Characteristics of The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the " Stock Exchange")

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

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

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

This announcement, for which the directors of Arcontech Corporation collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Arcontech Corporation. 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.

ARCONTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF 2003 RESULTS

RESULTS

The Board of Directors (the "Board") of Arcontech Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2003, together with comparative figures for the year ended 31 March 2002 as follows:

	Note	YEAR ENDED 31 MARCH 2003 HK$'000	2002 HK$'000
Turnover	2	540,367	472,395
Cost of sales		(425,822)	(321,799)
Gross profit		114,545	150,596
Other revenues	2	3,270	691
Selling and distribution expenses		(9,819)	(10,270)
General and administrative expenses		(83,590)	(63,313)
Gain on deemed disposal of interests in a subsidiary		—	7,242
Gain on disposal of subsidiaries		398	—
Loss on disposal of fixed assets		(857)	—
Write off and write down on value of inventories		(18,897)	—
Provision for inventories		(85,765)	—
Provision for bad and doubtful debts		(349,224)	—
Provision for other receivable		(2,000)	—
Operating (loss)/profit	2, 3	(431,939)	84,946
Finance costs	4	(7,242)	(3,914)
(Loss)/profit before taxation		(439,181)	81,032
Taxation credit/(charge)	5	8,743	(12,906)

	Note	YEAR ENDED 31 MARCH 2003 HK$'000	2002 HK$'000
(Loss)/profit after taxation		(430,438)	68,126
Minority interests		9,331	(514)
(Loss)/profit attributable to shareholders		(421,107)	67,612
Dividends	6	16,810	35,695
Basic (loss)/earnings per share	7	(51.84) cents	9.39 cents

Notes:

1. **Basis of preparation**

The accounts have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business. The assumption is dependent upon the successful completion of the restructuring of the Group's debts, the withdrawal of the winding-up petition by the bank creditor, the continuing financial support of the Group's bankers and other external funds being available.

Subsequent to the balance sheet date, one of the Group's bank creditors, the Hongkong and Shanghai Banking Corporation Limited ("HSBC"), has filed a winding up petition against each of the Company and its principal subsidiary, Arcon Technology Limited. Some other major bank creditors have also demanded for immediate payments of the amounts due to them. In the absence of additional funding, the Group cannot meet the demands for immediate payments of its debts. The Company has engaged its legal adviser to advise on the petition and prepare its defence.

The Group is currently engaged in negotiations with its bank creditors, on a without prejudice basis, to achieve a debt restructuring agreement, but formal agreement has not been reached up to the date of this report.

In the absence of a formal standstill agreement to restructure the Group's bank loans and other debts, the directors consider that it is more appropriate to classify all borrowings of the Group as current liabilities in the accounts.

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 as modified by the revaluation of leasehold land and buildings and investment properties.

In current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("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 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the above new and revised SSAPs has no material impact on the accounts of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment is required.

2. Turnover, revenues and segment information

The Group is principally engaged in the design, development of software and engineering solutions including the sales of semiconductors and electronic components, and the location-based technology devices and applications ("GPS") in Hong Kong. Revenues recognised during the year are as follows:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Turnover		
Sale of goods	526,379	445,656
Royalty income	13,988	26,739
	540,367	472,395
Other revenues		
Commission income	—	124
Software and internet service income	256	119
Operating lease rental income from investment property	74	—
Interest income	1,054	448
Sundry income	1,886	—
	3,270	691
Total revenues	543,637	473,086

As the Group's operations are principally located in Hong Kong, no geographical segmental analysis is presented. An analysis of the Group's revenue, segment results and segment assets by principal business segment is as follows:

