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ANGELS

ANGELS TECHNOLOGY COMPANY LIMITED

英君技術有限公司

(Incorporated in the Cayman Islands with limited liabilities)

ANNOUNCEMENT

CHANGE IN APPLICATION OF THE IPO PROCEEDS

The Board announces to change the application of net proceeds raised from the initial public offering of the new shares in the Company by way of new listing on GEM of the Stock Exchange in August 2001 and its business objectives as set out in the Prospectus.

Investors/shareholders are advised to exercise extreme caution in dealing in the securities of the Company.

Further to the results announcement for the nine months ended 30th September, 2002 made on 8th November, 2002, the board (the “Board”) of directors (the “Directors”) of Angels Technology Company Limited (the “Company”) announces to change the application of net proceeds (the “IPO Proceeds”) raised from the initial public offering of the new shares in the Company by way of new listing on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in August 2001. Breakdown of the use of the IPO Proceeds as stated in the prospectus of the Company dated 22nd August, 2001 (the “Prospectus”), the use of the IPO Proceeds after adjustment and the amount utilised up to 30th September, 2002 are summarized as follows:

	Use of the IPO Proceeds up to the period ending 30th June, 2003 as stated in the Prospectus (in HK\$ million)	Use of the IPO Proceeds after adjustment (in HK\$ million)	Amount utilised up to 30th September, 2002 (in HK\$ million)
1. Transportation technology solutions	6.5	5.1	4.6
2. Freight logistics management information system	6.0	2.4	2.4
3. Resources, employment and administration	1.9	0.2	0.2
4. Research and development	5.0	6.3	6.2
5. Repayment of loan to a related company	2.2	2.2	2.2
6. Working capital	5.4	9.6	9.6
Total	<u>27.0</u>	<u>25.8*</u>	<u>25.2</u>

* Final figure of the IPO Proceeds was approximately HK\$25.8 million. The difference of approximately HK\$1.2 million relates to the legal and professional fees incurred by the Company upon listing of its shares on GEM.

For the transportation technology solutions, a subsidiary of the Company is still in negotiation with its customers regarding the project of the auto-pass toll collection system on the Guangzhou Huanan Expressway. Therefore, the schedule for the implementation of the project has not been finalized and completion of the project is expected to be delayed from the period ending 31st December, 2002. In view of the limited market interest in the one-card-pass electronic toll collection technology in the Guangdong Province, the People's Republic of China (the "PRC"), the Directors decided to shelve the project. Accordingly, the amount of the IPO Proceeds allocated on the transportation technology solutions was adjusted from approximately HK\$6.5 million to approximately HK\$5.1 million. Up to 30th September, 2002, approximately HK\$4.6 million was utilised on the transportation technology solutions. The Directors intended to apply the balance of the IPO Proceeds allocated on the transportation technology solutions of approximately HK\$0.5 million as to approximately HK\$0.2 million for the six-month period ending 31st December, 2002 and as to approximately HK\$0.3 million for the six-month period ending 30th June, 2003.

For the freight logistic management information system, due to the delay in setting up the truck depot in Guangzhou, the Directors decided to postpone the project development. Future development would depend on the efficiency of setting up infrastructure and truck depots in Guangzhou, business opportunities identified by the Company and its subsidiaries (the “Group”) and subsequent evaluation of the project and negotiation with the customers and suppliers. The Directors consider that source of funding of any further development will depend on the cash position of the Group and the business opportunities identified by the Group. The amount of the IPO Proceeds allocated on freight logistic management information system was adjusted from approximately HK\$6.0 million to approximately HK\$2.4 million. Up to 30th September, 2002, approximately HK\$2.4 million was utilised on the freight logistic management information system.

For the resources, employment and administration, the Directors were of the view that the IPO Proceeds allocated for the improvement of the Group’s training facilities and the establishment of a software development centre in Guangzhou were to be withheld in view of the business and operational difficulties that the Group is facing. The Group has been implementing control measures to reduce operational costs. The amount of the IPO Proceeds applied on the resources, employment and administration was adjusted from approximately HK\$1.9 million to approximately HK\$0.2 million. Up to 30th September, 2002, approximately HK\$0.2 million was utilised on the resources, employment and administration.

