised as follows:

Issuer

Angels Technology Company Limited, a company incorporated with limited liability in the Cayman Islands, the shares of which are listed on GEM.

Principal Amount

The principal amount of the Note is HK\$4,000,000.

Interest

The Note bears interest from the Completion Date at the rate of 4% per annum of the principal amount of the Note. Interest is payable on the Note semi-annually in arrear on 30 June and 31 December in each year, with the first payment on 31 December 2004.

Conversion period

The Noteholder will have the right to convert the Note into Shares at any time during the Conversion Period.

Conversion Price

The Note will be convertible into Shares at an initial conversion price of HK\$0.37 per Share. The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, the making of a free distribution of Shares, the declaration of a dividend in Shares and other dilutive events.

Ranking of Conversion Shares

Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant date of exercise of the Conversion Rights.

Transfer

The Note is transferable. The Company will notify the Stock Exchange promptly as soon as the transferor or the proposed transferee of the Note notifies the Company that the proposed transferee is a connected person (as defined under the GEM Listing Rules) of the Company.

Maturity

Unless previously redeemed or converted, the Company will redeem the Note at its principal amount, plus accrued interest, on the Maturity Date.

Early redemption

Commencing three months after the issue of the Convertible Note and prior to the Maturity Date, the Company may by notice to the Noteholder (which notice will be irrevocable), redeem all of the Note from time to time at its full amount outstanding, together with accrued interest thereon. If the 10-day average closing price of the Shares over the 10 trading days up to and including the date of the notice shall be higher than the Conversion Price, the Company shall pay to the Noteholder the difference of that average closing price and the Conversion Price, multiplied with the number of Conversion Shares that would have been issued to the Noteholder had it exercised its Conversion Right on that day.

Voting rights

The Noteholder will not have right to attend or vote in any Shareholders meeting of the Company by virtue of the Note alone.

Ranking of the Note

The Note constitutes direct, unsubordinated, unconditional and unsecured obligations of the Company.

Listing

No listing is sought for the Note on any stock exchange. However, the Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

Based on the initial conversion price of HK\$0.37 and assuming full conversion of the Note, the Note will be convertible into 10,810,810 Shares (subject to adjustment), representing approximately 5.30% of the issued share capital of the Company as at the date of this announcement and approximately 5.04% of the enlarged issued share capital of the Company.

The following table summarises the shareholding structure of the Company as at the date of this announcement:

Name of Shareholder	Existing (as at the date of this announcement)		Assuming the Note is fully converted into Shares at the initial conversion price of HK\$0.37 each	
	No. of Shares	% of issue share capital of the Company	No. of Shares	% of issue share capital of the Company
Sebastian International Holdings Ltd (Note 1)	76,900,000	37.70	76,900,000	35.80
Mitac International Limited (Note 2)	35,100,000	17.20	35,100,000	16.34
Lam Leung Hung (Note 3)	12,000,000	5.90	12,000,000	5.58
Public shareholding	Other Shareholders: 80,000,000	39.20	Other Shareholders: 80,000,000	37.24
	The Subscriber: Nil	0	The Subscriber: 10,810,810	5.04
	Sub-total:		Sub-total:	
	<u>80,000,000</u>	<u>39.20</u>	<u>90,810,810</u>	<u>42.28</u>
Total	<u>204,000,000</u>	<u>100.00</u>	<u>214,810,810</u>	<u>100.00</u>

Notes:

1. Sebastian International Holdings Limited is a company wholly-owned by Mr. Yan, Daniel X.D., the Chairman and an executive Director of the Company.
2. Mitac International Holdings Limited is a company wholly-owned by Mr. Lau, Andrew Kim, an executive Director.
3. To the best knowledge of the Directors, the party is independent of and not connected with the directors, chief executive, substantial shareholder or management shareholders of the Company or an associate of any of them.

USE OF PROCEEDS

The estimated net proceeds of the issue of the Note, after deduction of fees and expenses (amounting to approximately HK\$150,000), are approximately HK\$3,850,000. The proceeds are currently intended to be used by the Company to support its general working capital requirements and will not be used for the settlement of any debt of the Company.

REASONS FOR AND BENEFITS OF THE ISSUE

In order to secure a medium to long term financing resources and enhance the Company's cash position for its operation and future development, the Directors propose to issue the Notes. The Directors are of the view that the issue of the Notes is an appropriate means of raising funds for the Company, since unlike other equity financing methods such as placing of new shares, it will not have an immediate dilution effect on the interest of the existing Shareholders.

GENERAL

The Company is an investment holding company and the principal activities of its subsidiaries are devoted to the solution of mechanical and electrical transportation projects in the PRC, the whole solution of Expressway networks toll collection system and system integration and R&D of new product in IT Industry.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "SUBSCRIPTION AGREEMENT" above for further information.

As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The Company has not had any fund raising activities on the Stock Exchange in the past 12 month period.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 23 June 2004 pending the release of this announcement. The Company has applied for a resumption of trading in its Shares with effect from 9:30 a.m. on 24 June 2004.

TERMS USED IN THIS ANNOUNCEMENT

“Business Day”	a day (other than Saturday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general business;
“Company”	Angels Technology Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM;
“Completion Date”	any day within three (3) Business Days after the fulfillment of the conditions set out under the Subscription Agreement last in time to be fulfilled (including where appropriate waiver of such conditions that are capable of being waived and have been waived by the Subscriber) or such other time as the Parties may agree upon;
“Conversion Period”	the period commencing from the date of the issue of the Note and ending upon expiry of 18 months starting from such date;
“Conversion Price”	the price per Share at which the Note may be converted into Shares;
“Conversion Right”	the right of a Noteholder to convert the Note (or part thereof) into Shares;
“Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Note;
“Directors”	directors of the Company;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
“GEM Listing	the Listing Committee of GEM;

Committee”	
“HK\$”	Hong Kong dollars;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Maturity Date”	the date falling on the expiry of the period which is 18 months starting from the date of issue of the Convertible Note or if such date is not a Business Day, the Business Day immediately following such date;
“Note”	the 4% convertible note of an initial principal amount of HK\$4,000,000;
“Noteholder”	the holder of the Note;
the “PRC”	The People’s Republic of China;
“Share(s)”	ordinary shares of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
the “Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	VC Finance Limited; and
“Subscription Agreement”	a conditional subscription agreement entered into between the Company and the Subscriber on 21 June 2004 in connection with the issue of the Note by the Company.

By Order of the Board
Yan, Daniel X.D.
Chairman

Hong Kong, 23 June 2004

As at the date of this announcement, the board of Directors comprises six Directors, of which four (namely Mr. Yan, Daniel X.D. (Chairman), Mr. Lau, Andrew Kim, Mr. Zhu Quan and Ms. Shek Ying, Christine) are executive Directors and two (namely Mr. Yang Xiaoping and Mr. Zhao Ming) are independent non-executive Directors.

This announcement, for which the directors of Angels Technology Company Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.