	Sales of software and engineering solutions excluding GPS	**Sales of GPS**	**Group**	**Sales of software and engineering solutions excluding GPS**	**Sales of GPS**	**Group**
	2003	**2003**	**2003**	**2002**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	482,917	57,450	540,367	443,835	28,560	472,395
Segment results	(402,970)	(29,367)	(432,337)	82,967	(5,263)	77,704
Gain on deemed disposal of interests in a subsidiary			—			7,242
Gain on disposal of subsidiaries			398			—
Operating (loss)/profit			(431,939)			84,946
Finance costs			(7,242)			(3,914)
(Loss)/profit before taxation			(439,181)			81,032
Taxation			8,743			(12,906)
(Loss)/profit after taxation			(430,438)			68,126
Minority interests			9,331			(514)
(Loss)/ profit attributable to shareholders			(421,107)			67,612
Segment assets	251,590	99,013	350,603	450,706	93,269	543,975
Investments in associated companies			4			4
Total assets			350,607			543,979
Segment liabilities	278,575	53,436	332,011	170,325	36,178	206,503
Other information						
Capital expenditure	1,705	3,805	5,510	36,830	24,728	61,558
Depreciation	18,113	11,723	29,836	7,080	7,011	14,091
Loss on disposal of fixed assets	413	444	857	—	—	—
Write off and write down on value of inventories	12,859	6,038	18,897	—	—	—
Provision for inventories	85,765	—	85,765			
Provision for bad and doubtful debts	336,987	12,237	349,224	—	—	—
Provision for other receivable	2,000	—	2,000	—	—	—

3. **Operating (loss)/profit**

Operating (loss)/profit is stated after charging the following:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Auditors' remuneration		
— current year provision	650	1,500
— underprovision in prior year	172	—
Depreciation of fixed assets		
— owned assets	29,457	13,712
— assets held under finance leases	379	379
Operating lease rentals in respect of land and buildings	4,335	2,110
Research and development costs *(note (a))*	11,815	11,296
Staff costs excluding directors' emoluments		
— salaries, bonus, allowances and benefits in kind	23,604	27,435
— retirement benefits scheme contributions	545	635
Deficit arising from revaluation of property	263	73
Net exchange loss	255	139

(a) Included in the research and development costs were staff costs of HK$9,950,000 (2002: HK$10,757,000) which had also been included in staff costs disclosed above.

4. **FINANCE COSTS**

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	7,174	3,839
Interest element of finance leases	68	75
	7,242	3,914

5. **Taxation**

The taxation (credit)/charge comprises:

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Hong Kong profits tax *(note (a))*	—	8,973
Overseas taxation *(note (b))*	—	37
(Over)/under provision in prior year	—	(160)
Deferred taxation	(8,743)	4,056
	(8,743)	12,906

(a) No Hong Kong profits tax has been provided as the Group had no estimated assessable profits for the year.

Hong Kong profits tax was provided at the rate of 16% for the year ended 31 March 2002 on the estimated assessable profits of the Group for that year .

(b) No overseas taxation has been provided as the Group's overseas subsidiaries did not have any taxable profits for the year.

Overseas taxation for the year ended 31 March 2002 represented tax charge on the estimated assessable profits of a PRC subsidiary for that year calculated at rates prevailing in the PRC.

6. **Dividends**

	Group	
	2003	**2002**
	HK$'000	*HK$'000*
Ordinary cash dividend		
Interim, paid, of HK1.05 cents in respect of 2003 (2002: HK2 cents) per ordinary share	8,610	14,400
Final, paid, of HK1 cent in respect of 2002 (2001: HK1.5 cents) per ordinary share	8,200	10,800
	16,810	25,200
Distribution in specie		
Special interim dividend of SDC's shares	—	10,495
	16,810	35,695

The interim dividends in respect of 2003 were declared on 31 July 2002, 1 November 2002 and 12 February 2003 for the three quarters respectively. Before the declaration of such interim dividends, the directors had reviewed the operating results of the Group for the respective quarters and were of the view that it appeared to the Board to be justified by the profits of the Group for the declarations of these interim dividends.

7. **(Loss)/earnings per share**

The calculation of basic(loss) / earnings per share is based on the Group's loss attributable to shareholders of approximately HK$421,107,000 (2002: profit of HK$67,612,000) and the weighted average number of 812,328,767 ordinary shares (2002: 720,000,000 ordinary shares) in issue during the year.