In view of the adverse changes in market conditions in the transportation technology solutions industry, the Directors believed that it would be in the interest of the Group to adopt a more conservative approach in the research and development. Given the keen competition of the market in relation to the transportation technology solutions and the competitive bid pricing of the projects and having considered that the development of national standards of expressway system integration is time consuming and the return is not attractive to the Group, the Directors decided to postpone the research on national standards of expressway system integration. In June 2002, the Directors announced that the Group entered into a memorandum of understanding (the “MOU”) with QUALCOMM Incorporated (“Qualcomm”) 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 (“LBS”) based on Qualcomm’s gpsOne™ technology for use in CDMA wireless telecommunication networks in Beijing and other cities in the PRC. The Directors considered that it would be necessary for the Group to explore and develop other related areas of business in order to expand the business of the Group and to enhance its revenue base. The Directors believed that the conclusion of the MOU set a milestone for the Group to pursue further business opportunities with Qualcomm in the provision of system integration. Initially, the Directors planned to use the internal resources of the Group for any investment in the CDMA project. However, in view of the unsatisfactory performance of the Group for the nine months ended 30th September, 2002, the Directors would apply an aggregate of approximately HK\$0.9 million on the research on CDMA, of which as to approximately HK\$0.8 million for the six-month period ending 31st December, 2002 and as to approximately HK\$0.1 million for the six-month period ending 30th June, 2003. The Directors planned to complete the system integration and the trial operation network running

of the deployment of LBS based on Qualcomm's gpsOne™ technology for the six-month period ending 31st December, 2002 and to tender the system integration business operation network and applications platform in Beijing for the six months ending 30th June, 2003. The MOU served as a guideline for the cooperation between the Group and Qualcomm and did not constitute a binding contractual relationship on both parties. As at the date of this announcement, no terms of the cooperation have been finalized and no binding agreement has been entered into for such cooperation. The research and development of the CDMA project carried out by the Group was an exploration of business opportunities for the Group in the area. Accordingly, the Directors are of the view that the research and development on the CDMA project by the Group does not constitute a change in the nature of the business of the Group under the Rules Governing the Listing of Securities on GEM as at the date of this announcement. Separate announcement will be published as and when the terms of the cooperation are finalized or a binding agreement is entered into for such cooperation. It was set out in the Prospectus that research on the technology of automatic verification of vehicle registration numbers would be commenced in the six-month period ending 31st December, 2003. However, in view of the market demand of the product, research work on the technology of automatic verification of vehicle registration numbers had commenced in the six-month period ended 30th June, 2002 and would be completed in the six-month period ending 31st December, 2002. An amount of approximately HK\$0.8 million was spent up to 30th September, 2002 on such research. The Directors reckoned that no further funding would be required for the research on the technology of automatic verification of vehicle registration numbers. Up to 30th September, 2002, approximately HK\$6.2 million was utilised on research and development by the Group.

The balance arising from the adjustment of the use of the IPO Proceeds on transportation technology solutions, freight logistics management and resources, employment and administration has been allocated as to approximately HK\$1.3 million on research and development and as to approximately HK\$4.2 million as general working capital of the Group.

The turnover of the Group was approximately HK\$0.6 million and approximately HK\$4.5 million for the six months ended 30th June, 2002 and the nine months ended 30th September, 2002 respectively. The loss of the Group was approximately HK\$8.3 million and approximately HK\$12.4 million for the six months ended 30th June, 2002 and the nine months ended 30th September, 2002 respectively. In view of the unsatisfactory performance of the Group and the slow settlement of the Group's accounts receivables by its debtors, the Directors resorted to apply part of the IPO proceeds to finance the general operations of the Group so as to keep the Group going. There was no specific decision as to when the application of the IPO Proceeds was changed. As at the date of this announcement, the Directors confirm that there is no litigation, claims or damages against the Group. The cash and bank balance of the Group amounted to approximately HK\$3.0 million as at the date of this announcement. Barring unforeseeable circumstances and on the basis that the debtors of the Group can settle their outstanding accounts receivables in a timely manner, the Directors are of the view that the working capital of the Group will be adequate for its present requirements. In the event that there is any shortfall in the working capital of the Group, further funding may be required. As at the date of this announcement, the Company does not have any plan to raise additional funding for the Group. Future development of the

Group will depend on the cash position of the Group and the business opportunities identified by the Group. Further announcement will be made on the working capital of the Group as and when appropriate.

Save as set out above, the Directors confirm that as at the date of this announcement, there is no material change in the business nature and in the business objectives of the Company as stated in the Prospectus and that there is no material impact on the operations and business of the Group.

Investors/shareholders are advised to exercise extreme caution in dealing in the securities of the Company.

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

21st November, 2002, Hong Kong

This announcement, for which the Directors 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 of Hong Kong Limited 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.