Diluted (loss)/earnings per share is not presented because there were no dilutive potential ordinary shares outstanding during the two years ended 31 March 2003.

8. **Movements of reserves**

Group	**Share premium** *HK$'000*	**Merger reserve** *HK$'000*	**Exchange reserve** *HK$'000*	**Retained earnings/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*
At 1 April 2001	84,737	20,943	(99)	128,001	233,582
Profit attributable to shareholders	—	—	—	67,612	67,612
Dividends:					
Special interim dividends in specie of shares in a subsidiary	(10,495)	—	—	—	(10,495)
2001 Final dividend *(note 6)*	—	—	—	(10,800)	(10,800)
2002 Interim dividend *(note 6)*	—	—	—	(14,400)	(14,400)
Exchange differences arising on translation of accounts of overseas subsidiaries	—	—	(23)	—	(23)
At 31 March 2002	74,242	20,943	(122)	170,413	265,476
At 1 April 2002	74,242	20,943	(122)	170,413	265,476
Issue of new shares	113,000	—	—	—	113,000
Share issue expenses	(3,855)	—	—	—	(3,855)
Loss attributable to shareholders	—	—	—	(421,107)	(421,107)
Dividends:					
2002 Final dividend *(note 6)*	—	—	—	(8,200)	(8,200)
2003 Interim dividend *(note 6)*	—	—	—	(8,610)	(8,610)
Exchange differences arising on translation of accounts of overseas subsidiaries	—	—	(108)	—	(108)
At 31 March 2003	183,387	20,943	(230)	(267,504)	(63,404)

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation took place in 2001 and the nominal value of the Company's shares issued in exchange thereof.

Extract of Auditors' Report

The auditors of the Company were unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's loss for the year then ended and as to whether the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. The following paragraphs have been included in the auditors' report:

Basis of opinion

We planned 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. However, the evidence available to us was limited as follows:

1. Included in deposits, prepayments and other receivables in the consolidated balance sheet is a prepayment of masking, engineering and tooling charges totalling HK$42,640,000 made to a supplier for developing proprietary mobile phone chipsets. The prepaid masking charge is refundable in terms of rebate on purchases made by the Group in accordance with the agreement signed between Arcon Technology Limited ("ATL), a wholly-owned subsidiary of the Company, and the supplier. As at the date of this report, no purchases of the chipset has been made by ATL. In view of the financial difficulties suffered by the Group and the winding up petition as mentioned in the paragraph of "Fundamental uncertainty" below which had adversely affected the normal operations of the Group, it is uncertain whether purchases will be made and thus whether the prepaid masking charge will be refunded. There were no other satisfactory audit procedures we could adopt to ascertain that the prepayment was recoverable. Any adjustment to the amount of this asset would increase the loss of the Group for the year ended 31 March 2003 and reduce the Group's net assets at that date by that amount.

2. We did not receive a sufficient number of replies to confirmations requested from the Group's suppliers on the amounts of purchases for the year ended 31 March 2003 and of trade payables as at that date. Total sample amounts selected by us for such confirmation purpose amounted to approximately HK$426,463,000 and HK$105,929,000 respectively out of the population of total purchases for the year and the year-end trade payable balance of approximately HK$608,005,000 and HK$114,682,000

respectively. As at the date of this report, replies to confirmations not yet received by us amounted to approximately HK$105,748,000 for purchases and HK$19,134,000 for trade payable balances. There were no other satisfactory audit procedures we could adopt to confirm that all purchases for the year ended 31 March 2003 and all liabilities as at that date were properly recorded.

3. We did not receive a sufficient number of replies to confirmations requested from the Group's customers on amounts of sales for the year ended 31 March 2003 and of receivables as at that date. Total sample amounts selected by us for such confirmation purpose amounted to approximately HK$453,409,000 and HK$426,206,000 respectively out of the population of total sales for the year and the year-end trade receivable balance before provision for bad and doubtful debts of approximately HK$540,367,000 and HK$456,761,000 respectively. As at the date of this report, replies to confirmations not yet received by us amounted to approximately HK$59,926,000 for sales and HK$54,763,000 for trade receivable balances. There were no other satisfactory audit procedures we could adopt to confirm that all sales for the year ended 31 March 2003 and all assets as at that date were properly recorded.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis adopted in the preparation of the Group's accounts. The Group incurred a loss attributable to shareholders of HK$421,107,000 for the year ended 31 March 2003 and had net current liabilities of HK$43,794,000 as at 31 March 2003. Further, subsequent to the balance sheet date, one of the Group's bank creditors has filed a winding up petition against each of the Company and its principal subsidiary, Arcon Technology Limited. Some other major bank creditors have also demanded for immediate payments of the amounts due to them. The Company has engaged its legal adviser to advise on the petition and prepare its defence. Simultaneously, the Group is in negotiation with its bank creditors, on a without prejudice basis, to reach a debt restructuring agreement, the outcome of which is uncertain at this stage. Nevertheless, the directors have prepared the accounts on the going concern basis. In these circumstances we are unable to determine whether the use of the going concern basis in the preparation of these accounts is appropriate. We are unable to quantify the adjustments that would be required, if any, had these accounts been prepared on a break-up basis.

Disclaimer on view given by the accounts

Because of the significance of the effect on the accounts should the preparation of accounts on a going concern basis become not appropriate and the limitations in evidence available to us in respect of the matters as mentioned in the section of "Basis of opinion", we are unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the Group's loss and cash flows for the year then ended and as to whether the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2003 (2002: HK1 cent).

Total dividends for the year ended 31 March 2003 amounted to HK1.05 cents per share, consist of the interim dividend of HK0.35 cent per share for the three months ended 30 June 2002 paid to shareholders on 23 August 2002, the interim dividend of HK0.50 cent per share for the three months ended 30 September 2002 paid to shareholders on 27 November 2002 and the interim dividend of HK0.20 cent per share for the three months ended 31 December 2002 paid to shareholders on 12 March 2003.

BUSINESS REVIEW AND PROSPECTS

Financial Results and Liquidity

For the year ended 31 March 2003, the Group continued to operate under difficult market conditions, in particular, the unexpected US-Iraq War and the attack of SARS in the first half of 2003 further increased such difficulties. The Group also faced a weak US consumer market for audio/visual products. This market trend has forced customers from the US to adopt a new procurement practice, under which the lead time for orders placed by those customers were generally much shorter than in previous periods. As a result, the Group was forced to increase its inventory level so as to meet such short lead time for the orders of the customers. The Group therefore, in line with market demand, adopted an aggressive policy towards turning over its inventory level.

In order to increase inventory turnover, and in response to the pressure on prices from customers, the Group generally lowered prices on its products and the turnover of the Group for the year was increased to HK$540.4 million compared to HK$472.4 million for the previous year.

The inventory turnover policy adopted by the Group as well as the relatively lower profit margin for audio/visual product solutions sold during the year led to lower gross profit of 21% compared to 32% for the previous year.

A large number of products sold during the year was returned to the Group by customers which were in financial difficulty and some of which were facing debt recovery proceedings commenced by one of the bank creditors of the Group. Some of the inventory sold during the year were embedded by these customers in products such as CD-ROM which were moving towards the mature stage of its product life cycle and were particularly exposed to bad market conditions and competition from replacement products such as DVD. Inventory in the amount of HK$104.7 million was therefore written off, written down or provided for as appropriate in the accounts.

The returned inventory could only be effectively re-used or sold if they are reprogrammed with different functions and features to be used with other products. However, the Group was unable to invest any resources into such required research and development.

One of the bank creditors of the Group commenced winding up proceedings against the Company on 16 July 2003. The winding up action coupled with the financial difficulty faced by the Group's customers due to the slow US market conditions caused many of the Group's customers to stop payment of debts to the Group. The effects of the winding up proceedings spiraled and a broad range of debtors refused to pay the Group and an amount of HK$349.2 million were provided for in the accounts for the year ended 31 March 2003 as bad and doubtful debts.

General and administrative expenses increased to HK$83.6 million after making a depreciation charge of HK$29.8 million.

Charges on Group Assets and Contingent Liabilities

The Group's banking facilities were secured by corporate guarantees given by the Company and there were approximately HK$ 186 million utilized banking facilities, mainly trade financing, as at 31 March 2003. Bank borrowing to equity ratio was 10.

Subsequent to the balance sheet date, one of the Group's bank creditors, HSBC has filed a winding up petition against each of the Company and its principal subsidiary, Arcon Technology Limited. Some other major bank creditors have also demanded for immediate payments of the amounts due to them. In the absence of additional funding, the Group cannot meet the demands for immediate payments of its debts. The Company has engaged its legal adviser to advise on the petition and prepare its defence. It is expected that the Group will settle the matter in a satisfactory way and survive the crisis.

The Group is currently engaged in negotiations with its bank creditors, on a without prejudice basis, to achieve a debt restructuring agreement, but formal agreement has not been reached up to the date of this announcement.

In the absence of a formal standstill agreement to restructure the Group's bank loans and other debts, the directors consider that it is more appropriate to classify all borrowings of the Group as current liabilities in the accounts.

The directors believe that the Group's aggressive credit policy contributed significantly to its fast expansion in the market in the past years. Unfortunately, the unexpected US-Iraq War and the attack of SARS in the first half of 2003 had ruined this aggressive business mode. Demand dropped sharply and most of its customers are in financial difficulties. The Group's liquidity is thus affected and its funds are held up by inventory and doubtful debts. However, the Group's core business remains profitable.

Foreign Exchange Exposure

The revenues of the Group are denominated mostly in Hong Kong Dollars and U.S. Dollars. The Group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purposes.

Employees

As at 31 March 2003, the Group had 153 full-time employees who were engaged in the following operations:

Engineering and R&D	117
Sales and marketing (including field application engineers)	11
Finance, accounting, operation and administration	25
Total headcount	153

The Group has successfully reduced the total headcounts from 216 to 153 as part of an internal reorganization and increased operational efficiency. The Group believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries, staff benefits include medical scheme, share options and performance bonus.

Acquisition of subsidiaries and affiliated companies

Two subsidiaries were disposed of at a gain of approximately HK398,000. Apart from the foregoing disposals, there was no material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 March 2003.

Business Review

The Group faced extreme challenges during the period under review due especially to weak global economies, the threat of war and terrorism, the US-led invasion of Iraq in March, the attack of SARS and a particularly poor consumer spending environment in the US markets. Business for the fourth quarter in the US in particular was weakened heavily in the lead up to the Iraq war and coincided with falling consumer confidence.

The operating landscape changed as the demand for high-end products continued to be weak. Competition amongst industry players have intensified and the resulting pressure on retail prices has affected all levels of industry. The aggressive inventory turnover policy adopted by the Group was a direct result of such market conditions and was driven by changes to operating models adopted by all levels of market participants to combat falling retail prices.

During the year, some of the solutions of the Group was embedded in products which were moving towards the mature stage of the product life cycle, and those customers were particularly exposed to market volatility. The solutions developed for the replacement products were not yet reflected in the financial performance of the Group for the year. The winding up petition filed against the Company by one of its bank creditors also severely affected the operations of the Group.

Combination of the above factors negatively impacted on the financial performance of the Group. During the year, the Group was focusing on a number of internal policies and restructure to combat the exposure to credit risk, given the changes in operating environment described above, including taking insurance policy on new sales, and measures were imposed on managing credit assessment. The Group was also in the process of implementing its new operational plan, focusing on streamlining its operations.

Prior to the difficulties faced by the Group with regards to the winding up proceedings against the Company and the failure of its customers to pay its debts, the Group was successful in adopting a revised operation policy to combat the difficult operating environment. The Group has moved towards focusing on developing solutions for fast moving consumer items such as audio visual products, Wi-Fi devices and simple digital devices which command a higher volume. The Group also focused on developing solutions for high end products which have a shorter time to market in order for the Group to benefit from the higher margin available during the early cycles of the product, and allow the Group to move its development focus to the next generation of products relatively quickly.

On the operation side, the management has during the year, extensively and substantially reshuffled executives' responsibilities in a major review of the Group organization. The management also realigned the organizational structure of the Group and adopted certain operational plans, which streamlined the operation and increased the operational efficiency in various areas of operating the Group's businesses.

On the senior management side, Mr. Edwin Yip was appointed as the Group's executive director and chief financial officer in August, 2002, Mr. Ho Ping as an executive director and Mr. Zhang Xiaoming as independent non-executive director in October, 2002. Mr. Raymond Cheung, Mr. Lo Chi Ko and Mr. Ho Yung San were appointed as independent non-executive directors in May 2003 and August 2003 respectively. Mr. Tong Ka Ming, Patrick and Mr. Mak Kam Wah resigned as executive directors in October 2002 and August 2003 respectively. Mr. Wang Wei Hung, Mr. Chu Ho Hwa, Mr. Raymond Cheung and Mr. Zhang Xiaoming resigned as independent non-executive directors in April, 2003, May 2003, July 2003 and August 2003 respectively. The Board would like to take this opportunity to welcome the new directors and to express its appreciation for the outgoing directors' contributions towards the Group during their terms of service.

It is with deep regret and grief to inform you of the loss of our dear Chairman of the Technology Advisory Board and Chief Consultant of the Group, NEC Distinguished Professor Tien Chang Lin, who passed away in October 2002. Prof. Tien's departure is a great loss to the Group. His leadership in the Group's Technology Advisory Board had guided us to become a leading solution provider in the 3C products industry and he will live in the memory of all the staff of the Group who have had the honor of working with him.

Future Prospects

Prospects

The market sentiment has picked up significantly since the year under review and the Group's products are in demand by industry players. The Group has the know how to develop solutions which can replace expensive features often executed through hardware with a much cheaper alternative in software solutions.

The Group will look to adopting a streamlined operating structure and focus on its design strength in developing new products in order to command a higher margin instead of following industry standards during the year under review in driving for volume and turnover in order to move its inventory which has exposed the Group to credit risks and has affected the Group's financial performance during the year significantly.

ADVANCES TO ENTITIES

In accordance with rules 17.15 to 17.17 of the GEM Listing Rules, the Company makes the following disclosures in relation to the details of advances to entities:

Name of entity	**Outstanding balance as at 31 March 2003 (before provision)** *HK$'000*
Shanghai Chuen Tian Electronic Co.	60,770
Golden Source Electronics Limited	33,877
He Mu Economy Development Co., Ltd.	70,810
HongPu International Development (Shanghai) Co., Ltd	17,018
Huashen Electronic Ltd.	5,158
Li Guang Electronics Limited	17,238
Mighty Treasure Trading Limited	68,623
Silver City China Ltd.	11,094
Shenzhen He Si Rui Electrical Ltd.	7,181
Wealth-In Industrial Limited	6,252
Windsor Technology Limited	90,394
Funet Radio & Communications Corporation	31,200
Semi House Pte Ltd.	15,795

The above entities are independent third party customers of the Group and the above amounts represented trade receivable balances for sales made to the respective customers as at 31 March 2003. The amounts are unsecured, interest-free and repayable in accordance with the credit terms as agreed with respective customers. Except for the amount due from Semi House Pte Ltd. which had been fully settled subsequent to 31 March 2003, adequate provision for bad and doubtful debts have been made on all the above amounts in the accounts for the year ended 31 March 2003.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Group has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

On behalf of the Bopard
Arcontech Corporation
Tsoi Siu Ching Leo
Chairman

Hong Kong, 20 November 2003

This announcement will remain on the "Latest Company Announcement" page of the GEM website for at least seven days from its date of publication.